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CONTENTS

PUBLIC ADMINISTRATION

METHOD OF DETERMINING THE DEGREE OF AUTONOMY OF THE ADMINISTRATIVE-TERRITORIAL UNITS

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Abstract *Local autonomy is increasing as importance in the current context of the European Union. The paper aims to analyze, from such a perspective, the degree of local autonomy in European Union countries. In this regard I will propose a synthetic indicator measuring the degree of local autonomy calculated as a weighted average score based on a set of relevant quantitative and qualitative indicators of local autonomy existing in the literature whose representation in the group of indicators will be measured by a coefficient of importance. To each indicator as component of synthesis indicator will determine the field of variation and the average score obtained will be placed in classes of local autonomy defined in the assumptions made by science administration. We estimate the analysis to confirm the hypothesis that countries from European Union have differences of the degree of local autonomy between them. We consider that the paper can be a useful viewpoint in understanding the degree of local autonomy of European Union, which allows researchers to include other sources of information for researching an in a much more complex approach.*

Keywords: *Local autonomy, local budget, European Union*

Introduction

Characterization of the financial side of the administrative-territorial units and of financial decentralization is achieved in practice by reference to indicators registered in local budgets. In this respect, are considering quantitative indicators as the share of own revenues in total local government revenues, the ratio of own revenues in total expenditures of local budgets and the level of self financing, share transfers and subsidies from other public budgets to local budgets, the coefficient of Hunter, the local budget revenues per capita, the ratio of total local revenues or total local expenditure in gross domestic product, etc.. Although these indicators highlights the best local financial autonomy, they do not cover the entire spectrum of autonomy, because in the statistics they are not placed in direct correlation with a number of issues as citizen involvement in local government decision-making, competence of local authorities in setting taxes, share of exclusive competence of local authorities. Therefore, without claiming a pioneer in building a synthetic indicator combining qualitative and quantitative indicators, endorse the idea that determining the degree of autonomy of territorial-administrative units in terms of the financial side can be approached in this way, with the basic studies in the literature (Owens & Norregaard, 1991; Dafflon, 1992; OECD, 1999; Dafflon & Perritaz, 2000; Ebel & Yilmaz, 2002; Curzon-Price & Garello, 2003; Meloche et al., 2004; Blöchliger, & King, 2005; Bell et al., 2006; Enikolopov & Zhuravskaya, 2006; World Bank, 2007). The method proposed in this paper make a contribution in the field of research on measuring the administrative-territorial autonomy by proposing a synthetic indicator which is calculated as a weighted average score based on a set of core indicators of local autonomy, as it captures the literature. Importance of each in measuring the degree of autonomy is measured by a factor of importance. Also, within the proposed method is established the field of variation of each index component of synthesis indicator and for the average score obtained is fixed certain classes of local autonomy that are defined based on assumptions made by administration science.

Data and method

The method proposed in this paper, we use ten quantitative and qualitative indicators that can be regarded as variables depending on a range of variation, reflecting the degree of local autonomy. Each variable is given an importance factor, denoted by w_i (a share, subjective probability and their sum is equal to 1) which was established by analyzing the literature on the importance of each indicator and placing it within the group of indicators.

The field of variation of indicators is divided into four groups and each of the groups was fixed limits of variation. Placing an indicator in a particular group variation is measured by a score, denoted by *s*, which takes values from 1 to 4: Level 4 corresponds to full autonomy, and Level 1 corresponds to reduced autonomy. Please note that we started from Level 1 in analyzes because we start from the hypothesis that all EU countries are characterized by some degree of local autonomy and thus, level 0 is not justified because it would not reflect reality.

Local autonomy is measured by the average score (I_{AL}), based on the relation:

$$I_{AL} = \sum_{i=1}^{n} s_i * w_i$$

where: I_{AL} = indicator of the degree of local autonomy; s_i = score obtained on each variable; w_i= coefficient of importance.

Indicator score for the degree of local autonomy (I_{AL}) is analyzed using classes groups of local autonomy. For $1 \le I_{AL} \le 4$, were established four classes to measure local autonomy:

Table 1 Classes to measure local autonomy

Score	Classes groups of local autonomy
1,00-1,74	D
1,75-2,49	C
2,50-3,24	B
3,25-4,00	A

Class A – includes local government with full autonomy;
Class B - includes local government with normal autonomy;
Class C - includes local government with reprezentative autonomy;
Class D – characterized by a reduced autonomy of local government.

Variation of average score ($3{,}25 \leq I_{AL} \leq 4{,}00$) specific to class A of local autonomy means full local autonomy, characterized by great powers on the power to levy local taxes, to establish the technical elements of local taxes, holding exclusive competence in all sectors, activities of control over their activities, the central public administration having a form of monitoring only, citizens involvement in budgetary process.

Class B for measuring local autonomy includes a variation of indicator $2{,}50 \leq I_{AL} \leq 3{,}24$. Here the local government has a normal autonomy, implying that local authorities have exclusive competence in important areas for local communities, to levy local taxes and are entitled to establish the technical elements of taxes within the limits set by law. Also, local authorities carry out control over their activities, but there is an external control by specialized institutions, without close supervision by the central government. In this class, citizens are involved in decision-making of local government within some limits.

Average score variation $1{,}75 \leq I_{AL} \leq 2{,}49$ include local government in Class C, specific to representative autonomy, where public authorities have exclusive competence in basic public services (sanitation, sewerage, waste management) that are financed from local budgets. Specific to representative autonomy is the high share of transfers and subsidies, most of them are unconditional. Between local and central public authorities are collaborative relationships.

Class D, in which average score is $1{,}00 \leq I_{AL} \leq 1{,}74$ includes local governments with less autonomy; the majority of local actions are performed simultaneous with a State or under the direct coordination of central authorities.

Table 2: Method of determining the degree of autonomy of territorial administrative units

Nr. crt.	Variables	w_i	Score			
			s = 4	s = 3	s = 2	s = 1
(v1)	The share of own revenues in total revenues of local budgets	0.15	$\geq$80%	[50%;79%]	[20%;49%]	<20%
(v2)	The share of transfers from	0.15	$\leq$20%	[21%;50%]	[51%;79%]	$\geq$80%

	the state budget in total revenues of local budgets					
(v3)	Type of transfers from state budget and other public budgets to local budgets	0.05	Over 80% of transfers are unconditional	Between 79% - 50% are unconditional	Between 49% - 20% are unconditional	Below 20% of transfers are unconditional
(v4)	Financial dependence of local authorities (calculated using the coefficient of Hunter: 1- transfers / expenditures of local budget)	0.15	[0.70;1.00]	[0.50;0.69]	[0.20;0.49]	[0.00;0.19]
(v5)	Competence of local authorities in setting local taxes	0.10	Local taxes, according to a regulatory framework at national level are established by local authorities; local authorities determined all technical elements of local taxes	Local taxes are established by national law, but local authorities may decide on the tax base and / or tax rate and the right to establish special local taxes	Local taxes are established by national law, specifying the tax base and tax rate and the local authority has the right to increase / decrease the tax base within certain limits and the right to establish special local taxes	Local taxes are established by national law, specifying the tax base and tax rate; the local authority has no right to establish special fees
(v6)	Competence of local government in tax revenue collection	0.10	Local authorities mobilize over 80% of tax revenue collected locally	Local authorities mobilize between 79% -40% of tax revenue collected locally	Local authorities mobilize between 39% - 10% of tax revenue collected locally	Central authorities mobilize revenue in the name of local authorities
(v7)	Competence of local authorities to borrow	0.10	Local authorities can contract freely internal and	Local authorities can borrow to finance internal or external current	Local authorities can borrow internal or external,	Local authorities forbidden to borrow.

			external loans in national currency or foreign currency to finance current and capital expenditure. State guarantees for external loans.	and capital expenditures or capital only according to prudential rules. The internal can be contracted without the approval of central authorities, but the external can be contracted only with their approval	national or foreign currency to finance capital expenditure only according to prudential rules and with the approval the central authorities	
(v8)	The share of the exclusive competence of local authorities in total competences	0.10	> 80%	[50%;79%]	[20%;49%]	<20%
(v9)	Competence to carry out control over local budget process	0.05	Local government decisions are subject to internal control	Decisions of local authorities are subject to before, during, or after internal control and after specialized external control (finished with a recommendation report)	Decisions of local authorities are subject to internal control, external control from the central authorities and specialized external control	Decisions of local authorities are subject to control by the central government authorities and specialized external control being before, during, and after control
(v10)	Involvement of citizens in budgetary process	0.05	Citizens through citizen advisory groups / associations of citizens participate in the project local budget justification, are involved in implementing the budget and budget revisions	Citizens through citizen advisory groups / associations of citizens participate with proposals or amendments in draft local budget or at budget adjustments	Citizens can make proposals in draft of the local budget require and can ask information on budget execution (following the principle of transparency)	Citizens forbidden from involvement in the budget process

Empirical results

Interpretation of this indicator of local autonomy should not be made absolute, but his approach must be based on some number of particularities of the state for which is calculated. For example, in small states such as Malta, local autonomy does not manifest in the same way as in countries with a large territory because it may not be justified. In the table below are reflected the scores assigned to variables of the 27 EU Member States:

Table 3 Score obtained on each variable of the degree of local autonomy indicator in the EU countries

Country	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
w_i	*0,15*	*0,15*	*0,05*	*0,15*	*0,10*	*0,10*	*0,10*	*0,10*	*0,05*	*0,05*
	2	2	3	2	2	2	2	3	3	4
	3	3	3	3	3	3	3	3	3	4
	1	1	3	1	2	2	2	3	2	4
	3	3	3	3	1	2	2	2	2	2
	3	3	3	3	2	2	3	3	3	4
	3	3	4	3	3	3	2	3	3	4
	3	3	3	2	1	3	3	1	2	4
	4	4	3	4	2	3	3	3	3	4
	3	3	3	3	2	3	2	3	3	4
	3	3	3	3	2	3	2	3	3	4
	2	2	2	2	1	2	3	2	2	2
	2	2	2	2	3	2	2	3	2	4
	3	3	3	3	2	3	3	3	3	3
	2	2	3	2	1	2	3	3	2	4
	3	3	3	3	1	2	3	3	2	4
	3	3	3	3	1	3	3	2	2	3
	1	1	1	1	1	2	2	2	2	2
	2	2	3	2	2	3	3	3	2	4
	3	3	3	3	2	3	2	3	2	4
	2	2	2	2	1	2	4	3	3	3
	2	*2*	*3*	*2*	*2*	*3*	*3*	*3*	*2*	*2*
	3	3	3	3	2	3	2	3	2	4
	2	2	2	2	1	2	2	2	2	3
	3	3	3	3	2	3	2	3	3	4
	4	4	4	4	2	3	4	3	3	4
	1	1	3	1	1	2	3	3	2	4
	2	2	3	2	2	3	3	3	2	4

Source: developed by authors, data offered by DEXIA and EUROSTAT

Analysis of score obtained on variables in the 27 EU Member States shows that the variable obtained the highest score is citizens involvement in budgetary process, followed by the type of transfers from the state budget and the share of exclusive competence of local authorities in total competences. Lowest score is observed in the responsibility of authority in setting local taxes, justifying the fact that local taxes are established nationally.

Next, we proceed to calculate the indicator of the degree of local autonomy for each country based on the coefficient of importance given to each variable:

Table 4 Indicator of the degree of local autonomy in the EU countries

Country	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	Index value
w_i	0,15	0,15	0,05	0,15	0,10	0,10	0,10	0,10	0,05	0,05	
	2	2	3	2	2	2	2	3	3	4	2,30
	3	3	3	3	3	3	3	3	3	4	3,05
	1	1	3	1	2	2	2	3	2	4	1,80
	3	3	3	3	1	2	2	2	2	2	2,40
	3	3	3	3	2	2	3	3	3	4	2,85
	3	3	4	3	3	3	2	3	3	4	3,00
	3	3	3	2	1	3	3	1	2	4	2,45
	4	4	3	4	2	3	3	3	3	4	3,40
	3	3	3	3	2	3	2	3	3	4	2,85
	3	3	3	3	2	3	2	3	3	4	2,85
	2	2	2	2	1	2	3	2	2	2	2,00
	2	2	2	2	3	2	2	3	2	4	2,30
	3	3	3	3	2	3	3	3	3	3	2,90
	2	2	3	2	1	2	3	3	2	4	2,25
	3	3	3	3	1	2	3	3	2	4	2,70
	3	3	3	3	1	3	3	2	2	3	2,65
	1	1	1	1	1	2	2	2	2	2	1,40
	2	2	3	2	2	3	3	3	2	4	2,45
	2	2	3	2	2	3	2	3	2	4	2,35
	2	2	2	2	1	2	4	3	3	3	2,30
	2	2	3	2	2	3	3	3	2	2	2,35
	3	3	3	3	2	3	2	3	2	4	2,80
	2	2	2	2	1	2	2	2	2	3	1,95
	3	3	3	3	2	3	2	3	3	4	2,85
	4	4	4	4	2	3	4	3	3	4	3,55
	1	1	3	1	1	2	3	3	2	4	1,80
	2	2	3	2	2	3	3	3	2	4	2,45
UE-27											2,52

Source: developed by authors

According to the table, average score is between ($1{,}40 \le I_{AL} \le 3{,}55$) and outlines a framework for local autonomy in EU states mainly in Class B. Malta received the lowest average score of 1.40, but considering particularities of this State, and in particular we refer to relatively small size of the territory is justified as local autonomy is low. The indicator at EU level is 2.52, fits to the lower limit of class B, showing a normal range.
The score in Romania is 2.35, as in Poland and very close to Hungary and the Netherlands, being at the upper limit of class C, the boundary between the two classes. We believe that the move to class B can be easy if we consider some particularities of

manifestation framework of decentralization. At the same time, measuring the degree of autonomy of local expenditures in our country calculated using Bell, Ebel, Kaiser and Rojchaichainthorn's model, the score is 2.96, being also the upper limit of the class C, very close to class B.

Figure 1 European Union countries in classes of local autonomy

		Hungary	
		Netherlands	
		Estonia	
		Cyprus	
	Belgium	Romania	
	Denmark	Poland	
	Italy	Portugal	
	Spain	Ireland	
	Germany	Austria	
	France	Latvia	
	Czech Republic	Greece	
	Slovakia	Slovenia	
Sweden	Lituania	United Kingdom	
Finland	Luxemburg	Bulgaria	Malta
Class A	ClassB	Class C	Class D

Legend:

The upper limit of class
Middle of class
The lower limit of class

As the chart shows, most EU states fall into Class C. Also, we can say that in some countries score value is at the lower limit (Bulgaria, Slovenia and United Kingdom), and the others are at the upper limit (the Netherlands, Romania, Hungary, Cyprus, Austria, Ireland, Estonia, Greece, Poland, Portugal). Middle of class C is represented by Latvia and Greece.

The average score of Class B obtain Lithuania, Luxembourg, and at the upper limit are Denmark and Belgium. Middle of class B is the Czech Republic, Slovakia, France, Germany, Italy and Spain.

In class A is Finland at the lower limit of class and to middle class is Sweden. The class D is only Malta.

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PUBLIC POLICIES AND STRATEGIES TO ENHANCE THE ECONOMIC POTENTIAL OF A COUNTRY. CASE OF MOLDOVA

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Abstract *The study of concepts applied in the decision-making process aims to investigate the functioning of mechanisms to develop and implement the central public administration policies. A modern decision-making process includes the whole procedure of decision making: setting the priorities of public policies, choosing options, instruments of public policy implementation, developing and adopting the respective legislative and normative acts, funding to implement these policies, conducting implementation actions and monitoring the impact of public policy decisions. Often the decision-making process in public administration is interpreted as a simple organization of the information and documents circuit. Therefore there arises the need to analyze the concept of decision making and propose solutions to improve it.*

Keywords*:* *public policy, strategy, monitoring, evaluation, impact, legislation framework, decisions*

Introduction

A series of concepts and notions are used in the decision making process that require a clear definition in the process of formulating public policies, applying these notions and eliminating confusion. It is important to distinguish between the terms "policy" and "public policy". Thus, the "policy" is defined as a set of rules and procedures that ensure legal representation of the interests of citizens through representative democracy. The main policy actors are political parties and politicians, elected members of the Parliament and local government. The use of this concept in public administration has led to the notion of public policy.

In the contemporary scientific literature there are more definitions used for the concept of public policy, all the definitions formulate policy as a set of activities directly or indirectly affecting the citizens, established through public elections, and which generate results and impact. A policy means a formal decision of a public authority, which is adopted in a formal framework, according to previously established procedures.

A public policy is a set of measures taken by a legal authority responsible for improving the living conditions of the citizens and designing of measures to stimulate economic growth.

In the authors' opinion, the concept of "public policy" is a complex presentation of an issue, the decisions approved for addressing this issue, instruments (laws and regulations) through which these decisions are implemented and how will be monitored and assessed the effect of the decisions implemented.

The concept of "public policy" has been introduced recently in the vocabulary of the public administration in the Republic of Moldova, not being determined by the regulatory framework in force. Therefore, this concept continues to have a limited use, the meaning of public policy being rendered through several concepts used in various legislative acts and reports: decision, public policy, policy of the Government, regulation in the field, etc. In addition, in many cases, the public policy is associated with a specific legislative or regulatory act. Therefore the public administration is to introduce the concept of "public policy" in the legislative and normative acts of the Republic of Moldova, as appropriate. The rationale of this proposal is justified by the arguments:

- the public policy should not be defined only as a decision, it may contain more decisions;
- the application of the public policy may require the adoption of more legislative and normative acts which are the instruments of approval and implementation of the public policy, but not always convey the full content of the policy;
- the terminology applied in the Government decision-making in the Republic of Moldova should be adjusted to international terminology in the field, the legal framework must operate with the concept of "public policies". To apply the concept correctly and avoid confusion between the terms "policy" and "public policy" it is proposed to apply the name "public policies" on a wide scale.

The public policies involve a process, as they are carried out in a period of time. *The process of policy-making* can be seen as an *analytical process* (problem solving) and as a *political process*. As *an analytical process*, the process of policy making is seeking solutions to the existing problems, calling on rationality to achieve the public goals. The policy-making process is to identify the problem correctly, identify and analyze an appropriate set of solutions, select the best option to solve the problem. For this purpose there can be used analytical techniques such as the cost-benefit analysis, cost-effectiveness analysis, linear programming and other optimization techniques.

As a *political process*, the process refers to decision-making and is manifested through conflicts and disagreements, efforts to define the public objectives and pursue self-interest, struggle to keep decision under control. Policy making as a political process that requires the understanding of the values reflected in this process, the various issues that divide the public opinion and induce people with different perceptions on the public purposes, the need to resolve conflicts in a democratic way, if the action is possible and there are critical factors influencing policy development at each stage of the decision-making process.

The concepts in the public policy cycle

The analysis of concepts in the public policy cycle shows that after substantiating the theory under concern followed the specification of the structure of the public policy cycle meantime increasing the number of stages in this structure. Most recent investigations in this area have led to the formation of an optimal (establishing a cycle of 5 stages) and complex structure, incorporating new elements such as the choice of "public policy options" and "monitoring public policies".

In this context, the policy making cycle begins with identifying problems and choosing by filtering of a set of public policy proposals, called "public policy options" (first stage). Then follows the formulation of the public policy by developing a public policy draft document and assessing the ex-ante impact of this public policy (second stage). Meantime is elaborated a draft legislative act for this policy draft document. The next stage of the cycle is approval of the public policy through a legislative or normative act (third stage). The following is the implementation of the policy, as the process does not end with the decision, but continues with the implementation phase, according to an action plan, approved by a normative or legislative act, approved simultaneously or separately with the public policy document (fourth stage).

At the implementation stage it is important to check if the public policy is implemented under the agreed action plan and if this policy is functional. Thus there is a monitoring of the progress in implementing the plan of action, and ex-post evaluation of the results and impact of the public policy during the completion of some or all actions (fifth stage). Going through all the decision making processes enables to assess the policy and intervene, if necessary, in the implementation process for its possible correction to avoid a failure or an adverse effect. At each stage of the decision making there are consultations, which should desirably begin as soon as possible at the stage of policy elaboration.

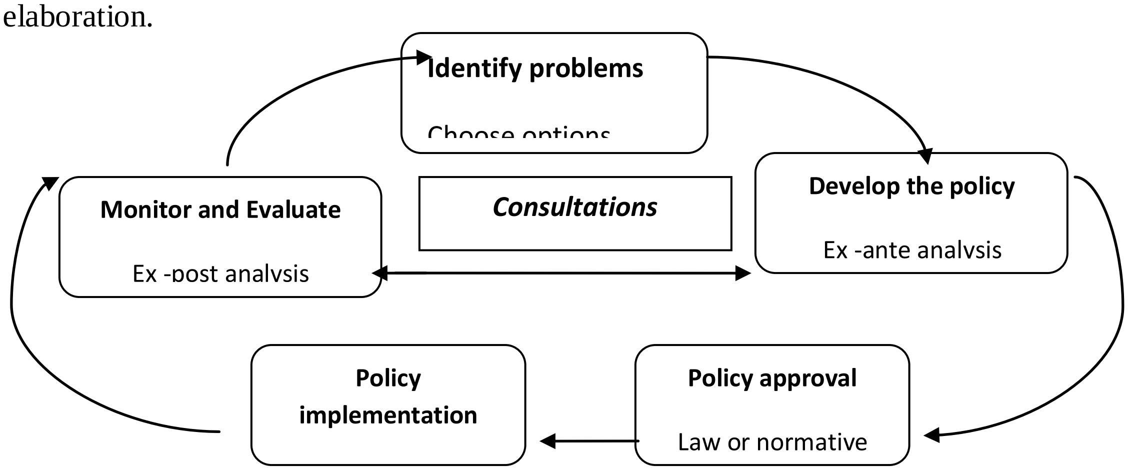

Fig. 1.1. Public Policy Cycle

Source: Buşmachiu, E., (2012). Fundamentals of financial management policies and monitoring of business, Chișinău.

The public policy proposal is a means of reflecting a proposal for political decision to solve a problem which is identified and put on the agenda of the Authority, the proposal must be accompanied by the results of the ex-ante analysis of the public policy impact. Evaluation at the level of the measure undertaken / intervention made or project carried out, is part of the evaluation of the entire program. Many different programs, with their elements, contribute to the thematic objectives, while the thematic assessment is based on the evaluation of the policies/programs. Evaluation takes place in the ex-ante, intermediary and ex-post phases/stages of the policies or programs. The current systems of public policies in EU member states generally include three types of public policy documents - the strategy, the plan and the public policy proposal [2].

The public policy proposal shall include:

- description of the issue;
- concise information about the public policy documents and legislative or normative acts in force on the problem to be solved;
- identification and analysis of the public policy options (identifying two or more public policy options and impact analysis (economic, social, environmental, tax, if applicable) for each option separately;
- legal implications (brief description of content changes to be made in the legislative or normative acts, the content of the new legislative or normative acts elaborated);
- monitoring, evaluation and reporting procedures (describing the requirements for monitoring, evaluation and reporting).

Public policies in the Republic of Moldova

Under the legislation in force, currently in the Republic of Moldova there are four types of public policies (public policy documents): design, strategy, program and plan.

The concept is a public policies planning document which establishes the basic principles, objectives and public policy priorities in a given area. Usually the concept is followed by a strategy.

The concept has the following structure:

- describe the situation,
- define the problem,
- basic principles of the policy
- objectives and results,
- priority directions of activity,
- further activities

The Strategy is a medium and long term public policy document that basically defines the policy of the government regarding a wider field of public policies which requires decisions on a wide range of issues. The strategy is developed when new policies are needed in one or more areas or when the existing policies require substantial changes. The strategy should mandatorily be accompanied by an action plan.

The strategy has the following structure:

a) introduction (indicating the decisions that led to the development of the strategy, the period of time proposed for implementation, the parties involved in the development of the strategy)
b) priorities and existing policies (describing the priorities of the Government to be achieved partly or entirely by implementing the strategy, describing the existing policies and legal framework)
c) defining the problem (general description of the problem / problems that require government involvement through the implementation of that program)
d) objectives (describing the situation you want to reach)
e) course of action (describe the course of actions to achieve each objective separately)
f) results of public policies in general and actions in particular (general description of long-term impact - changes that will arise in the economy, society or environment due to the strategy implementation and the impact of the main actions proposed)
g) indicators (development of indicators that will best measure the degree of achieving the planned results)
h) costs for the budget (general assessment of the resources required to implement each direction separately, separated by years. Indication of funding sources and costs requiring additional allocations)
i) legal implications (brief description of the content changes to be made in legislative or normative acts, the content of new legislative or normative acts)
j) risks of implementation (description of major risks in implementing the strategy and measures to reduce them)
k) procedures for monitoring, evaluation and reporting (describing the requirements for monitoring, evaluation and reporting)
l) indicating the authorities responsible for implementation.

The structure of the above strategy is indicative and may be supplemented with other components, as appropriate.

The *program* is a medium or long term public policy document that describes the Government policy in a single field or a narrow aspect in this field. The program is an alternative of the strategy and has a similar structure. At the same time, the program can be developed based on a strategy in order to detail certain policies.

The plan of actions is a document of public policy implementation. The plan of actions can be medium and short term. The plan shall be prepared after the development of a hierarchically superior public policy document (strategy, program). Unlike the strategy and program, where costs are estimated in general, the plan must include the exact costs, detailed by actions.

The plan has the following indicative structure:

- specific objectives (description of the specific objectives taken from the strategy, program or public policy proposal);
- concrete actions (action description, responsible institutions and deadlines for implementation);
- indicators (specific indicators describing the process or outcome derived from the indicators of the strategy or program);

- estimated costs for each action separately (including an indication of the funding sources);
- procedures to monitor, evaluate and report (describing the requirements for monitoring, evaluation and reporting).

Standard requirements for the structure of the public policy documents

	Decision of the Government of the Republic of Moldova no.33 of 11.01.2007 "On rules of development and unified requirements for policy documents"	*Guidelines for the design, implementation and evaluation of public policies at the central level. 2004, the General Secretariat of the Romanian Government, Public Policy Unit*
1.	The Concept is a system of general ideas oriented towards a multilateral treatment /interpretation of the economic, social, legal, scientific, technical issues, etc., it shows how to perceive or an aggregate of opinions, ideas on issues related to the development of one or more areas or sectors as a whole. The concept shall include: a) description of the situation; b) detailed definition of the problem; c) indication of the policy documents and relevant legislative acts to solve the problems addressed in the respective concept; d) instruments and ways to solve the problem; e) indication of the normative acts to be developed/modified to solve the problem; f) evaluation of the impacts (specifying the social, economic impact, etc.) including situations where the problem will not be solved.	The Concept is a public policy document that sets out basic principles of public policies in a given area, objectives and priorities of these policies. The Concept shall include: introduction (indicating the decisions that led to the development the concept, the parties involved in the design of the document); definition of the problem (general description of the problem/ problems that require government involvement by applying the respective policies); objectives (description of the situation which you want to achieve); directions of activity (description of general directions of intervention to achieve the objectives); subsequent activities (description of further actions).
2.	The Strategy is a policy document that contains the guiding/indicative direction for activities for a medium term (3-5 years) or long term (6-15 years), aiming at identifying the method and mechanism for organizing the achievement of objectives on the problems approached. The strategy shall include: a) description of the situation; b) defining the problems requiring government involvement by applying the necessary policy; c) general and specific objectives; d) measures needed to achieve the objectives and expected results; e) estimating the impact and costs (financial and nonfinancial) of implementation;	The Strategy is a medium and long term public policy document that basically defines, the policy of the government regarding a wider field of public policies which requires decisions on a wide range of issues. The strategy shall include: introduction (indicating the decisions that led to the development of the strategy, the period of time proposed for implementation, the parties involved in the development of the strategy) priorities and existing policies (describing the priorities of the Government to be achieved partly or entirely by implementing the strategy) objectives (describing the situation you want to achieve) course of action (describe the course of actions to achieve each objective separately) results of public policies in general and actions in particular (general description of long-term impact - changes that will arise in the economy, society or

	f) expected results and progress indicators; g) stages of implementation; h) reporting and monitoring procedures.	environment due to the strategy implementation and the impact of the main actions proposed) indicators (development of indicators that will best measure the degree of achieving the planned results) costs for the budget (general assessment of the resources required to implement each direction separately, separated by years. Indication of funding sources and costs requiring additional allocations) legal implications (brief description of the content changes to be made in the legislative and normative acts, the content of new legislative or normative acts), risks of implementation (description of major risks in implementing the strategy and measures to reduce them), procedures for monitoring, evaluation and reporting (describing the requirements for monitoring, evaluation and reporting) indicating the authorities responsible for implementation.
3.	The program is a sequence of concrete operations, which serve as an instrument of policy implementation, containing clearly defined objectives, resources required, predetermined target groups and deadlines. The program shall include: a) identifying the problem; b) specific objectives of the program; c) actions to be undertaken; d) steps and deadlines for implementation; s) authorities responsible for implementation; f) overall cost estimate; g) expected results; h) progress and performance indicators; i) procedures for reporting and evaluation.	The program is a public policy document that describes the medium or long term policy of the Government in a single field or a narrow aspect in this field. The program is an alternative to the strategy. The program shall include: introduction (indicating the decisions that led to elaboration of the program, the proposed period of implementation, the parties involved in the development of the program); definition of the problem (general description of the problem / problems that require government involvement by the implementation of the respective program); objectives (describing the situation you want to achieve); course of action (describing the courses of action to achieve the objectives set out); results of public policies in general and actions in particular (describing the long-term impact - changes that will arise in the economic, social or ecological environment due to implementation of the program and the impact of the main actions proposed); indicators (developing indicators that will best measure the level of achieving the planned results); budget costs (estimating resources required to implement each direction separately, separated by years. Indicating the funding sources and costs requiring additional allocations); legal implications (brief description of the content, necessary changes to be made in legislative and normative acts, the content of new legislative or normative acts); implementation risks (determination of risks and their mitigation measures); procedures for monitoring, evaluation and reporting (describing requirements for monitoring, evaluation and reporting);

		indication of the authorities responsible for implementation.
4.	**The Plan** is a programming document, where are outlined concrete short-term tasks in a particular field, developed in accordance with policy documents, including the Government Programme. Drafting includes two phases: development of conceptual structure of the plan and formulation of the content of the scheduled tasks. The plan shall include: objectives; practical actions undertaken to achieve the objectives set; terms of achieving the measures; costs related to implementation; authorities responsible for implementation; progress indicators; procedures for reporting and evaluation.	**The Action Plan** is a set of measures and actions, defined in time, developed to implement a strategy, program or policy proposals. The Action Plan can be medium and short term. The plan is drawn after the development of public policies document which is hierarchically superior. The Plan shall include: a) Specific objectives (describing the specific objectives taken over from the strategy, program or public policy proposal); b) concrete actions (action description, responsible institutions and deadlines for implementation); c) indicators (describing the specific process or outcome indicators derived from the strategy, program or policy proposal indicators); d) costs estimated for each action separately (including an indication of funding sources); e) procedures for monitoring, evaluation and reporting (describing requirements for monitoring, evaluation and reporting).
		Public policy proposal is a public policy document aimed at solving specific public policy issues where there are several possible variants of solving or if a conceptual agreement is required on the form of the normative regulation. Public policy proposals are developed before the development of a legislative or regulatory act. The public policy proposal shall include: a) description of the problem; b) brief information about the public policy documents and legislation or regulations in force concerning the problem to be solved; c) identification and analysis of policy options (identification of two or more public policy options and impact analysis (economic, social, environmental, tax, if applicable) for each option in part); d) legal implications (brief description of the contents of the amendments necessary to be made in legislative and normative acts, the content of new legislative or normative acts to be developed); e) procedures for monitoring, evaluation and reporting (describing requirements for monitoring, evaluation and reporting).

Source: Generalized by the authors based on State Chancellery. Methodological guide for ex-ante policy impact, Chisinau 2009

Draft policy documents are accompanied by draft legislation and / or regulations, to be reviewed and approved / adopted for the implementation of these public policy documents. In practice, however, this hierarchy is not rigid. For example, a strategy can be preceded by a concept, but can also be prepared by avoiding this step, if necessary. Next, a strategy can be accompanied by an action plan resulting from the need to develop public policy proposals, but there may be situations where a public policy proposal is made based directly on the strategy and not on the action plan. Similarly, draft legislative or normative acts are developed under a public policy proposal, but where the public policy is developed in a detailed manner in the program or action plan, the draft normative or legal act may be developed in the absence of a public policy proposal. Alternatively, when some sectoral programs are developed based on a single strategy. Accordingly, the architecture of public policy documents is determined by the concrete situation.

Public policy analysis pivots around the issue of alternatives choice. To choose the most appropriate alternative are used evaluation criteria that measure the compatibility of alternatives in question by reference to the achievement of the target. The best alternative is chosen from a set of possible alternatives, is selected the comparison and reference to various criteria set by the analyst. As a way of generating new alternatives, it may be changing the existing solutions. The table below shows some types of alternative changes when a status-quo alternative is to be achieved.

Increase	Increases, enlarges. Adds resources. Applies more often. Multiplies. Exaggerates. Adds new components.
Substitute	Interchange components. Change order. Use different materials. Change the location. Change funding.
Rearrange	Rearrange. Reverse. Change sequences. Accelerate implementation. Slow implementation. Rearrange the order of activities.
Decrease	Decrease, shorten, and narrow. Miniaturized. Omit, drop, split, and fragment.
Combine	Mix the two approaches. Combine departments. Combine purposes. Combine funding.

Source: Generalized by the authors based on State Chancellery. Methodological guide for ex-ante policy impact, Chisinau 2009

There can also be changed: location, pace of implementation, way of organizing the program.

Location	Single versus multiple location. Nodal location, center and branches, linear arrangements. Permanent location versus temporary location. Furniture, rotating, mixed or segregated.
Timing	Accelerated, moderate, slow. Sequences. Simultaneously.
Funding	Offering or purchasing. With taxes or user free. Subsidies. Use of marginal or average price. The payment depending on the possibilities or benefits derived. Co-payment. Deductible. Partially subsidized. Totally subsidized.
Organizing	Centralized, decentralized. Type of mandate, type of regulation. Prohibitive. Organizing information. Focus on individual decision.

Source: Generalized by the authors based on State Chancellery. Methodological guide for ex-ante policy impact, Chisinau 2009

Monitoring and evaluation of public policies are essential activities of the implementation of public policies. In the theory of decision making, monitoring and evaluation of public policies are approached as one of the stages of the public policy cycle. *Monitoring is a process of measuring performance and reporting it.* Monitoring focuses on achieving the objectives expressed by the standards of performance. Monitoring is done throughout the implementation period of public policy, but also at the end of the implementation period. Monitoring includes a wide spectrum, not only regarding the implementation of public policy, but also activities fulfilled in order to achieve certain objectives. Thus, *performance measurement has three levels*: the level of activity, the level of products and services provided in the policy document (strategy, program, and plan) and the level of results of these products and services. Performance monitoring aims to track the progress in achieving the implementation phase. In this context, it monitors the extent to which objectives have been achieved within the deadlines set and the expected results achieved. The results (products and services) are obtained by carrying out activities in accordance with planned actions.

In the monitoring process is intended that the activities formulated in public policy implementation plan is achieved in the established manner and deadlines. Monitoring during implementation is useful to identify possible deviations from the objectives set initially and corrects the public policy. Along with the activities undertaken and results obtained must be monitored and resources used for policy implementation.

Monitoring progress in implementing public policies and evaluating the results and impact of public policies provides useful information on public policy. By monitoring and evaluating the policies is determined the degree to which public interest issues on the agenda of government institutions have been resolved.

The comparative analysis of monitoring and evaluation activities reveals the following: monitoring aims to improve efficiency and effectiveness of the policy document, the project or organization (institution). It is limited to the performance analysis in the reference period of the objectives set a priori and the actions planned, monitoring helps management to know the current situation, to determine whether it achieves what has been planned, to determine whether resources are sufficient to achieve the measures; monitoring is an internal function of any strategy, program, plan, project or activity; monitoring involves establishing the indicators of efficiency, effectiveness and result, establishing a system of data collection for these indicators, data collection and analysis, using information to inform management permanently. In this respect, monitoring shows progress in implementing actions and objectives and highlights results.
Evaluation is the systematic or ad hoc study of the policy document, focusing on achieving success, explaining the connection between resources (inputs), activities and results. So, evaluation focuses on the impact of public policies. Evaluation is frequently performed by independent experts, but can be performed by public authorities that implement these policies[4]. The evaluation is done at the end of an activity (or objective) or the entire set of tasks (or objectives).

At the same time, the evaluation is to compare the results achieved with the expected results and determine the impact of policy document or project on the target groups, to which this document or project is oriented. Thus, the evaluation highlights achieving the desired results and impact of these results for different groups of stakeholders. Moreover, it determines whether the objectives and expected results were inconclusive. The common part of the monitoring and evaluation activities refers to the lessons learned about what is done and how it is achieved, i.e. if the results are achieved efficiently, effectively and have a positive impact.

Analysis of stakeholder in policy documents

Recognizing the key role played by stakeholders in determining the policy, its implementation with reference to its results led to the consideration of stakeholder analysis as a vital instrument of strategic management.

The aim of the stakeholder analysis is to specify the interests of individuals and groups to be considered when a decision is taken. This analysis should indicate why it is necessary to take into account these interests.

Actors or groups involved in this analysis:

- Actors / groups that can damage or can weaken the authority or political support of the decision maker / organization.
- Actors / or support groups whose presence provides a net benefit increase or strengthen an organization or increase the decision maker authority (and capacity to ensure compliance with decisions).
- Actors / groups those are able to influence or redirect the actions of the organization.

Stakeholder analysis is based on two elements:

- The interest groups / stakeholders have in a particular problem.
- The amount and type of resources they can raise to influence the results regarding the problem.

Stakeholder analysis rule: only those groups or actors who have real and raised resources that can be applied for or against the organization and have interests vis-à-vis the respective problem should be considered. They are those who have the ability to directly influence the policy outcomes.

The stakeholder analysis is useful to gain a better understanding of the interests and resources of key stakeholders for policy decision and its implementation. To increase the effects of the analysis it is beneficial to combine it with other methods of strategic management: the political map, the analysis of power / political forces game, the analysis of the political environment.

The reasons for carrying out the stakeholder analysis:

Identify the client and its place in the environment (who is he, what is supposed to do, the importance of its position compared with others) to understand some of the pressures and expectations in relation to the role it plays.

The analyst must have extensive knowledge of the environment and how stakeholders interact with the environment and the organization in order to play a more effective relationship with the client.

The managers may have strong options in terms of stakeholders that are in conflict with widespread perceptions of the environment.

The analyst can produce an initial cutout to be examined by the customer.

Analysis steps:

- Prepare a list of groups relevant to policy issues. The list should be broad, not narrow, which then will be reduced.
- Make an analysis of the political forces / power game, if it has sufficient information.
- Develop preliminary assumptions for the arrangement of stakeholders and their relative importance.
- Discussions with local people who have information about the main stakeholders and their interests in order to obtain adequate opinions. The analyst is encouraged to use as many people who can offer such information: journalists, church officials, leaders of business groups, parliamentarians, political party leaders, officials of international financial organizations, leaders of interest groups, academics, consultants , embassy officials, unionists, radio and TV commentators, management institutes, military officials. The methods used to obtain information may include: interviews, panel with informal groups, workshops.

Moments in which the stakeholder analysis is considered crucial:

1. When the policy is made - when the decisions are taken on who is in its favor. In this time when stakeholders are not taken into account, managers can provide an important aspect in terms of the decisive stakeholders and how they can affect the policy outcomes. Since decision makers are not in direct contact or very little to do with important stakeholders, the information provided by the manager may be decisive.
2. In formulating the policy implementation strategy it is important to analyze the stakeholders to know where there is support for the policy.

Monitoring is different from the evaluation of results, being limited to the registration of data which are then interpreted, using specific criteria. Monitoring the effects of public policy may continue after it ended. Elements of a public policy may change depending on the changes arising at the institutional level or in the industry-specific standards where they are implemented. Therefore, monitoring could be one of the longest stages of the public policy cycle.

All public policy documents and projects from donor and public sources are monitored during their implementation. Monitoring is the process by which managers of programs, donors and other stakeholders (including citizens) can track whether programs are carried out, in general, in compliance with the implementation schedule established.

Monitoring is the collection of information on developing and implementing public policies and precedes the evaluation activity. It consists of systematic examination, with the help of specific research methods, the impact of public policy objectives in relation to the objectives provided in the institutional agenda.

Measuring the progress of the public policy document or project is a more complex process that depends primarily on the establishment and development of well defined performance indicators. In this context, to assess the performance of a program, in addition to the knowledge of the amounts allocated, it is particularly important to establish some elements (indicators) based on which it can be learned what was achieved or obtained with the money used.

Evaluation is a process of analyzing the impact of public policies, and managing state enterprises. According to the European standards, evaluation is made at the stage of drafting the policy documents by the state body that initiates the document in question in order to estimate their impact on the economic and financial activities of the state enterprises. Also, the evaluation of the legislative and regulatory framework is to be conducted after the implementation of laws and regulations in order to determine the actual impact (in terms of costs, benefits, etc..) on state enterprises.

Impact evaluation is mandatory for all policy options, regardless of their nature. The evaluation, however, can vary depending on the availability of data, specific of the options and capabilities. Evaluation of the public policy impact includes the evaluation of five types of impact: financial (fiscal), administrative, economic, social and poverty, the environment.

1. Fiscal Impact Evaluation. A critical aspect of the impact evaluation of policy alternatives is to estimate the impact on government budget resources. These should include not only the impact on specific budget allocations, but also wider implications on the overall expenditure framework.

2. Administrative impact evaluation or the feasibility of achieving options is another criterion of analysis which allows the decision on the relevance of policy options in terms of administrative needs and requirements analysis at the implementation phase. Administrative impact evaluation involves reflection not only on immediate issues but also long term issues, which do not seem obvious at first sight. An important aspect of this evaluation is planning the organizational needs and resources of policy options.

3. Economic impact evaluation involves the analysis of costs and benefits of policy options on the country's economy in non-monetary terms (but preferably in quantitative terms). Thus in evaluating the impact of options on the economy, special attention should be paid to the possible impact of policy options on the business environment. In particular there should be considered the impact of options on *competitiveness, productivity and competitive environment*. Competitiveness is a measure of the economy’s capacity to produce quality goods and services, to offer people a decent life and to activate the labor market and competition is the driving force behind the productivity growth. The economic impact analysis does not refer only to the economic effects analysis on certain dimensions of the country’s economy, but also the impact on certain categories of entrepreneurs, especially divided by size of business - *small, medium and large companies*. Policy impact evaluation on companies, especially SMEs, is very important because they represent the foundation of a healthy economy in the country. Therefore, it is very important to consider any intentional or unintentional impact on decisions of production, technological development and innovation decisions taken by businesses.

There are two main types of compliance costs: *onetime costs and continuous costs*. Costs incurred once relate to the adjustment of the company to a new or amended policy and include information costs (costs of identifying and understanding the policy), costs of upgrading or introducing new production processes / equipment / buildings / software and costs of purchasing specialized services (eg accounting, IT, legal). Ongoing costs relate to maintaining the state of affairs to ensure the continuity of the policy and include individual costs, personnel or time costs, inspection / application fees, costs to conduct

the licensing process (application, correspondence, advertising) and costs related to office / administration / office work (compiling the necessary information, time consumed).
4. Poverty and social impact evaluation. The main purpose of poverty and social impact evaluation is to identify policy options impact on individuals or groups who are in difficulty or whose situation could be worsened following the implementation of the respective policy. In this context it is necessary to identify any possible negative impact, so that the actions be adjusted to obtain maximum benefit, without affecting certain categories of people. It is also important to identify and the positive impact on society in general and vulnerable groups especially, so as to enhance them, where possible.
5. Strategic Environmental Evaluation. A widely used instrument in this respect is the strategic environmental evaluation, with which, in the analysis of policy options is evaluated their impact on the environment and human health. Policies with a significant impact on the environment (both positive and negative) need to be subject to a strategic environmental assessment to identify the magnitude, duration and, where appropriate, impact severity.

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FINANCE

CONTROVERSIES REGARDING THE UTILIZATION OF ALTMAN MODEL IN ROMANIA

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Abstract: *Altman model was built for U.S. companies, based on the characteristics of that economy. Promising results were obtained in other countries such as Britain, Australia, Canada, Finland, Germany, Israel, Norway, India, South Korea; the percentage is over 80% predictability. However, as can be seen, they have an Anglo-Saxon legal system and also the economic environment is highly developed. While there is no reason why this model can be applied to companies in the whole world, we recognize that each has its own peculiarities economic environment, therefore, local models forecast could be better than American models, at least in their testing phase. But the utilization of Altman model is suitable for the Romanian economy? Taking this into account, the purpose of this paper is to test the Altman model on the Romanian market.*
Keywords: *bankruptcy, prediction model, BSE*

Introduction

Altman is a name invariably cited in studies concerning the prediction models of bankruptcy. In 1968, the author uses a multiple discriminant analysis for bankruptcy prediction1. His study included a sample containing the original 66 companies, each 33 in each group. Bankrupt group recorded bankruptcy during 1946-1965; the average value of assets of sample firms was $ 6.4 million with a gap between 0.7 million$ and 25.9 million$. The non-bankrupt group includes firms with assets between 1 and $ 25 million, this continued the activity in 1966. The period considered for analysis was 1946 - 1965 (20 years) (Altman, 1968).

Source of information was the ’’Moody's Industrial Manual’’. The author has considered a number of potential variables 22 (based on annual reports of companies) grouped into five categories: liquidity, profitability, leverage, solvency and activity.

In the article published in 1968, Altman commented the traditional indicators and concludes research analysts were unable to give importance for an indicator to another.

He describes how to use statistical techniques and discriminant analysis to develop a model based on financial indicators that forecast enterprise bankruptcy.

In developing of his model, Altman selected the group of 33 companies from them with the financial problems; the sample is included the industrial enterprises (production). The healthy business group was selected on the principle of similarity, each of bankrupt enterprises (size, industry) corresponding a healthy company. From the original list of 22 indicators, the author reported five, with the highest importance.

Altman, based on five indicators, built the following function score:

$$Z=1.2X1+1.4X2+3.3\ X3+0.6\ X4+1.0\ X5$$

where:

$X1 = \frac{working\_capital}{total\_assets}$ measures the degree of flexibility of the entity and the percentage of working capital in total assets

$X2 = \frac{reinvested\_profit}{total\_asstes}$ reflect the entity's own contribution to the financing of investments

$X3 = \frac{gross\_profit}{total\_assets}$ measure the performance of the assets

$X4 = \frac{equity\_market\_value}{long\_term\_debt}$ measure the indebtedness

$X5 = \frac{turnover}{total\_assets}$ express the return of the total assets

The mean values of financial ratios included by Altman in his study confirm sensitive differences between the two groups of firms. To make the model operational, the two groups of companies were analyzed and classified by size Z score, setting the two limits and uncertainty area (the area between the two limits).

The analysis and classification of examined firms by the value of Z score determined a minimum, a maximum and an area of uncertainty as:

- $Z <1.8$: impending bankruptcy;
- $1.81 \leq Z \leq 2.675$: The financial situation is difficult, the uncertainty at high risk of bankruptcy;
- $2.67 \leq Z \leq 2.99$: the low risk of bankruptcy;
- $Z> 2.99$: the good zone, unseated under bankruptcy spectrum.

Starting from the idea that its models include a variable sensitive to the type of industry (X5 = Turnover / Assets) and so the model cannot be applicable in principle to all areas specified by Altman (production, trade, services), the author reconsidered the score function retaining only four variables as follows (Altman, 2006:79):

$Z'' = 6{,}56\ XI + 3{,}26\ X2 + 6{,}72\ X3 + 1{,}05\ X4$

Where:

XI = Working capital / Total assets (The rate measures the flexibility of the company and shows the share of working capital in total assets; the more with the result of this report is as high, the more as the permanent allocation of resources is optimal exploitation coverage)
X2 = Reinvested profit / Total assets (Measure the internal financing capacity of the enterprise and therefore it is recommended that the reported value is higher)
X3 = Profit before interest tax and / total assets (The rate signifies the economic profitability or asset utilization efficiency; it is desirable to be higher)
X4 = equity / total debt (Express the indebtedness of the company by long-term loans, also is good that the report be higher)

Critical points and limits, lower and upper, of the model are as follows:

Z"<1.10	Bankruptcy
1.10 <Z"<2.60	Area of uncertainty
Z"> 2.60	Viability

Methodology

Taking this into account, the purpose of this paper is to test the Altman model on the Romanian market.

The working hypotheses are: Altman model was built for the U.S. market; the Romanian market is substantially different from the U.S.; Altman model cannot be applied in Romania.

For this study, the public financial information for 2006-2010 were collected from the sites of Bucharest Stock Exchange and the Ministry of Finance. The sample consisted of 100 companies listed on the Stock Exchange and RASDAQ, which have similar characteristics, is included approximately in the same market category. The choosing the sample of all companies listed on stock and RASDAQ was made in order to have two equal groups of companies bankrupt and viable, like most previous studies of bankruptcy prediction.

The sample of 100 companies includes companies that belong to 17 branches of national economy. The companies were selected on a random basis, without previously known name, but their symbols from the BSE and enterprise branch code.

A company with financial difficulties indicates that the obligations to its creditors are paid with difficulty or not at all, and may later even lead to bankruptcy. Therefore, a company was considered bankrupt, if was initiated against it the insolvency procedure. Following this classification rules, there were 65 Romanian companies in difficulty in 2009-2010 on the BSE, of which 5 have all the necessary information for all years 2006-2010. To summarize, to have two equal groups of companies in difficulty and viable for this study were chosen 50 companies in difficulty, for which financial information was available and other 50 companies viable, similar in terms of asset size and scope of activities, which were chosen at random.

Table 1 The size of the two groups of Romanian companies analyzed in the model Altman

Group	Assets	Number of	Turnover

				employees					
	Total	Average	Stdev	Total	Average	Stdev	Total	Average	Stdev
Viable	23004550345	460091006.9	3403010283	17027	340.54	471.55	29781874422	595637488.44	2077748658
Bankrupt	21021914535	420438290.7	119794110.7	14066	281.32	594.88	15194760168	303895203.36	73087483.07
Total	44026464880			31093			44976634590		

Source: own calculations according to financial data submitted to the Ministry of Finance and BSE

The considered sample has minimum levels between 0.7% and maximum 6.8% of capital invested in the aforementioned sectors, which permit assessment of representativeness in the economic sectors evaluated. Total assets of sample volume (for 2008) is 44426234880 lei (in which viable companies 21021914525 lei and 23001455345 lei the bankruptcy ones), the cumulative turnover of 44976634590 lei (for viable companies 29781874422 lei and 15194760168 lei for bankruptcy), the total number of employees for the 100 companies is 31093 employees (17027 for viable and 14 066 for bankruptcy ones) in 2008.

The structure of the two sample groups (viable and bankrupt) confirms their comparability in size, meaning that the median volume is 460091006.9lei assets for the group of viable companies, respectively 420438290.7lei for bankrupt group. The number of employees (median) is 340.54 people for the group of viable companies, namely 281.32 for bankrupt group. There is a significant difference in median turnover, explained the extent that this variable is not only the size of the business, but success-failure component on the market. Turnover is 595637488.44lei for the group of viable firms, respectively 303895203.36lei for bankrupt group.

Results and discussion

Next, we test the viability of Altman model in our country. Under these conditions, we apply the model for 100 Romanian companies. They are divided into 2 groups: 50 bankrupt and 50 viable. The data used are the balance sheet submitted by companies to the Ministry of Finance and BSE. For each company is calculated Z score to categorize firms according to the Altman model.

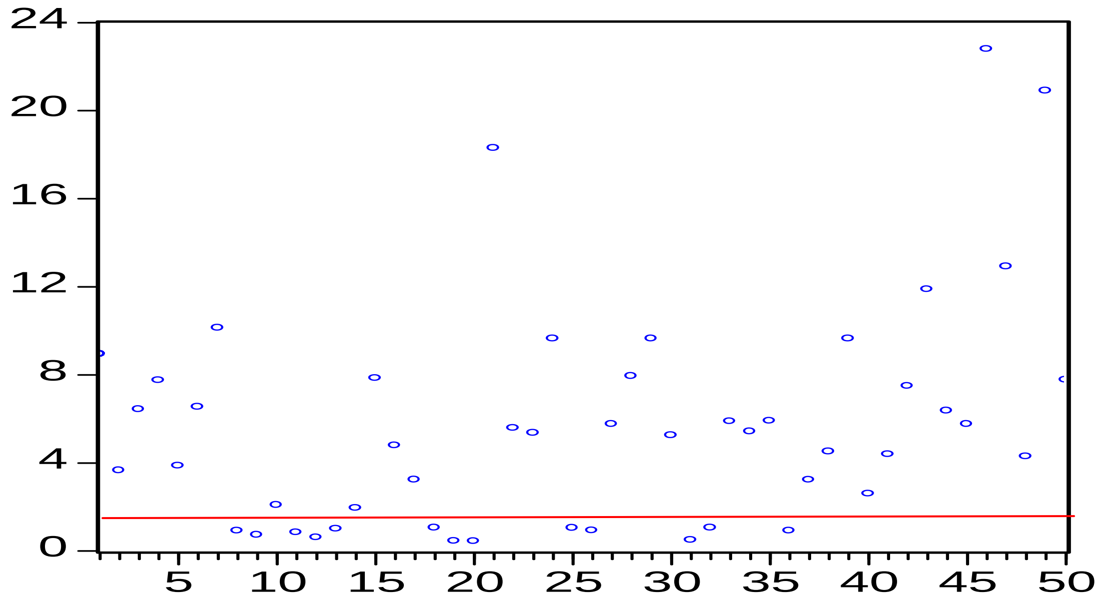
We consider the last model proposed by Altman, applied in principle to all sectors of activity (production, trade, services), and critical limits, lower and higher, the model are:

Z"<1.10 (Bankruptcy), 1.10 <z"<2.60 (area of uncertainty), Z"> 2.60 (non-bankruptcy).

Thus, for viable companies, that score must be greater than 2.6. The study results are presented in Table nr.2 from the annex.

The registered score of the 50 firms in the sample falls within 0.437 (bottom) and 22.7883 (top). Thus, as shown in Table nr.2, the Altman score for the viable companies is correct in 37 cases of 50, which implies a rate of 74%. The analysis of priori prediction for Altman function revealed that the type II error (viable firms classified as bankrupt) shows a failure rate of 26%. The average Altman scores for the 50 companies studied is 5.73, which exceeds the viability threshold value of 2.6.

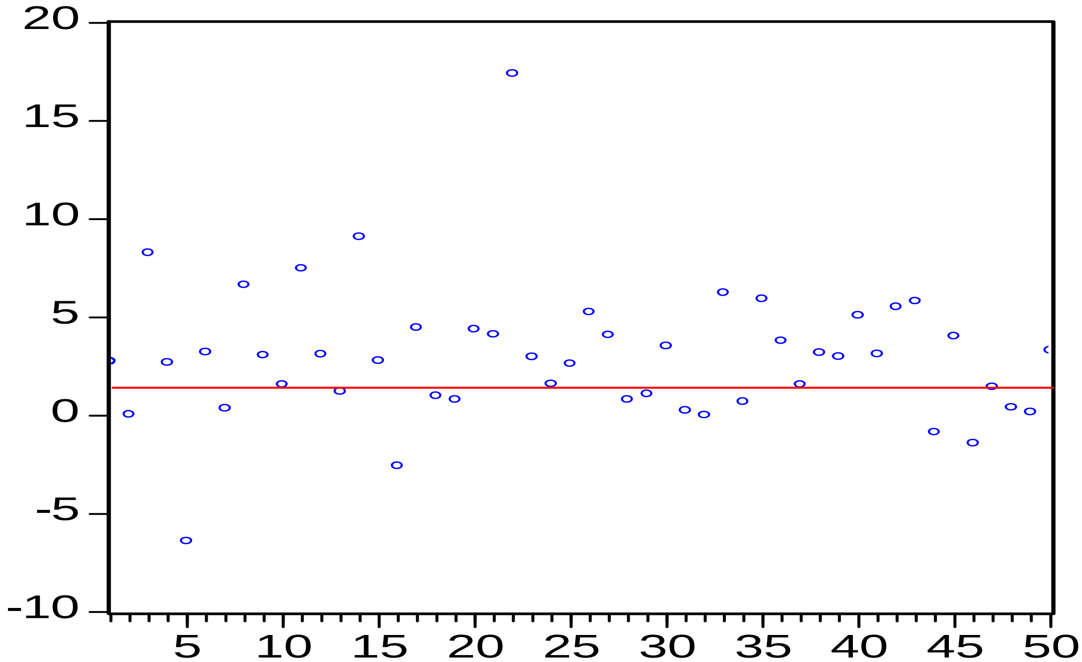
Figure 1 The Altman model results for viable businesses



For bankrupt companies, that score must be smaller than 1.1. The study results are presented in Table nr.3 from the annex.

The score recorded for the 50 bankrupt companies in the sample falls within -6.3961 (lower) and 17.4089 (top). Thus, as shown in Table 3, the Altman score for bankrupt companies are correct only for 15 cases of 50, only 30% predictability rate. Priori prediction of whether Altman function revealed that the type I error (failed firms classified as viable) shows a 70% failure rate. Average scores for the 50 companies Altman studied is 2.976452, which is superior viability threshold value of 2.6, in this case it must be lower than 1.1. The analysis of priori prediction for Altman function revealed that the type I error (failed firms classified as viable) shows a 70% failure rate. The average Altman scores for the 50 companies studied is 2.976452, which is superior viability threshold value of 2.6, in this case it must be lower than 1.1.

Figure 2 The Altman model results for the bankrupt firms



The table 4 presents the average values of the considered variables using financial statements for the financial year before the onset of insolvency proceedings. As can be seen, the four indicators considered into Altman model, for viable firms are significantly different to that of bankrupt firms. Thus, the indicator XI, reported working capital to total assets, the value for viable firms are 0.375761 and 0.032427 for the bankruptcy one. The correlation between the two indicators is negative -0.074, differences between variables in the two groups was highly significant p-values for the variables X1 viable and bankrupt firms is 0.012.

The indicator X2, reinvested profit reported to total assets, have significantly different values for viable companies, 0.280348 (positive) than the bankrupt, -0.078579 (negative). P-values for variables X2 viable and bankrupt firms is 0.043, the correlation between two indicators indicate that the differences between variables in the two groups are important, being -0.210.

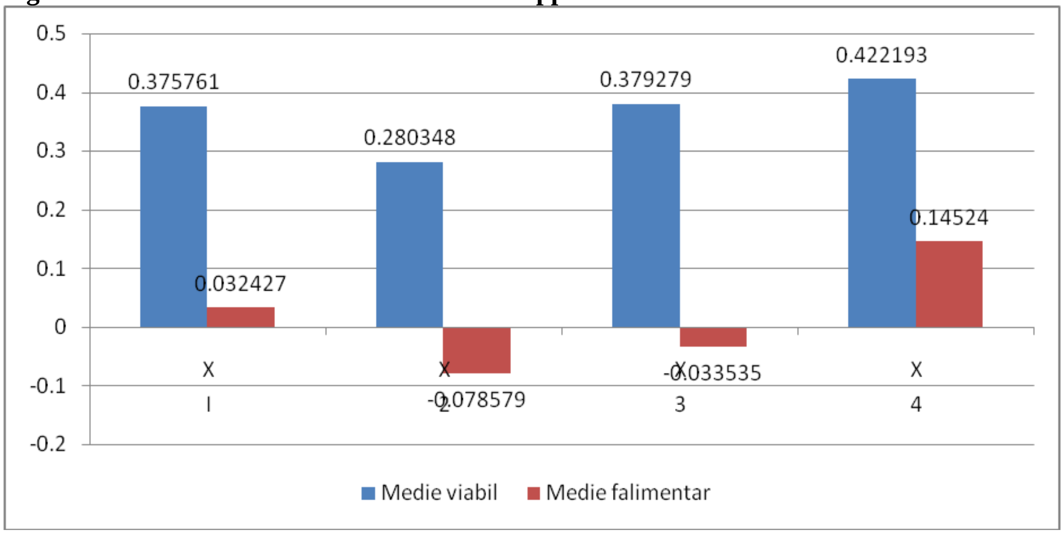
Table 2 Statistical results obtained for the rates of the Altman model applied

	Average viable	Average bankrupt	Stdev viable	Stdev bankrupt	Correlation	Sig.
XI	0.375761	0.032427	0.260575	0.028326	-0.074	.012
X2	0.280348	-0.078579	0.067474	4.023169	-0.210	.043
X3	0.379279	-0.033535	0.216436	0.100211	0.028	.048
X4	0.422193	0.14524	0.283271	3.855056	-0.131	.034

Source: own calculations according to financial data submitted to the Ministry of Finance and BSE

Thus, for the indicator X3, profit before interest and tax reported to total assets, the value for viable firms is 0.379279 (positive) and for the bankruptcy of -0.033535 (negative). The correlation between the two indicators is positive for 0.028; the difference between variables in the two groups was highly significant; p-values for the variables X3 viable and bankrupt firms is 0.048.

Figure 3 The statistical rates obtained for the applied Altman model



Source: own calculations according to financial data submitted to the Ministry of Finance and BSE

The indicator X4, equity reported to total debt, have significantly different values for viable companies, 0.422193, against the bankrupt, 0.14524. P-values for variable X4 of viable and bankrupt firms is 0.034; the correlation between two indicators indicate that the differences between variables in the two groups are important, being -0.131.

Thus, cumulating the two categories of score in Altman model, for viable and bankrupt businesses, it reaches to relevant results only for 52 companies of 100; so the percentage is 52% predictability. This percentage is extremely small for a model which is still widely used both in academia and in the banks.

Conclusion

The importance of bankruptcy prediction and understanding the causes of economic failure is ultimately a pragmatic matter. The direct costs of insolvency or bankruptcy (legal, accountants, auditors and lawyers fees) are low compared to the losses that can record shareholders / creditors due to lower firm value. Also, the indirect costs such as losses for managers, business partners, and financial institutions, state are considerable. All these have been fully felt on the Romanian market in recent years. Any progress in identifying causes and bankruptcy prediction can minimize the discussed costs.

In our opinion, the main limit to the application by the Romanian companies of Altman diagnostic model based on score function developed in other countries is linked to the national character of this model. Taffler shows in 2003 that ''each country requires its own model''.

In practice, it is widely accepted the idea of limiting the conclusions and the applicability of scoring functions only for economic space in which it was built, even if it turned out that some models have a high degree of universality (Altman score function has been applied successfully both in highly developed economies - the U.S., Japan, Canada - and in developing countries - Brazil). This is because the model was built under a stable economy while, as a particular case, the Romanian economy is facing a prolonged period of transition, characterized by a sharp economic instability. This makes the Romanian companies cannot use, with acceptable risk of error predictability, the models recognized worldwide.

Regarding the main limitations of the application of developed models based on the score function in our country, they are given by the following coordinates:
a) the selection of the sample underlying the construction of score functions is not based on a statistically relevant population, the sample selected for analysis does not necessarily reflect the situation of bankrupt - non bankrupt in the Romanian economy. This is due to the fact that Romania has a high number of bankruptcies in fact, but a relatively small number of legal bankruptcies and therefore, taking or not taking into account those companies that are bankrupt (insolvency, consecutive losses over a period of time), but were not declared as such can have a direct impact on the accuracy of model predictability itself.
b) the lack of a longer period for analysis before the bankruptcy - may be a cause of a reduction of predictive ability than that stated by the authors of these models. This is due to the short period from the date of transition to market economy principles and the high degree of economic instability that characterizes the Romanian economy.
c) the general nature of developed scoring functions - the last concern on this issue revealed attempts to set up a function to be applied throughout the Romanian economy, however, beyond the merits of such tests, is widely recognized that, in general, bankruptcy prediction model is limited to industry or industries on which it was built;
d) the failure to take into account the ''non-financial'' indicators in the background score function - the results of research conducted in developed countries shows that non-financial indicators include the models Z - score in Romania should be noted that there is always a company closure result of poor management, but in many cases may be due, economic and social environment in which operating company involves taking into account other variables than financial ratios. The limit to be considered is the inclusion of such variables (which expresses the characteristics of industry and economic environment) generates models with a limited geographic and temporal, but more pronounced than models based solely on financial ratios.

Also other possible causes regarding the inapplicability of this model in Romania could be:

- frequent changes in the bankruptcy law;
- long periods to obtain failure comparative with the aforementioned countries;
- characteristics of the Romanian economy;
- market exit of Romanian companies is not always subject to economic criteria
- State involvement in supporting companies;
- masked failure of state companies;

- long period of transition and economic and financial instability;
- political influences on economic and financial area.

A prerequisite to the successful construction in Romania of bankruptcy prediction models is to strengthen the discipline of bankruptcy law, which happened in 2006 when bankruptcy law was repealed and replaced by the insolvency law, thus creating those tools at the state level, enable more rapid take those measures requiring initiation of insolvency and default procedure of bankruptcy, considered as a mandatory practice for those in this situation.

Also, the establishment of such models should start from the idea of inclusion and non-financial indicators representative of industry or industries concerned, in order to consider the main factors of economic and social character of the business environment, which may influence its results, thus increasing the accuracy of predictability.

Finally, it should use the maximum-minimum limits in the making of indicators used to determine the score function in order to counterbalance the negative effect induced by specific transition period and the absence of credible and relevant information for a long period of time.

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RECONSIDERATIONS OF THE MODERN CONCEPTS OF PUBLIC EXPENDITURE IN THE CURRENT DEVELOPMENT CONTEXT

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Abstract: *This article follows the main aspects of modern conceptions of public spending, focusing on the interpretations given to them in terms of economic evolution in recent years. It was made a correlation with the human development index that comes to support a series of reconsiderations of conceptions about public expenditure and their role.*
Keywords: *public expenditures, HDI, GDP*

Introduction

After World War I, the role of government in economic life and society began to be perceived and otherwise, as reflected even by Keynes's book title, in 1926, "The End of laissez-faire". In this book, Keynes said that "the most important thing for government is to do things which individuals are already doing or to do little better or a little worse existing ones, but to do those now things are not made / not made."

By the end of 1920, several European countries have introduced rudimentary social security and the Great Depression led to a new wave of expansionist policies of public spending, including social programs. Great Recession of 1929-1933 years was regarded by many as a failure of liberal doctrine (laissez-faire) and a number were those who looked with admiration at the "economic experiments" taking place in countries like Russia, Germany, and Italy. Unfavorable socio-economic background, driven by World War I and the global economic crisis, state constable place was taken by the welfare state (State or State welfare Faustian), which significantly broadens the scope of concerns. As the state's economic activity is exerting interventionist doctrine, that public authority is required to play an active role in economic life, to influence economic processes, correct cyclical developments, to anticipate and prevent crises or at least take steps to counter their negative effects.

In this context is the work of J. M. Keynes' General Theory of use of labor, interest and money", a reference work on world economic thinking, considered the modern interventionist conception. It is presented as a critique of classical thought as a theoretical construct new attacking, even on behalf of political liberalism, justifying the active economic policies and proposing some key action levers. Among them, state interference in market mechanisms was considered indispensable to correct imbalances and prevent amplification cycle them.

Keynes did not believe, therefore, not ever believed in the parable of Adam Smith's invisible hand. Not only reject this view because it is founded on an intellectual error, but also because, once transformed the political vision, this is a dangerous illusion. For Keynes, the political problem of mankind is to combine three things: economic efficiency, social justice and political freedom. He opines that only deep reforms are likely to achieve these objectives and support the pursuit of the conservatory, founded on the illusion of "laissez-faire practices," paves the revolution.

Keynesian paradigm defining characteristics are that it: consider classical liberal and neoclassical economic theory as a special case of general economic theory rejects the idea of natural order and natural laws (objective), capable of achieving spontaneous economic equilibrium, consider unsatisfactory pure economic theory, so they decide to investigate economic processes both in kind and cash.

In line with the new doctrine, the state is no longer seen only as a national consumer product. He becomes Reseller resources, able to guide and support the upward trend of society towards the achievement of general interest objectives, corresponding aspirations for progress and civilization.

Modern concepts of public expenditure

At the same time, the evolution of society imposed by the state assuming new tasks, especially in social protection, which led, on the one hand, increasing government spending, and on the other hand, finds solutions to procure resources more conservative. In this context, there have been increased public expenditures for economic action, including economic development of state subsidy or protection of private enterprises for disadvantaged, with traditional amplification. Simultaneously, changes occurred in the sphere of training of public funds by admitting call extraordinary resources, such as government bonds or money-inflation program to promote intervention (regulatory) of the State in economic and social life. It becomes relevant in this context that state loans "are obligations arising from contracts of the domestic financial market and / or international by state, as the borrowed financial funds obtained from a natural or legal persons and committed credit to repay it with interest and other costs, in a specified period".

Becomes the main concern of specialists studying the instruments by which the state can intervene in economic life, ways to influence economic processes, social relations. Research subject moves from media coverage study of public expenditure, the analysis of means of state intervention through spending and revenue. During this period, the establishment of public enterprises and joint ventures is not considered a heresy, it and the provision of grants and other private facilities, and other measures by the state, designed to help combat unemployment and economic recovery stagnant, is not blamed, but rather encourage and appreciated.

Thus, the issue of public expenditure has become a field of wide interest within management decision-makers, especially at the macroeconomic level, in the context of their integration into models of economic growth.

Basic orientation is considered Keynesian doctrine, which include variable based "public spending" in the equations of general equilibrium. Public spending, both public consumption and public investment ones were treated aggregate consumer demand, the variable that makes the offer. Transforming public spending, taxes, government budget, government loans and monetary processes into dynamic tools, financial policy is the type interventionist welfare state, considering that it can take two forms: interventionism compensator (Keynesian) and interventionism correction.

Interventionism financial compensation is a policy less interventionist. State intervenes to correct market mechanisms, acting to prevent or repair harm economic failure. In these conditions, the financial policy is exercised compensatory effect that, in principle, be made as follows: in periods of recession and unemployment rises, the volume increases in public spending and reduce the amount of taxes, budgets using the "recovery" economy. Conversely, in periods of inflation, the state will proceed to public spending cuts and tax increases, budget practicing the "austerity" and intended to reduce budget deficits incurred during periods of crisis. In both situations, highlights the quality of public financial and economic leverage, which have the potential to influence real economic processes (consumption and investment) for the purposes considered desirable.

Interventionism type compensator was applied with good results for the first time in the U.S. during the mandates of two presidents, Hoover and Roosevelt and becoming the "commercial Keynesianism". He was also, and support for development in the 50th Swedish model, shaped interwar Swedish-style interventionism compensator, also known as "social Keynesianism".

Both the U.S. and in Sweden, practicing the interventionist financial policies in the period 1933-1945, took place amid establishment Social Democrats as the party of government, which gave the state and a social concern, besides the economic. Economic policy adopted by Hoover and Roosevelt into interventionism was able to get the country out of economic crisis of overproduction in the period 1929 to 1933. Due to financial policy adopted by Roosevelt, known as the "New Deal", the firms became national legitimacy, reduced scale and cyclical variations were alleviated social injustice (legal background created by the Social Security Act adopted in 1935).

Keynes's doctrine followers have founded various models and types of public financial policy to support the economic recovery efforts (when resting), to stimulate demand and thus the production rates, and reduce the unemployment rate (keeping it in acceptable limits). Modern state, in the opinion of the French economist Maurice Duverger, public finances are no longer merely a means of providing cover its costs of administration, but first, a means of intervention in social life, to exert pressure on citizens to organization of the nation. Science of public finance in the modern era was defined by M. Duverger: "science of state activity, as a user of special techniques so-called financial expenses, taxes, loans, procedures monetary budget". The main focus of finance is the study of science instruments by which the state can intervene in economic life, ways to influence business processes, social relations. This does not mean that the interest of science to cover public expenses would have disappeared, but only that national redistribution, mediated by finance, acquire new values. Taxes also arouse discussion and controversy because it affects the environment of astonishing natural economic interests of individuals and businesses but at the same time it is used as a means of stabilizing cyclical.

Referring to the interventionist theory about public finances, which made its way especially after the global economic crisis, French economist Pierre Lalumiere stated: "Public expenditure was considered as a means of economic and social intervention and if they continue to fund state administrative tasks, they must serve both to increase production capacity of the economy (government investment expenditures) or the redistribution of income to many disadvantaged ¬ gory (public expenditure transfer) " . The tax is also considered as a process of state intervention in the economy, if he continues to provide public expenses, to enable him by some equalization of social conditions (reducing the high tax revenues) or cause by incitement, economic development (higher taxation of undesirable activities). By judicious use of public expenditure and revenue, the state budget becomes a huge "filter".

American economists William J. Shultz and C. Lowell Harris argue that science deals with public finances "facts study, main techniques and effects of collecting and spending of funds by the government or ¬ enforcement bodies and public debt management." They appreciate the costs public budget as "external injection of purchasing power of income flows", stating that "any increase or decrease in government spending as well as other amazing additions or reductions or revenue stream, influence on the national income multiplier effect".

Against the background of doctrine, from the mid-1930s, increasing military spending in response to the threat of Germany was a key factor for increasing public expenditure in European countries. By 1937, public expenditure increased from an average of 23.8% of GDP, a level almost double the 1913 level. Spending increased in all countries and the increase was most pronounced in Canada, Germany, Japan, Sweden, Switzerland, and United States of America. However, some of this "growth" was due to lower GDP caused by the recession. After 1937, the state minimum and laissez-faire policy of the site was completely removed. Since that time, has become fertile ground for future growth of the state welfare and the importance granted to use public spending to redistribute income.

After World War II, and especially the period between 1960 and 1980, there was an unprecedented enthusiasm for public spending. Richard Musgrave (1959) described the functions of allocation, stabilization and income redistribution that would return the budget of a modern government. Development of the theory of public goods and externality concept suggested a more consistent role in the allocation (Public Utilities) for states. Socialism was already a strong current among Western intellectuals and political leaders; so that redistribution objective (fair) income in society through public spending created an aura was more important. In the book "Ethics redistribution", Bertrand de Jouvenel (1952), French political philosopher, said that: "Public finances in general, are a dull topic, but public finances in the first half of the twentieth century are charming. Of the many aspects of public finance new, two are most notable: first, that have been used to modify the distribution of national income between social classes, and secondly, that the percentage of national income through "hands of the state" increased considerably". It should be noted that the statement regarding the percentage of national income redistributed by the public purse was made in the 1950s, long before the actual expansion of public spending.

"General Theory of Employment, Interest and Money" by Keynes, popularized and other works of great economists like Alvin Hansen, Abba Lerner, Lawrence Klein, etc., promoted stabilization tools and more a new and powerful reason for government intervention. Fear of unemployment, which appeared after the Great Depression, came to be tempered by the belief that the application of Keynesian demand policy could eliminate or at least lead to offset economic cycles and reduced unemployment. Enormous impact it had on the design and promotion theses Keynesian economic and budgetary policies in the 1960s and 1970s made this period to be considered was "Keynesian".

To some extent, the influence of Keynes confirmed even his own predictions, namely the ideas of economists and political analysts, both when they are true / correct and when they are wrong, are more powerful (influential) than is normally understood. Indeed, the world is ruled by little else (Indeed, The World is Ruled by little else).

Influenced by the experience of the Great Depression and the apparent success of fiscal policy before the war, another great economist, John Kenneth Galbraith, supports the idea that "if a lower, taxes should be cut and public expenditure would be increased as is now widely accepted". However, concern for production (private) and investment materials diverted, said Galbraith, attention from more urgent questions, including how our resources are committed and, in particular the need and opportunity to invest in people.

This indicates that optical economist in question raises the possibility and need for public expenditure through more consistent action is the social area, especially targeting the social problem of poverty, which could be mitigated through public spending (higher social assistance). The doctrinal position becomes apparent when Galbraith says that opposition to social security and relevant legislation was a "liberal error". By late 1950, only a few decades after the introduction of social legislation and social security in most countries, he noted approvingly that "the basic uncertainties of normal life have been removed". Galbraith anticipated as one of the important justifications for government action that will lead to major increases in public spending (budget) social type, namely, reducing the risk (of life) for most citizens. Belief in the beneficial role of government economic and social development, pursued the path tools (categories) specific public finances, notably through public expenditure, was shared by Francis Bator, another influential economist at the time. In his opinion, the public expenditure of society at that time (1960) had sizes too small to dimensions that would be justified to achieve positive effects, claiming he increased public spending (budget) for healthcare, education, urban development, as support for general development.

Similar views were expressed by other authors, such as James Tobin (1958), which states that "tax doctrines dominated again reserved our policies during the five years since 1953, and again brought the nation to brink of catastrophe. Increased taxation is the price of economic development".

Paul Anthony Samuelson, chief representative of neo-Keynesianism, noted that administrative regulation of the increased markets, accompanied by a redistribution created more consistent product confirms that the state has become increasingly important role in the economy. The author in question added to the famous Keynesian equation Y = C + I (where Y = income, C = consumption, I = investment) and government spending on goods and services. Samuelson said that "the extent that the national income and net investments bread consumed so must incorporate and budget appropriations to cover costs of highway construction (cement salaries, etc. or purchase jet bombers. Include, also, loans to pay meteorological services and aircraft pilots or firefighters, engineers of bridges and roads, magistrates, policemen, not forgetting the statisticians charged with determining the size of national income ". This statement highlights the important role that it assigns economist in public spending for social and economic development, ensuring that the overall balance.

Another very important concept to address modern public expenditure belongs to Alvin H. Hansen. In his book entitled A Guide to Keynes, Hansen promotes his views adapted to specific U.S. economy, supporting a new type of market economy, based on new institutions. It states that "The market cannot decide how much we spend on schools, social security or national defense. We have reached a point in our economic and social development in which no market, but social value judgments must control how we use that can mean a quarter of our productive resources. Our economy is not the whole market economy. It is a mixed economy public and private. What develop are the welfare state and not the state as an owner or trader directly. Welfare state is primarily a redistributor of income and a large buyer of private enterprise products. But the company makes private affairs. "American economist focuses on government spending and investment spending as a means of countering the crisis". Autonomous government spending and private investment is the most important factors of growth and decline of national income." Following the imperative of economic and social stability, so-called Hansen mentions three intervention programs: flexibility mechanism stabilizing system and compensation program that based on tools from which we find public spending programs that we analyze in subsequent chapters.

Without government intervention, the situation could become dangerous, both economically, leading to reduced consumption due to lower purchasing power of households and the socially, favoring the occurrence of events and strikes. Therefore, the main objective pursued by government intervention was the elimination of unprofitable enterprises for state spending large sums, without registering any of their revival and management of public funds for other purposes, more justified. Thus, by making expenditures, corrective interventions aimed more directly state destinations such as financial aid disadvantaged people in different ways (welfare, unemployment benefits, scholarships, maternity benefits) or supporting the development of production equipment and services public to combat pollution, leisure, culture development, education and sports).

Peak of the welfare state (1945-1975) can be divided in turn into three smaller periods, as follows:

- During the "reconstruction" (1945-1950), which followed immediately after the war, in which some countries have established overall economic development strategy, the impact on public expenditure policy setting coordinates;
- Decade of "relative stagnation" (1950-1960), characterized by sustained economic growth and almost full employment of labor, even if inflation increased gradually (reaching 14% in 1974);
- The "great expansion" (1960-1975), regarded as the representative of the entire evolution of the welfare state.

Orientation for greater involvement of government in providing goods and services, supported by the great economists times, was accompanied by the emergence of new methods and techniques designed to evaluate government programs and their implications. There is such a large concern for the issue of efficiency in public financial resources spent, something that is considered essential for current issue spending (public).

In the 1950s and early 1960s, planning, programming and budgeting system, and other similar techniques began to be placed on the financing decisions of public spending, targeting efficiency. For example, cost-benefit analysis of public projects, was considered a major advance in the technique of economic planning in general, is widely used in the Budget (now mandatory, for example, for projects with European funding grant). New techniques were developed to eliminate the discretionary power of government so that public money can be allocated and used properly and effectively. He was also a time when not clearly determine that progressive taxation was high and likely to produce serious, to discourage the private sector, but rather was seen only as a way to ensure funding of public expenditure more ambitious policies to support. It is remarkable that so far, most studies found no negative impact on the economy arising from high rates of progressive taxation.

Erosion of legal constraints on government budget deficits has accelerated after the Second World War, when many European countries have accepted social rights as constitutional rights. Several countries have enshrined interventionist policies strong provisions in their constitutions (Germany and Switzerland) or through their own tax law. In Germany, new postwar constitution emphasized the state's role in shaping the "market economy". After the first oil crisis, the German Supreme Court graduated constraints limit government budget deficit that was provided in the constitution. Article 81 of Italian Constitution also introduced some formal conditions on fiscal policies, including the requirement for the government to design government spending the same or even higher from year to year and find the means of their coverage.

Increased public spending in this period (1960 and after), was also facilitated by dynamic political process in democratic societies. However, public expenditure growth was facilitated by interest groups that lobby for different programs, but the bureaucrats who wanted budgets ever higher. In any democracy, governments tend to consolidate the political support of citizens by carrying out programs (funded by public expenditure) in their constituencies, because wealth is transferred to their constituents, while costs are borne by all voters in the country. At the same time, they are reluctant to increase taxes (including local) that affect their constituents.

A whole controversy on the reasons explaining the increase in public expenditure was on. Rapid urbanization in industrial countries is likely to facilitate increased taxation, which created conditions for satisfying higher demands for public spending. Recently, the aging population in developed countries, but not only began to increase public spending, although the full pressure of aging will be felt only in the following decades. Wagner's Law (named after Adolph Wagner's publication in 1876) was probably the most prominent, but not necessarily the most convincing explanation for increased public spending and because it fails to explain why public spending have increased between 1870 and 1913.

Rapid expansion of public expenditure between 1960 and 1980 was a remarkable, because it took place when most countries were not engaged in war and therefore had no costs (additional) for maintenance of the army. However, there was no recession and thus public spending for various programs of economic and social recovery were very low and population growth rate was positive. In these conditions, increased public spending is explained mainly by changing the vision of the state's role in society. 1960 and 1970 were years "glory" for Keynesian doctrine, dedicating the perception that governments should be effective in the allocation of public goods and equitable redistribution of income and wealth, and stabilizing action (adjustment) of the economy.

French interventionism practiced labeled as "antieconomic, tentacular and retarded", ruling the state disengagement from economic policy. As a result, some public services (telephone, highway construction) have been privatized and, in parallel with the liberalization of prices and tariffs, the desire to return to liberalism, but one adapted to new realities.

The 1980s marked a return to arguments in favor of a State to restrict their activities to the minimum necessary public, promoting the idea of withdrawing its sensitive interventions in the economy, which means primarily a reduction in public expenditure (budget). This return ideological enrolled in a context of ideas successfully defended monetarist Milton Friedman. Consequences to the traditional criticism of state intervention have reappeared in the spotlight: waste, excessive weight, etc. taxes. The new slogan was, less state "(a lesser state intervention), and governments began to be driven by policy to reduce taxes and deficits. According to the new dictum, had reduced public spending and redistribution of income principles company had reconsidered.
1980s was largely dominated by non-interventionist economic policy concepts, and when they were interventionist, had to be more sensitive to supply than demand.

Difficulties of the East in the 1980s and the collapse of socialism in these countries have contributed to estimating market economy. In the USSR, the state was omnipresent: the owner and manager of the means of production and exchange placed the head of a mandatory centralized planning. The failure of Soviet-style socialism discredited the idea of ubiquitous state.

In the U.S., Republicans and conservative politicians proclaimed ambition failure "New Deal" and dream of a democratic, Great Society. "Considering that the taxes were excessive, they also appreciated that government programs (too large) for redistribution of wealth have failed than to transform a part of American addicts in government assistance to make them lose their responsiveness and sense of personal responsibility. Ronald Reagan (U.S. President) defended the idea that the state should limit its ambitions, that action social protection systems now costs too much and is based on the notion of, compulsory compassion "(government required to pay all).

In terms of training resources to finance these projects involved excessive costs of social assistance, Laffer curve limits raised tax progressivity, illustrating that formula, too many taxes kill taxes. "Fiscal pressure too high causes taxpayers to reduce their labor supply, to "hide" income (tax fraud or unauthorized workers), to transfer capital abroad (to tax havens), the effect of the plan is contrary to the expected tax revenues

According to the economic doctrine of supply (supply-side economics), the crisis is not related to a lack of demand (Keynesian interpretation), but a lack of supply from the manufacturers. For economists offer (supply-siders), Reagan's advisers (as Arthur Laffer and George Gilder), the state should deregulate economic activity, reduce tax levies and making all kinds of measures likely to release tax burdensome restrictions enterprises. In other words, state intervention should be directed through taxes rather than through public spending.

In Britain, the 1980s were dominated by action of Margaret Thatcher (prime minister between 1979 and 1990). ,, Iron Lady "symbolized the return of liberalism in the world: tight monetary policy, public spending cuts, deregulation and opening to competition of public monopolies, privatization of most public sector. Margaret Thatcher advocates a return to individual incentives: lower reducing taxes and social transfers as a basis for individual responsibility.

Corroboration of public spending on human development index and reconsiderations of conceptions about public spending

In continuation of our study we cannot analyze in this context the future evolution of public expenditure, corroborating their human development index (HDI). According to several views, there is a strong link between public spending by the state and human development index, something that can be demonstrated through the following examples provided by the UN (Table 1).

Table 1 Public expenditures in GDP and HDI for these countries in 2011

		Rank/average
Island	Average share of GDP 37,6%	14; 0.898
		1; 0.943
Australia		2; 0.929
		6; 0.908
Sweden	Average share of GDP 53,5% (highest in the world)	10; 0.904
		20; 0.884
Finland		22; 0.882
		16; 0.895
Romania	36,9%	50; 0,781

Source: HDI 2011 report, UN http://hdr.undp.org/en/media/HDR_2011_EN_Tables.pdf

Notice that the first group four countries in the HDI ranking, have a share of public expenditure in GDP of 37.6%, while the group consists of four countries Sweden, France, Finland, Denmark will not lie (except Sweden) even in the first group 10, according to the classification. From this we can draw the conclusion that at close to 36% can achieve a high level of human satisfaction, according to the criteria summarized by HDI. The general policies (financial default) countries modern optics to keep public spending share in GDP to 35% or less may be an acceptable, because these countries have high levels infrastructure already built, compared with countries in developing.

Experience in Hong Kong and Singapore, where public expenditure is usually below 20% of GDP, confirming the approach regarding a low public spending in GDP, as a variant of the long term.

We believe that the ability to maintain or decrease the level of public spending to GDP must be correlated both with increased efficiency of public sector and with private sector efficiency, able in future to cover part of the economic risks (but not only), facing the citizen.

In this context, Vito Tanzi identifies at least two pillars on which the budget cuts in public expenditure. The first pillar would require people to be aware of certain contingencies of life and to do so. Obvious examples are considered private insurance for accident and health, along with a more restrictive package of social protection provided by the State.

The second pillar would be for the government to seize the opportunities offered by globalization and the world market to purchase services not available on the market or are available at a higher cost. These services must be provided even for a small group of citizens, for then they are advertised. Such services may be the latest medical procedures, training, etc. for advanced techniques.

Conclusions

Public expenditure (budget) gets modern interventionist doctrine under a new interpretation, admitting that their performance of the state through its institutions immaterial, as his partner is concerned with maintaining social balance and hence the whole system as full satisfaction community needs, can be (if only indirectly) a positive contribution to enhancing product and created national wealth. Characteristic of modern interpretation of public spending is that they are treated as processes for reallocating resources since a significant part of their orientation reflected concern for the state of their use consistent with certain socio-economic optimum.

Thus, reallocation of financial resources through public spending is not seen as resource consuming but as an investment, in this respect, public expenditure are similar to those which are considered private, in principle, recoverable on account of the comprehensive activities that are engaged . It follows from this statement that the modern vision of public expenditure is recognized only partially character definitive resource consumption processes, the other character is recoverable with either one of reallocation, and creating, overall, beneficial effects in terms of social reproduction. In this framework, it should be noted that such an interpretation, directly linked to specific actions financed via public expenditure budget is reflected in the concrete structure and their size, although "in some degree, political choices are those that dictate often without regard to economic requirements.

Addressing public expenditure (budget) differently, in terms of their expected effects, allowing an appreciation distinctive, nuanced their effectiveness, with direct implications in terms of making decisions using appropriate criteria and optimization models.

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THE EFFECTIVENESS OF THE TAX INCENTIVES ON FOREIGN DIRECT INVESTMENTS

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Abstract: *The economic integration trend has freed the capital movement and many new locations became available for investment. That is why the policy makers had to think for new and more efficient ways to lure the capital owners. One of the most used and dynamic method is the fiscal policy. The fiscal incentives were in many cases the main reason for choosing a country and stay away from another. The main reason for this situation is that the fiscal policy is one of the most flexible public tools to manipulate the market and the decisions on it. Public administrations can encourage or block different kinds of investment decisions according to its policy and long term plans.*
Keywords: *Tax, incentives, FDI*

Introduction

In the last two decades, many governments have actively promoted their countries as investments locations, to attract private capital investment, technology and managerial skills associated with the idea of achieving the development targets. So, they have adopted measures to facilitate the attraction of foreign direct investment. Tax incentives were one of the important measures that were used. In some cases certain types of investment and fiscal incentives have proven to be a major factor in the decision related to the choice of investment location. In addition, for countries that offer to investors the same framework, tax incentives can make a difference, because governments can quite easy to change, modify or extend tax rate / tax base restriction, while other factors influencing change investments would not be achieved so easily and would consume more time, usually very important in making any decisions.

Advantages of granting tax incentives to attract investment

Increased mobility of international companies and the gradual elimination of barriers to global capital flows have stimulated competition between governments to attract FDI and, often, this was done through fiscal facilities. But it is important to know which the effective use of these tools is, on the one hand, and the cost of their use is, on the other hand.

Increasingly, governments are trying to attract more multinational companies and to enhance technology transfer associated with them. Tax incentives have become a global phenomenon - the tax holiday (UNCTAD reports confirmed a large number of countries that offer this kind of fiscal stimulus. They provide benefits as soon as companies start to earn revenue while the benefits of a lower rate tax result slower, after a longer period of time. Primarily, from these facilities benefits short-term investments, the kind that can move easily from one jurisdiction to another. These tools tend to reward particularly the establishment of the companies than investing in existing companies and can lead to erosion of the tax base as taxpayers learn how to avoid taxation of income from other sources. All these reasons lead to critical acclaim from tax experts) and import tax exemptions for investment and accelerated depreciation.

At first glance, the impact of tax incentives on FDI is ambiguous. Over the past decades many supervisors of the international investment and econometric analyzes have shown that tax incentives are not the most powerful tool to influence the decisions of multinationals in choosing their locations. Most important are factors such as basic infrastructure, political stability, cost and availability of labor. The conclusions of the analysts and supervisors confirm that tax relief is a tool that compensates for weak negative factors that are found in a climate of investment.

But it does not mean that fiscal incentives have no effect on FDI. It is no coincidence that between 1985 and 1994 the investments have increased more than five times in tax havens such as the Caribbean and South Pacific. And fiscal incentives have been recognized as Ireland's bald elements in attracting international investors in the last two decades. In recent years, are becoming more frequent evidence that tax rates and tax incentives influence corporate location decisions within regional economic groups such as the European Union free trade zone in North America, or South Asian Nations Association. Similarly, in the U.S., incentives can play a decisive role in the decision of choosing the final location of foreign companies since the choice is limited to a small number of locations with similar characteristics.

Most governments use these tax incentives to attract a certain type of investment rather than to change their aggregate level. Oman (2001) revealed that several foreign companies - such as the automotive sector - are in a better position to negotiate special tax regimes and thus attain income from host governments. These new findings have revived the debate about the effectiveness of tax incentives. Two questions appear in research. What tax incentives have the greatest impact on investment location choice of multinationals? What kind of investment seems to be most sensitive to changes in taxes?

In choosing the appropriate fiscal instrument for attracting the investments, many executives appeals to the other countries tradition. In developed countries, a popular tax incentive is to eliminate corporate income tax for some time by "tax holidays" or exemptions / reductions for certain types of investment companies. Another measure is to quickly recover costs of investments for all or only those investments that the government wants to promote, through deductions or tax credits (which can take three forms: accelerated depreciation, which allows companies to fully amortize capital faster than through taxation by accounting, tax cuts for investment expenditure, which enable companies to recover a percentage of investment expenses from taxable income or investment tax credits, which allow companies to reduce taxes paid by a percentage of their investment expenditures). Tax relief for investment limitations are especially for projects with long gestation periods.

Some countries have chosen to reduce the effective rate of corporate income tax for all companies. Small economies such as Hong Kong (China), Lebanon, Mauritius have chosen this option. International investors looking favorably to a country with low tax statutory rate which gives the signal that the government is interested to let the market determine what is most profitable investment. But this approach can reduce tax revenues, at least for a transitional period (long term can simplify the tax system to attract more investors, which may increase the tax base effect can offset the initial reduction).
An extreme approach would be to eliminate taxes for all investors or only for certain categories. Countries that have become fiscal havens usually suppress all channels on direct taxes and taxes on consumption and the workforce related. Other countries have limited incentives to export-oriented activities in certain areas, known as areas of food processing for export. These extreme images have had mixed results, especially if the goal was to attract sustainable investment projects or high added value. These regimes are challenged by OECD countries and multilateral organizations because they are often associated with suspicious capital flows.

Effectiveness of fiscal incentives varies depending on business activity in question and its motivation to invest abroad. Increasingly more evidence shows that tax incentives are a critical factor for the mobile companies operating in multiple markets, such as banks, insurance companies and e-business, because these firms can exploit better tax regimes from different countries. Such strategies can explain the success of tax havens to attract global companies' subsidiaries. Tax rates produce stronger effects on investment decisions of export-oriented companies than those who seek the advantages of location, because these companies are not only mobile but operate in competitive markets.

Since it appears that fiscal policy affects the location decision of multinational companies, particularly in regional markets, the risk that governments will emulate the commitment of these tax incentives. Such competitions have already begun, especially in Asia. Concern may come because countries may end up in a bidding war favoring multinationals at the expense of states and citizens. This risk has stimulated governments to try to harmonize their fiscal policies by regional or international agreements. Beyond these wars of the offers, these fiscal measures can lead to lower tax revenues and create growth opportunities illegal behavior by companies and tax administrations. This issue has become very important in developing countries facing severe budget constraints and corruption rather than do industrialized countries.

Costs involved in tax incentives

No doubt these tax incentives are costly. The most important costs (Morisset, 2003) are those associated with the possible loss of revenue from the host governments. In Tunisia, a relatively successful in attracting foreign direct investment, fiscal cost associated with incentive regime reached 20 percent of total private investment in 2001. The question that arises here is whether the new investment should come into the country if they would have offered little or no incentives. If so, then free-rider type of investors benefit while Treasuries have lost. This example clearly illustrates the need to evaluate the welfare implications in terms of tax incentives, both at the firm level and globally.

But there are other costs perhaps less visible. Thus, because they influence the investment decisions of private companies, can distort resource allocation and may attract investors seeking only short-term profits in countries where political and economic stability is poor.

Another problem with these incentives is generated by the difficulties of managing them, because they require a complex administrative task, so that would be more effective than the purpose of covering costs of their implementation and to produce net benefits. Discretionary arrangements involving evaluation of each case are very difficult to manage. These regimes could result in delays that may lead to increases in investment costs or generate corruption affecting the healthy development of competitive markets. Non-discretionary arrangements are much simpler to administer and easier to implement. These involve incentives such as investment tax credits, accelerated depreciation and subsidies related to easily measured indicators such as exports, imports of technology, skilled labor.

The debate about the impact of fiscal incentives for foreign direct investment is far from close, benefits appear as uncertain and the costs are quite complex. Emergence of global companies has and will have a significant impact on public revenues. They are more sensitive to tax incentives because of their ability to exploit them by transferring activities from one country to another.

Clark (2000) in one of his works conducted a review of empirical findings about the impact of the corporate tax burden on foreign investment decisions by highlighting the first major category of tax incentives for corporations of various host countries. Economist continues to discuss the main interaction analysis of tax systems of the host country level and at the mother country in shaping the host country tax burden and behavioral implications for investment and financing alternatives in the context of tax credits. Recent work brings the issue to increase sensitivity over time of real or financial affairs of the host country taxation.

Competitive pressures encourage policy makers to continually revise tax rules to ensure they are competitive internationally. Ability to provide a tax system to attract foreign capital is seen as a critical component of national strategy to ensure high standards of living. Multinational companies record profits above average, invest significantly in research and development and well-paid employment opportunities. Meanwhile, the corporate tax system generates government revenue sources of income of non-residents. The desire to tax such income without deterring foreign investors raise questions about the response to tax and investment flows to the appropriate setting fiscal parameters that determine the tax burden of the host country, taking into account different behaviors and effects on tax revenues.

Non-tax factors influencing FDI

OECD (1995) qualifies as the most important factors political stability and stable economic environment. Of course, political instability or the threat of it is a serious obstacle for FDI. In the context of macroeconomic, exchange rate instability, the price will increase uncertainty and risk in foreign investments, tend to discourage them. Another important factor is the legal and regulatory framework of the host country. Foreign investment could be lost if trade legislation or other rules would be incompatible with the establishment and operation of companies with foreign capital. Important areas are those concerning the protection of property, ability to repatriate profits and free foreign exchange. Access to utilities and infrastructure are considered key factors in locating an investment like those mentioned. And another factor is considered market size.

Fiscal factors influencing foreign direct investment

Tax incentives that can be used aimed at corporate impact on their tax burden. Host countries can "ease" the tax burden measures that can take different forms. Thus, we find examples like the following:
- Tax holidays;
- Reductions in statutory tax rate of corporate profits;
- Increase / accelerate depreciation of capital expenditures;
- Investment tax credits specific or general
- Reduction in tax rates on dividends or interest.

These incentives can be classified according to mechanism or channel through which affect the benefits or costs of additional investment as follows:
- Incentives that reduce tax rates on profits derived from corporate investments;
- Incentives to reduce corporate costs after tax of obtaining new capital (tax credits, depreciation);
- Incentives to reduce costs after tax growth of capital to obtain funds for us.

Starting from the three categories of incentives we consider a framework for the operation of tax incentives: the three categories can be placed on the following equilibrium conditions describing investment incentives of the managers to maximize the market value of firms on the competitive market. As theory suggests, competitors will invest capital only to the point where the marginal benefit of the last unit of capital invested equals its marginal cost. The condition of equilibrium has the following form[5]: $(\Delta Y/\Delta K)(1 - u) = (r + d)(1 - A)$, (1) can be written as

$(\Delta Y/\Delta K) = (r + d)(1 - A)/(1 - u)$, (2) where:
$\Delta Y/\Delta K$ = increase in gross income, Y driven by growth in a unit of capital stock, K of the company, whose value decreases as the capital stock increases. Investment incomes are subject to statutory tax rate, denoted by u.

The left side of the first equation measures the marginal benefit of tax due to an additional unit of investment. Marginal cost of tax is measured through the right side and is the product of two terms: first, (1-A) gives the purchase price after tax of an additional of one unit of capital, measuring the present value of tax incentives related to the acquisition of one unit of additional capital, either as investment tax credits, either as depreciation expenses, the second term, (r + d) is the sum of the actual rate of return on investment required by investors for the capital they invest and the rate of economic depreciation capital due to physical and moral wear.

This framework is useful to make the analysis different channels through which tax incentives can work to encourage investment behavior. First, by reducing the rate of income tax / corporate profits (or even elimination of taxation as is the case with tax holidays) will increase investment income after taxes and as a result tends to lead to a higher level of equilibrium capital stock. The same measure has the effect of also reducing the present value of depreciation deductions, increase elbow borrowed capital after tax, by reducing the amount of deductible interest. In this sense, we can say that the effects are ambiguous, but in general we support the income tax reduction is an impetus for investment. Secondly, the introduction of an investment tax credit will increase to A, tends to encourage investment. Similarly, increasing the rate at which capital can be depreciated for tax purposes (for example, accelerated depreciation) will increase to A and hence the incentives to invest. Third, government policy can influence the cost of financing the company before tax (r), cost of financing that will tend to increase as the statutory rate of corporate income tax is reduced. In some cases, equity financing may be a function of personal tax parameters.

Tax holidays are a common form of tax incentives used especially by developing countries to attract FDI. The newly established companies are not required to pay tax for a certain period of time (e.g. five years) to encourage investment. In this period firms may be exempted from the payment of other fees also, but at the same time, may exclude certain deductions (expenses related to interest and depreciation). Tax holiday for new firms can be established in a specific region or a particular industry. Incentives of this kind for a particular industry can become sources of benefits of "externality" including knowledge transfer to domestic firms. Tax holidays are attractive to companies that operate in sectors where profits are generated in the first years, such as trade, services and less attractive to firms in sectors that require long-term capital involvement. For the host country tax holidays tend to be problematic, because loss of income, given that there are significant enterprises in the industries or areas subject to these regimes, as a cause of the tendency to create new business beside existing ones.

Reducing statutory corporate tax rate is a measure used as developing countries and developed countries. This reduced rate may be an overarching, applying to all foreign and domestic sources of income or target revenues from certain activities or sources (such as external sources of income) or income earned by nonresidents or various combinations of these forms. Maybe brought as a temporary measure or as a definitive measure.

Investment tax credits can be fixed, established as a share of the investment made during the year and the franchise that set a fixed percentage of the costs of investments made in a year over a certain amount (base).

The financial structure of a company is influenced in some cases significantly, the tax regime in the host country. The empirical results tend to confirm global central place played by the statutory tax rate of profits in the host country to influence the choice proportions Debt / equity. In essence, a statutory rate of corporate tax encourages high price loans in the host country. And increasing loans tend to erode the tax base. Thus, generous tax deductions and credits, which are financed by high tax rates put pressure on the tax base and increase the need for laborious and fiscal management to formulate new rules to protect the tax base.

International findings have at least two important implications of creating a tax system suitable for attracting FDI. In 1996 the OECD Council of Ministers instructed the organization to develop measures to combat harmful tax practices, followed by the EU initiative on direct taxes. The project led to the adoption by the OECD Council in April 1998 a report (Harmful tax competition - a global problem), which establishes the conditions that characterized the tax competition to attract mobile financial activities or services can become harmful as and counter measures that can be applied (such as denial of deductions for payments made in transactions involving jurisdictions develop harmful tax practices, prohibit concluding tax treaties with tax havens, non-fiscal measures).

There are three general classes of tax incentives used to reduce the cost of business to increase its investment funds:

- Tax incentives upstream (deductions or tax credits), which provides shareholders a relaxation of fiscal costs of equity investments in certain activities;
- Downstream tax incentives (deductions or tax credits), which provides an easing tax earnings to shareholders (dividends) from investments made in certain areas;
- Tax incentives "flow-through" which causes businesses to transfer unused tax deductions or credits to be used by investors to compensate the shareholder level rather than the level of taxation. This form of incentive is generally applied to situations where the business is expected to be taxable to a number of years and therefore have no immediate interest to exercise tax preference.

FDI equation

In one of his works, Hartman (1984) estimated the following equation for FDI I *:

$$\ln(I^*) = a_0 + a_1 \ln (r(1 - t)) + a_2 \ln (ro(1 - t)) + a_3 \ln ((1 - to)/(1 - t)),$$

where r (1-t) measures the rate of return after tax profit of foreign direct investment, stock investment divided by the end of the year, en (1 - t), measures the rate of return after tax profit of U.S. capital stock home and abroad, t is the average U.S. corporate tax (assumed to be equal for domestic and foreign firms) and ¬ t is the average capital income tax for both corporations and individuals. Variables enter into the equation the natural logarithm to facilitate expression in terms of elasticities.

Hartman's results show that estimated coefficients of the equation have the expected signs (a1> 0, a2> 0, a3 <0) and are statistically significant.

Factors influencing input and output flows of FDI in various countries were analyzed in several works by various economists or recognized organizations. Thus, in a recent review of UNCTAD (2006) argues that there are several categories of determinants of investment attracted in one area, namely:

- General political factors (political stability, privatization);
- FDI specific policies (incentives, performance requirements, investment promotion, international trade, investment treaties);
- Macroeconomic factors (human resources, infrastructure, market capacity);
- Business-specific factors (technology).

In a study by the OECD in 2003 reveals that factors influencing FDI flows in SE-Europe and other countries in transition in Central and Eastern Europe. Thus, considering the same factors for both sets of countries.

Table 1 Determinants of FDI in SE Europe

	ISD/loc	**Risk[1]**	**Liberty[2]**	**Coruption[3]**	**Reform[4]**	**Privatization[5]**
Albania	38	62	2.7	-	2.1	2.5
Bosnia	30	-	2.1	-	1.9	2.5
Bulgaria	103	67	2.6	4.1	2.8	3.8
Croatia	323	70	2.6	3.9	2.8	3
Macedonia	108	-	2.7	-	2.3	3
Moldova	26	49	2.6	2.8	2.3	3
Romania	48	58	2.3	3.7	2.8	3.5
Serbia	9	45	1.8	-	1.5	1

Source: The OECD Tax Centre for Tax Policy and Administration in Co-operation with the Investment Compact Team, Directorate for Financial, Fiscal and Enterprise Affaires, Tax Policy Assessment and Design in Support of Direct Investment, A Study of Countries in South East Europe, OECD, April 2003, p. 168

Notes:

(A) composite index based on risk assessment (International Country Risk Guide-ICRG), December 2000, high scores correspond to lower levels of perceived risk, source: World Bank;

(2) based on the economic freedom index, 2002, scores from 1 to 5 show a high score for the high level of freedom, source: Heritage Foundation;

(3) based on the corruption perception index, 2001 and 2007, higher scores correspond to low levels of corruption, source: Transparency International;

(4) based on Transition Report, 2001, high scores represent important progress in the institutional reform, source: EBRD;

(5) based on the same report on the transition, 2001, a score of 4 indicates specific performance standards and advanced industrial countries, source: EBRD.

One of them is the country risk and noted that it is a very important factor with negative influence affecting Belarus and Ukraine, which have the smallest streams. Table 1 countries with the highest level of FDI per capita, Croatia and Bulgaria have the lowest risk. The relationship between corruption and investment is less clear, but each country progress made in privatization is a significant factor. Slovenia (Table 2) is a special country because the factors taken into account action leads to low investment flows. Approaching the European Union (at that time), geographical and temporal, is analyzed in this study appears to have particular importance.

Table 2 Factors influencing foreign direct investment flows in transition countries in Central and Eastern Europe

	ISD/Loc	Risk [1]	Liberty[2]	Corruption [3]	Reform[4]	Privatization [5]
Poland	212	74	3.3	4.1	3.5	3.5
Hungary	198	72	3.6	5.3	3.6	4
Czech	525	73	3.6	3.9	3.3	4
Slovakia	242	71	3.1	3.7	2.8	4
Estonia	293	74	4.2	5.6	3.5	4
Latvia	139	71	3.5	3.4	2.9	3
Lithuania	125	72	3.7	4.8	2.9	3.5
Belarus	23	60	1.6	-	1.4	1
Ukraine	13	62	2.1	2.1	2.3	3
Slovenia	133	76	2.9	5.2	3.1	3

Source: The OECD Tax Centre for Tax Policy and Administration in Co-operation with the Investment Compact Team, Directorate for Financial, Fiscal and Enterprise Affaires, Tax Policy Assessment and Design in Support of Direct Investment, A Study of Countries in South East Europe, OECD, April 2003, p. 170

Stimulating foreign investment is usually either to increase their recovery rate or to reduce their costs and risks. Fiscal stimulus is done to reduce the tax burden of enterprises in order to spur them to invest in certain projects or certain sectors and concerns exceptions to the general tax system. Tax incentives can include reduced corporate tax rates, tax holidays, accelerated depreciation accounting rules, low-cost imported equipment, components, raw materials and high tariffs to protect its market (UNCTAD, 2000). They are rarely offered without strings attached.

Usually providing these tax incentives aims to certain objectives pursued by policymakers. One of these objectives is regional development. Thus, some countries also provide measures for the development of certain areas or regions, for example, support for rural development, building industrial centers away from major cities, reducing environmental threats, excessive urbanization and pollution concentrations. Angola, Brazil, Ecuador, Ghana, India, Pakistan, Thailand offers incentives directed towards these targets. In Egypt, incentive schemes for the cultivation of barren and desert land fall into this category. Other stimulants integrated regional development goals and objectives sectors (OECD, 2007).

Another objective is the structural development (OECD, 2010). Some governments offer such incentives to develop certain industries or activities considered crucial for development, which may be related to me, industrial parks, export activities, the film industry or business with new technologies. Thus, Singapore offers exemptions from taxation for a period of five years companies begin work in industries that are not sufficiently developed in the country and Costa Rica has special incentives for tourism, hotel services applicable, and water or air transport of tourists, travel agencies or companies that rent cars.

Enhancing performance is another concern covered by such incentives. Free trade zones offering incentives for export-oriented activities (UNCTAD, 2011). Panama falls into this category. An important objective for using tax incentives to attract foreign investment is the transfer of technology. Some countries have introduced a set of incentives specifically directed to research and development, technology projects. They relate to tax exempt funds channeled towards technological development, tax credits for research and development spending or over-qualified human resources employed in research and development.

FDI flows have emerged in OECD countries in 2007, according to OECD statistics, reached a record USD 1 820 billion, compared to 1 200 billion in 2006, but fell sharply in 2008. On the other hand, investment flows have entered OECD countries in 2007 have meant 1 370 billion dollars to 1050 billion in 2006. Structural analysis shows that the United States continues to remain in the top investor and recipient of FDI in 2007, with output flows of 333 billion dollars and 238 billion input streams. UK ranks second with 230 output streams and 186 billion dollars billion dollars, followed by France which has invested 158 billion dollars and has received investment flows of 225 billion dollars in 2007. In Spain, FDI increased by more than 80% mainly due to Italian investments in the electricity sector. Foreign investment in Japan was exceptionally high due to major investments in the financial sector.

Regarding Romania, according to data reported by national banks, the country retains its leading position in the ranking recipient of FDI flows in the region. A study of Ernst & Young investment attractiveness of the SE Europe in April 2008, shows Romania as the main destination for the implementation of new investment and expansion in Europe. Furthermore, the evolution of FDI in Romania during 2000-2011 is as follows:

Table 3 Evolution of FDI in Romania in 2000-2011 (mil EUR)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI	1147	1294	1212	1946	5183	5213	9059	7141	9496	3490	2220	1917

Source: NBR

The sector which attracted the largest amount of foreign investment in our country is industry. Among the facilities offered by the Romanian authorities to attract foreign direct investment flows can remember carry forward tax losses, the facilities provided by local authorities, to stimulate employment, incentives to support growth. State aid may be included in the same category, representing important reasons for some investors to enter and remain in our market.

In conclusion, the tax factor, seen against the capacity to influence the macroeconomic environment to attract foreign direct investment flows, can be considered as having significant importance in deciding the location of investment outside the native corporation that defray costs to support the workforce involved in the work itself as a result of tax incentives granted to labor taxation by state-recipient of foreign investment or allowing the recovery of the financial volume necessary to ensure continuity in the business because of the depreciation process, or to allow saving of money as a result of exemption from income tax for this company over fewer years or more. If we approach this issue in terms of advantages and disadvantages that generate to both, states receiving foreign investment flows and flows to the output, we observe that researchers' opinions are often contradictory. What is important, however, refers to the personal impact of the individual case, impacts to be analyzed precisely and objectively.

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LAW

EQUAL TREATMENT AND NONDISCRIMINATION ON GENDER CRITERIUM IN ROMANIAN LAW

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Abstract *There have been important changes in Romanian legal framework in the past two decades. Concepts as liberty, equality and equity evolved from declarative level to effective values applied into reality. Romanian Constitution, adopted in 1991 and considerably reviewed in 2003, started the process of adapting the Romanian legal framework to the European law. Fundamental principles, such as liberty, equal treatment and equality between all individuals have been ruled and are in force, as they are included in the constitutional texts. In order to confer stronger guaranties for respecting these principles, there have been adopted laws, ordinances and regulations. Although the separation of the power is ruled on constitutional level, the Romanian govern has the power to adopt ordinances, when the parliament is not able to act. This power is not used properly, the process of ruling through ordinances being the prior method and not the exception, as it should be. So, the equal treatment and the non-discrimination principles are insured by ordinance, many of the aspects being criticized. The constant, systematic and concentrated promotion of the equal opportunity principle for men and women, as it is known today, represents a relatively new worry for the international community, even though legal aspects about equality between men and women have been evoked ever since 1948 in the Universal Declaration of Human Rights. In the European Union, the preoccupation for the promotion of the equal opportunity and treatment for men and women was officially recognized as a necessity starting with the European Treaty from Maastricht (1993), and subsidiary through the adopted Directives for this purpose and not least through the jurisprudence of Luxembourg's Court of Law. On institutional level, there have been founded some private and also public bodies to carry out the mission of protecting the equal treatment and non-discrimination principles. An important role is reserved to the judges, as representing the judgment power in the state. Still, the turnover of the Romanian legal framework is not complete at this time. There are concepts to be ruled and European ideas to be reached. The mechanisms to do so are not completely efficient and the paperwork proposes some way to improve the current situation.*

Keywords: *Non-discrimination, gender equality, institutional mechanism*

Introduction

The evolution of human society asked for legal documents containing general and mandatory behavior rules, which formed, in time, the legal system. The concept we use today to name these rules is "written law", but for a long period of time the law did not consist of written norms, but of principles, the fundament of the present day legal system.

The fundamental principles of the legal system are the guiding lines for all the legislation. The principles express the essence of the norms and influence the interpretation of the law and the solution for all the litigant situations (Djuvara, 1936).

The principles of the law have the power and the signification of superior norms, having a large degree of generality and being ruled mainly in constitutional texts. If some of these principles are not included in constitutional texts, they still are applied and must be respected, being expressed through Latin sintagma, used since the Romans' legal system (Craiovan, 2001).

The past two decades brought important changes in Romanian legal system. Liberty, equality and equity have being rules and are in force, the state assuming the role of the guardian for respecting these fundamental ideas. The Romanian dictionary defines the principle as the fundamental item, the idea, the base concept which supports a scientific theory, a system or all the laws and the fundamental notion for a scientific discipline.

Having the role of coordinating guiding lines, the principles of the law insure the concordance between norms, the cohesion and the harmony of the legal system, the understanding of their meaning and of their finality, their continuous improvement.

The general principles of the law have an important constructive role for the legal system, as they include the objective demands for the society, with specific action in the process of adopting norms and important contribution in their accurate interpretation.

Principles as equality among all the people and equal treatment are strong values included in international legal document but also in internal legal framework for all the Europeans countries. Every regime, which claims to be protector for the citizens' rights, social order and the state of law, must respect these principles, both on regulatory level and then transforming them into practice.

Equal treatment in legislation in force

Although today this concept is unanimously appreciated and accepted, the equality has not always had the significations and the importance awarded now by all the civilized states. The equality is a fundamental value for every state of law. The principle of equality was the product of the evolution of the law in general, according to the changing in the humans' perception towards their fellows. In Romanians perception, the equality is the principle according to which all the people and the states have the same rights and liabilities, written in the legal texts, and all the persons enjoy the same privileges in a particular situation.

Equality and non-discrimination are companion values, the respect for one of these concepts being in direct connection with another. Still, we consider that the equality as a law principle has a wider sphere of influence than non-discrimination, as someone does not have to argue or consider any other condition when making a reference to this notion. The individuals are and must be considered equal no matter of the criteria that might be applied in a particular situation. On the contrary, when someone considered non-discrimination as the principle applied in a particular case, there must be paid attention to the criteria used when the discrimination was done.

The Romanian legal framework in this field is formed by the constitution, laws and govern ordinance. As a member of International Labor Organization (ILO), Romania adapted its internal legislation to all the conventions adopted by this international organization. Furthermore, before the accession to the EU (2007), Romania had to include into internal legal framework all the principles and the guiding lines of the European uniform rules in the field of equality and equal treatment. The European rules are included in the Romanian Constitution, the govern ordinance no.137 from 2000 (modified and completed in the following years), the Romanian labor code, the law no. 51 from 1991 regarding workers unions, law no.202 from 2002 about the equality between women and men.

Romania has tradition in constitution rules, as the first Romanian constitution was adopted in 1866. Even if the communist regime before 1990 evolved to absolutism, still it had a constitutional base. In the Romanian legal system, the principle of equality in rights for all citizens has the power of a constitutional rule.

The constitution in force now was adopted in 1991 and considerably reviewed in 2003, according to the imperative of harmonization of the rules, for the accession to the EU. Fundamental principles, such as liberty, equal treatment and equality between all individuals have been ruled and are in force, as they are included in the constitutional texts. Article no.16 from the Romanian Constitution establishes that „all the citizens are considered equal by the law and in front of public authorities; no one is above the law. The Romanian state guaranties the equality between women and men in order to occupy public or civil function and dignities".

This constitutional principle could not be completely efficient without a regulation to explain the situation it may interfere and the mechanism that the state may use to guarantee its supremacy. It is the mission of the law to widely explain a constitutional norm and its particular meaning. Unfortunately, the principle we analyze was not further detailed in a law, but in a legal text that govern adopted. The separation of the power is ruled on constitutional level, and govern has, in Romanian constitutional system, the executive power. Furthermore, the Romanian govern has the power to adopt ordinances, when the parliament is not able to act. Of course, there is a certain procedure to respect when the govern uses the ordinance, but it is an exceptional method and not a common way to regulate. This power is not used properly, the process of ruling through ordinances being the prior method and not the exception, as it should be. So, the equal treatment and the non-discrimination principles are insured by ordinance, many of the aspects being criticized.

The govern ordinance no.137 from 2000 establish that it is forbidden that public authorities do any form of discrimination, on the reason of race, nationality, ethnic origin, religion, language, sex or sexual orientation. These types of actions are also forbidden for all the public and private subjects (Dezideriu, 2003).

The area of competence of this restriction includes economic activity, the freedom of movement, and the right to choose the residence, the access to public places, the individuals' dignity. Starting with the constitution, Romania is declared state of right, where democracy rules. Article 1 from the govern ordinance no 137 from 2000 established that in Romania the dignity of people, the protection of rights and liberties of the citizens, the development of the human personality are supreme values and they are guaranteed by the law. The principle of equality among citizens, excluding the privilege and discriminatory actions, is protected especially regarding the following rights:

- The right to an equal treatment in front of the courts of law and any other jurisdictional institution;
- The right to individuals safety and to obtain the state protection against violence of maltreatment from any person, group of individuals;
- The political rights, mainly the election rights, the right to participate to public life, to access to public functions and dignities;
- The civil rights, especially:
    - The right to free movement and to choose the residence;
    - The right to leave and to return to the one's country;
    - The right to obtain and to give up the Romanian citizenship;
    - The right to marry and to choose the partner;
    - The property right;
    - The succession right;
    - The freedom of thinking, the freedom of conscience and religion;
    - The right to free opinion and expression;
    - The right to free of meeting and cooperation;
    - The right to petition;
- The economic, social and cultural rights, mainly regarding:
    - The right to work, the free choose of occupation, to equitable and satisfying working condition, the right of protection in case of unemployment, the right to equal salary for equal labor, the right to equitable and satisfying remuneration.
    - The right to settle an union and to cooperate with other unions;
    - The right to have a home;
    - The right to health, medical assistance, social security and social services;
    - The right to education and vocational training;
    - The right to participate, in equal condition, to cultural and sportive activities;
    - The right to have access to all the public places and public services

Although there is legal support and courts are bound to impartially apply the law, Romania legal practice in similar cases has shown that solution vary from one court to another. The only effective solution is the appeal to the European Court of Human Rights (ECHR), on the base of Protocol 12 of the European Convention of Human Rights. This is a possible and effective method, but the citizens often do not take into consideration the trial in front of such a prestigious court of law, especially when it comes to labor relations. They want to have a quick and just solution to their problem a not a long trial, with unknown financially implication. First, it is to notice the period of time that passes until the final solution will be pronounced. Second possible explication is the lack of information about the cost of the procedure in front of ECHR.

The most convenient way to have these cases properly resolved is to change the Romanian legal framework in this respect, by reducing the ambiguities of its content so that in similar cases, court of law offer the similar solutions.

Romanian concept of non-discrimination

The Romanian juridical literature considers that the principle of equality results from the European law and has as a direct consequence the regulation of non-discrimination principle, understood as “equal treatment of the parties in identical or comparable situations” (Manolache, 2001).

The first, origin meaning of the discrimination concept is the disparity, the difference among identical or similar elements. According to the govern ordinance no 137 from 2000, the discrimination act is any disparity, exclusion, restriction or preference, on the base of race, nationality, ethnical origin, language, religion, social category, beliefs, sex, sexual orientation, age, handicap, chronic non-contagious illness, HIV infection, membership to any underprivileged category, and any other criterion that has as a goal or effect to diminish, to abolish the legal use or practice of a right ruled by a law in force, in political, economic, social, cultural or any other field of the public life. There are also considered as discriminatory facts the apparently neutral situation that creates disadvantages for certain persons compared with other.

There is an exception from this fundamental rule, regulated in the ordinance and applicable if two conditions are respected. So, it is not considered discrimination the situation where the criteria considered are objectively justified by a legitimate goal (first condition) and the methods to reach this goal are adequate and necessary (second condition). Any active or passive behavior is to be under administrative penalty, if it generates, favours, unjustly disfavors or submits to unfair or degrading treatment a person, a group of individuals or a community towards other persons, groups of individuals or communities.

In the field of equality between women and men, the law no. 202 from 2002 has the mission to establish the measures to promote the equality of chance for women and men, in order to eliminate the direct and indirect discrimination in all the sector of the public life in Romania, that is in the field of labor, education, health, culture, information, participation to decision and all the field rules by special laws. It is important to notice that the religious activity and the private and intimate life of every individual do not enter under the prescription of this act (Radus, 2006).

In the Romanian legal framework there may be analyzed different types of discrimination: direct discrimination, indirect discrimination, multiple discrimination and positive discrimination.

Direct discrimination is the situation when a person is treated less favorable than another person in the comparable situation, based on a criterion of discrimination presented in the law in force (Chinole et al., 2007).

Direct discrimination is relatively difficult to prove, as it is difficult to identify the comparable situation for the person that is the victim of the discriminatory fact. If the situations are similar, the discrimination is easy to be observed, but usually the situation is not easy to compare. For example, if the criterion considered is the gravidity, it is not easy to analyze even in comparison with another woman, if no other women is pregnant at the same time.

Often, the discrimination facts have more subtle forms, and in these cases we speak about the indirect discrimination. According to the article 5 from Romanian Labor code, it is also forbidden the indirect discrimination, like the facts apparently founded on other criteria then the criteria expressed above that produce the results of a direct discrimination. A situation of indirect discrimination is when the employers ask for certificates to show a higher level of education than needed for the specific job.

We may distinguish two types of discriminatory facts: one in connection with the physical identity of the person and second with the moral identity of the person. The physical identity of the person is taken into consideration when we compare the attributes such are sex, race and health. These elements are easy to identify by the author of the discriminatory action and are mainly present in the internal motivation for the decision to act discriminatory (Top, 2006).

The moral identity of the person is in connection with criteria as family situation, mores, conscience, religious believes and political opinion. None of these criteria may be the motif for excluding or discarding a person. Of course, the Romanian law allows entitled inequality such might be the nomination of women (or men, according to each case) for a fashion parade, according to the event characteristics.

The multiple discrimination is a concept present in practice when a person is simultaneously discriminated, on the base of two or more criteria. For example, when a women is excluded both for sex reason and also for age reason. The importance of this concept is revealed by the fact that the persons that cumulate many criteria used for discriminating action are more exposed to this illegal action. Therefore, we appreciate that the multiple discrimination should be punished harder, although the Romanian regulation does not make such a difference.

The positive discrimination appeared in the American legal system, with the name "affirmative action". The collocation "positive discrimination" may sound like a discrepancy, as the discrimination cannot be a positive fact. Still, this concept regards the preferential treatment for a person or a group of person in order to compensate the exclusion situation that happened in the past (Ignatoiu-Sora, 2008).

The positive discrimination supposes the regulation of some legal measures to pay back, if it is possible in proportional manner, the groups that suffered en exclusion or are still supporting an unequal treatment, in multiple fields, from recreating activities to daily life environment (for example parking places reserved for individuals with a walking disability, jobs for person from certain ethnic groups, places in public universities free of taxes for the members of Roma minority).

There are opinions in favor and also against positive discrimination. Some consider that our day society is in debt towards the victims of the past discrimination actions, even if the specific action stopped. The successors of the victims are still indirect victims, as in competition with the other they have started from a disadvantaged position. According to this logic, the positive discrimination is an act of reparatory justice, a solution to obtain equal opportunities for those previously unjustly excluded. For example, individuals from a minority group have a certain chance to get a job when the law in force reserves a number of jobs to minority representatives. In this case of positive discrimination, the majority is disadvantaged. The general principle of equal treatment is still respected if the number of reserved job is small, compared to the number of the jobs in the company. On the contrary, this situation will encourage the competition between the applicants, so employer will get a better human resource.

There are still opposite opinions, experts considering that the positive discrimination is not successful in obtaining equal opportunities. Although it is true that until now the minorities were unjustly excluded, the positive discrimination only turns the situation upside down, transforming the persons form the minority group in persons with favors and privileges. So, the majority will not consider that the minorities are their equal, but will consider that the minorities are unjustly protected. This situation will generate more tension between groups and this tension will bring new forms of discrimination.

The strategy of equality between women and men

In Romania, even though civil society and non-governmental organizations that militates for women rights repeatedly pointed out the existing inequities between men and women, public and political institutions showed only formal interest to the matter, being constrained by the adhesion at the EU, adhesion conditioned by reaching the existing standards in the field.

In the legislative sector, Romania proved to have a slow rate of applying the community's aquis regarding equity between sexes. The 2001 national report of the European Commission pointed out that the National Action Plan was not materialized by any concrete action, the legal project regarding equity of sexes remaining for debate in the Parliament more than the reasonable period. Also, in 2001, when Romania made a series of engagements with the European Community, the first measures regarding the implementation of the community's acquis were taken, measures of institutional nature. But what was missing in those new created institutions was a central implementation organism for observing the equality of chances and an adequate system for financing the measures and efforts of these institutions.

The National Strategy that aimed men and women's equality in the 2006-2009 periods has been structured by intervention areas and specific objectives of each area. Thus, Institutional Capacity Area had as main objectives the enforcement of the institutional capacity, the specialization of the involved personnel in the field of equal opportunities, the improvement of the connections with the international organisms in the field. Of great importance is considered to be the second one because it eases experience know-how change between states. But the reference point which has been omitted by the Strategy or which did not get a lot of importance is the one regarding national governmental and nongovernmental organisms, that demonstrate most of the times that are pointed toward initiative and results rather than politics, more social than economical. A good collaboration and a public financing system for this type of organisms could have created a series of projects with the help of which the strategy could have been applied. Non reimbursable European funds, have always been at the citizen's disposal, and implicit at the disposal of organizations, social protection institutions and county's work-occupation organizations.

The economical life area has as main objective, supporting equal access for women on the labor market. The salary's level is the most contested factor. It is certain that, for equal positions and jobs, the salary is the same, but differences appear when jobs and work conditions are not similar or when semi-objectives factors specific for women, like maternity leave, are taken into consideration. According to the strategy this period is to be blamed for the gap, mostly on the professional development level. It is admitted that the gap exists, but not at such a big scale for the impact to be that important on women. Given the case of a fresh graduated woman, the motivation is maintained without denying the reality, but for high employment experience women, one with five to ten years of experience, not all are affected by the maternity leave and not all are under the threat of losing the job and the need of requalification.

Table 1 Employment rate by sex for 20-64 years, in the 2008-2009 periods

	2008	2009
General employment rate (20-64 years)	63,5%	63,6%
Men employment rate (20-64 years)	70,7%	71,2%
Women employment rate (20-64 years)	56,3%	56%

Source**:** *National Institute for Statistics for 2005-2008 period, NIS Estimations for 2009.*

Equal opportunity for men and women came as a necessity when differences on both European and national level were noticed on work condition grounds, wages' level, employment and unemployment rate, mainly when separating figure by gender. Its development over time is conditioned by a harmonized development at the institutional, legal, social and cultural level.

The equality of chances and treatment in the work relation regards the equal access to choosing the profession, to apply for a job and to be selected for that particular job, to equal remuneration, promotion, equal working condition, equal benefits and equal social services. The law protects the maternity and the women with children. On European impulse, the Romanian law includes some rule for sexual harassment.

When talking about solutions, the strategy offers the implementation of certain programs of professional reconversion and the stimulation of the interest regarding continual professional formation with the final purpose of easing the access in all economical areas. The professional formation programs, at the time being, have helped not only unqualified, debutant or reconverting personnel, but also some specialized enterprises in implementing this kind of programs.

Institutional mechanisms to protect equal treatment and non discrimination principles

In Romania, there are private but also public institutions to fight against discrimination and to insure the respect of equal treatment; such are the National Council to Fight against Discrimination and the National Agency for Equality between Women and Men. These institutions from the central public administration system are supported by many private institutions and non-profit organizations, which give support and consultancy to the victims of the discrimination.

The National Council to Fight against Discrimination (CNCD) is the autonomy public authority, with juridical personality, under the parliament control, which functions as a guardian for the respect of the non-discrimination and equal treatment principle. It is an executive structure, subordinated to the government, with the main task to propose new legal documents, to cooperate with other public authorities for the respect of the equal treatment, to elaborate studies and research reports. Also, it receives petition and claims from the victims of the unequal treatment of discrimination actions (Jura, 2004).

The council works independently, without any influences or pressure from any institution or public authority. The council is managed by a president, a vice-president and a board for a 5 year period. The president is the person that signs the activity report of the council and presents the report in front of the parliament until the 15^{th} of April for the previous year. The main tasks of the council are: to prevent the discrimination action, to mediate the discrimination conflicts, to investigate the situation under discrimination suspicion, to monitor the public strategy in its area of competence, to assist and support the victims of the discrimination.

The National Agency for Equality between Women and Men (ANES) is an organ of the central public administration responsible with the implementation of the principle of the gender equality. The agency is subordinated to the minister of labor and social protection. The president of ANES coordinates the activity of the national commission for the equality between women and men, with the following task:

- the global perception of the principle of the equality between women and men, with the purpose of eliminating the gender inequality and the discrimination on sexist criteria
- the respect for the principle of the equality between women and men in the politics for every economy sector
- the analysis of the level of implementing this principle in Romanian legislation gives consultative notice on the national strategy concerning the principle of the equality between women and men
- it insures the free access to any information regarding the commission activity.

In spite of the important mission that is given by the regulatory act to these two public institutions, there are opinions that consider their activity as inefficient and without satisfactory results.

Indeed, if someone analyzes the number of petition that CNCD resolved during the period of one year (from the total of 836 petitions in 2007, only 546 were resolved in the same year), it may appear too small for a country that fights strong discrimination criteria such as minority, genre and ethnic membership.

Conclusion

Romania is member of UE starting 2007 and according to this status, Romania modified the internal legal rules in accordance with the European law on the equality and non-discrimination principles. Still, the turnover of the Romanian legal framework is not complete at this time. Despite the numerous rules in this respect, there are not efficient in all the situations. A possible improvement of the legal framework is proposed for the regulation in the working relation area.

Regarding the positive discrimination in the Romanian context, we conclude the norms in force today may generate more discrimination methods and much many discrimination actions. Respecting the positive discrimination it is possible that we obtain the perpetuation of the exclusion facts and we fail to create equal opportunities. Although it is morally justified, the positive discrimination will create negative discrimination for the majority. This is not a way to act properly and according to the principle of equality and equal treatment, as it is regulated in international and European law.

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