

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.

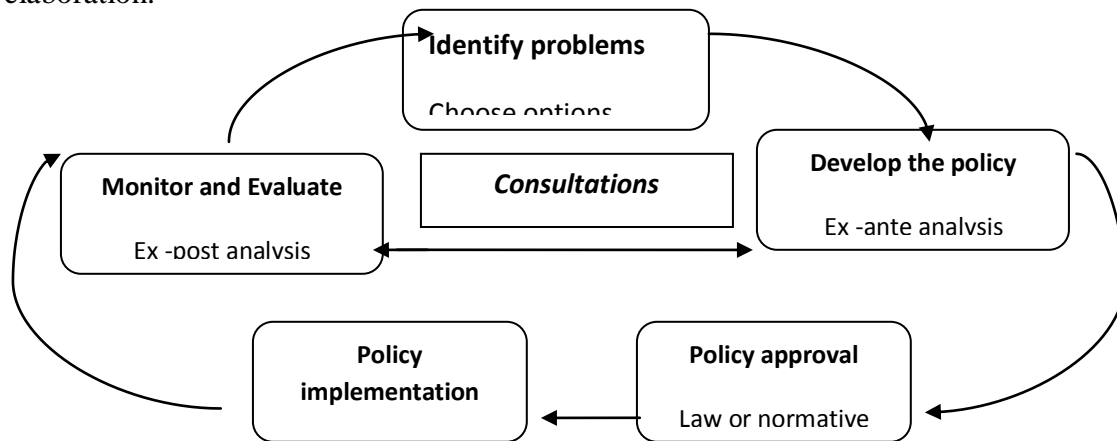


Fig. 1.1. Public Policy Cycle

Source: Buşmachi, E., (2012). *Fundamentals of financial management policies and monitoring of business*, Chişinău.

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

	<i>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"</i>	<i>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</i>
1.	<p>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.</p> <p>The concept shall include:</p> <ul style="list-style-type: none"> 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. 	<p>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:</p> <ul style="list-style-type: none"> 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.	<p>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:</p> <ul style="list-style-type: none"> 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; 	<p>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.</p> <p>The strategy shall include:</p> <ul style="list-style-type: none"> 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

	<p>f) expected results and progress indicators; g) stages of implementation; h) reporting and monitoring procedures.</p>	<p>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.</p>
<p>3.</p>	<p>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.</p>	<p>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</p>

		reporting); indication of the authorities responsible for implementation.
4.	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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).</p>
		<p>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.</p> <p>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).</p>

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.

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

<i>Location</i>	Single versus multiple location. Nodal location, center and branches, linear arrangements. Permanent location versus temporary location. Furniture, rotating, mixed or segregated.
<i>Timing</i>	Accelerated, moderate, slow. Sequences. Simultaneously.
<i>Funding</i>	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.
<i>Organizing</i>	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 policies⁴. 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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