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# THE IMPACT OF INVESTMENT MANAGEMENT ON THE EVOLUTION OF THE AGRI-FOOD EXPORT IN THE REPUBIC OF MOLDOVA

**Svetlana PETRASCU**

State Agrarian University of Moldova, 44 Mircesti str., 2049, Chisinau, R. Moldova, Phone: +373.22.432.136, Mobile:+373 69581003, Email: s.sasu@uasm.md

***Corresponding author***: s.sasu@uasm.md

***Abstract***

*The investment represents a sequence of actions due to which certain available, redundant or attracted resources are transformed into concrete goods in order to obtain future effects in form of advantages, but mainly in the form of profit. Investment Management acts as a support for the sustainable development of Moldova's economy. Over the years, the Republic of Moldova was considered as a major supplier of agri-food products. Unfortunately, intensive exploitation of agricultural lands, transition process, negative impact of the global financial crisis and embargoes imposed by Russia drastically reduced the agri-food products exports. Being a country with small economy and scarce reserves for growth and in order to ensure a high development level, Moldova should focus on the export activity. Therefore, as the export represents an economic effect, it records a better increase through the use of investments. It is well known that in order to increase production efficiency, to attract new technologies and to produce value-added goods, local companies have to orient themselves to foreign markets. At present, the exports are mainly focused on the investment opportunities.*

***Key words*****:** *agri food, economy, export, investment, foreign markets*

## INTRODUCTION

Developing of a competitive and effective economy in our country depends on ensuring favorable conditions of work for manufacturers, stimulating the export of domestic products and attracting investment. [5] To increase efficiency in production, attraction of new technologies, production of goods with high added value, Small and Medium Enterprises have to turn to foreign markets. Unfortunately, agricultural farms have difficulties regarding the export of agricultural products. One of the factors that slow the growth of export continues to be a lack of access to finance. The attraction of investments in the economy of any country fits into a competitive game led to progress more favorable conditions to foreign investors.[6] International experience has shown that in order to ensure minimum conditions for attracting foreign investors it should be a legislative framework in the field of investment and economic functioning, transparent, permanent and predictable. Also the ability to attract foreign capital is represented by openness of the economy to foreign investors and the public and political parties attitude towards foreign investment. [4] Although the share of agricultural investment in total investment in Republic of Moldova has increased lately, this increase is not enough to stop the depreciation of agricultural assets.

## MATERIALS AND METHODS

The reflected researches were achieved on informational materials of the National Bureau of Statistics of the Republic, the National Bank, Ministry of Agriculture and Food industry, Ministry of Finance, etc. There were used the following research methods: monographs, comparison, analysis, inference.

## RESULTS AND DISCUSSIONS

Accordingly to the strategy of attracting investment and promoting exports for 2006-2015, the joint policy of attracting investment to the export promotion creates a strong premise to ensure the further economic growth and raising the generation welfare of the people. [10] There is a strong correlation

between the export value of the one of the economic sector and the number of foreign-owned companies operating in that sector. [2]
In order to create a clearer impression about the contribution of investment to the development of agri-food exports in the Republic of Moldova, first we wanted to make an analysis of the main macroeconomic indicators of the Republic of Moldova.

Table 1. The evolution of the macroeconomic indicators of the R. Moldova in the period 2008-2013

| Indicators | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| GDP in current price mil. lei | 62,921 | 71,885 | 72,897 | 82,349 | 88,228 | 100,312 |
| GDP as compared to the previous year, % | 107,8 | 94,0 | 107,1 | 106,4 | 99,3 | 113,7 |
| Investments in long term tangible assets, compared to the previous year, % | 102,3 | 66,5 | 116,5 | 109,3 | 101,5 | 100,2 |
| Balance of goods and services ,PIB, % | -53,1 | -36,6 | -38,6 | -40,4 | -40,0 | -37,2 |
| Average propensity to export % | 41,1 | 36,8 | 39,1 | 44,7 | 43,0 | 43,4 |
| Average propensity to import, % | 94,2 | 73,4 | 77,6 | 85,2 | 83,0 | 80,6 |
| Import penetration rate,% | 61,5 | 53,7 | 56,0 | 60,7 | 59,3 | 58,7 |
| Export / import, % | 43,6 | 50,1 | 50,0 | 52,2 | 41,5 | 45,3 |
| The net flow of FDI per capita | 199 | 41 | 55 | 77 | 49 | 60,0 |
| External debt at end of the year, mil.USD | 4079,3 | 4327,08 | 4711,10 | 5358,91 | 6019,82 | 6673,37 |
| External debt/ PIB, % | 67,4 | 79,6 | 81,0 | 76,4 | 82,6 | 83,8 |

Source: Elaborated on the date presented by National Bank of Moldova and National Bureau of Statistics.

According to the table 1 we can mention, that GDP increased in 2013 compare to 2012, with 13.7% and compare to 2008 with 59.4%. If we analyze the dynamics of development, then we can mention that it has a tendency practically fix, growing. The value of exports covers only the value of imports in 2013 amounting to 45.3%. Compare to 2012, it has a tendency to increase, but compared to 2010 it decreased by 6.9%. The Income flow of direct net investment recorded the highest value and size reaches199 dollars per capita in 2008. The value of this indicator has drastically in 2009 - 41 dollars per capita. In 2013 the size of this indicator is 60 dollars per capita. Based on the results shown in Table 1, we conclude that the dynamics of the main macroeconomic indicators of the Republic of Moldova in 2013 have a positive trend. Mostly, this subject was conditioned by the economic policies, undertaken by the Government of the Republic of Moldova. At the same time continues to increase the value of indicators related to external debt and its share of GDP. As seen from the data presented, the situation is unsatisfactory. It is known that, as the country attracted a large volume of foreign investments the exports per capita have increased and in the same time increased and living standards expressed as GDP per capita at purchasing power parity. [7]
Analyzing the foreign trade of the Republic of Moldova in the period 2008- 2013 is noticed a growing trend, but more modest pace than imports. Being an agricultural country, Moldova’s exports mainly focuses on three product categories - food, drinks, fruits and vegetables. [1] Experience shows that the appearance, dimensions and packing of our goods are less competitive not only in the West but on the CIS markets also, being under the standards of other manufacturers.[5] In addition, on the same markets Moldova has to compete with other countries from Eastern Europe that have free trade agreement with the European Union.
Next we perform the analysis of food products trade balance of Moldova.

Table 2. The dynamic of the commercial balance of the trade with agri-food of Republic of Moldova, in the period of 2009-2013, thousand dollars

| | YEAR | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| **COMERCIAL BALANCE– total, th. $ USA** | **-1995,2** | **-2313,8** | **-2974,5** | **-3051,3** | **-3064,1** |
| which: | | | | | |
| Animal | -7,7 | 4,4 | 2,4 | 1,1 | -1,5 |
| Meat and edible meat | -12,0 | -17,3 | -9,3 | -20,2 | -26,8 |
| Dairy products and eggs | -16,7 | -20,3 | -23,7 | -30,2 | -35,5 |
| Fish | -29,1 | -33,3 | -37,3 | -41,7 | - 43,5 |
| Vegetable | -20,8 | -21,4 | -13,6 | -16,8 | -19,9 |
| Fruit | 85,2 | 109,6 | 118,5 | 133,6 | 136,9 |
| Cereals | 57,0 | 61,3 | 61,9 | -23,9 | 108,1 |
| Products of the mill ale industry | -24,8 | -25,7 | -37,0 | -40,2 | -35,9 |
| Sugar and sugar confectionery | 20,4 | 16,5 | -8,4 | 4,3 | -7,1 |
| Coffee, tea | -7.9 | -9.1 | -11.0 | -10,8 | -11,7 |
| Beverages | 111,6 | 133,2 | 131,0 | 146,7 | 176,2 |
| Tobacco and manufactured tobacco | -72,5 | -64,3 | -64,2 | - 48,8 | -50,653 |

Source**:** established on data base presented by Trade Map.
http://www.trademap.org/Product_SelCountry_TS.aspx

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Accordingly to the data presented in Table 2 we can mention that the trade balance of Republic of Moldova, in 2009 to 2013, has a tendency to increase and amounted in 2013 - 3064100. US dollars. Compared to 2012, it increased by 0.5% and compared to 2009, it increased by 53.6%. This speaks of the fact that imports grew faster compared to Moldovan exports in the period.

Attracting FDI requires the prior existence of conditions of political, economic, legislative, without which any policies are meaningless.

The first element is the basic legislation and economic investment: it is necessary to provide at least a minimal framework on companies, competition, insolvency, insurance, accounting system and others. The existence of these regulations is necessary, but not sufficient.[8]

Complementary aspect refers to the degree of effective implementation of legislation and the functioning of the market economy institutions. The international experience has shown that only countries that have created a functional framework of the market economy are attractive to foreign investors.

So, to ensure minimum conditions for attracting foreign investors, institutional and economic legislation must exist, to be functional, to be transparent, fixed and predictable.

A second aspect of the capacity of attracting foreign capital is the openness of the economy to foreign investors. Countries that have opened completely the economy, allowing by compliance with technical regulations, environmental protection, etc., access to investors in all fields, have attracted more foreign investors. On the other hand, the countries which have excluded from the field of access some sectors, which were considered strategic, or those that allowed privatization of public utilities (telecommunications, energy, water) had registered low levels of foreign investment.

Another general aspect is the population attitude and political parties to foreign investment. It is obvious, that in case of a hostile attitude to foreign investors, both in the population level as well in the level of political parties, foreign investors will be discouraged and will avoid acting on that market.

In general, there are 3 types of factors which influence the investment decisions:

a.investing firm-specific factors;

b.location factors;

c.political factors - administrative and legislative.

Creating a favorable investment climate is the main condition for attracting foreign investment in agri-industrial sector. In practice, this would mean that agribusiness is attractive first of all for local investors. Taking into consideration, it is necessary to elucidate the main positive factors favoring investment flows opposite to those unfavorable. As well we must emphasize the main opportunities and threats in the investment activity, particularly in the agricultural sector of the country.

Table 3. The dynamic of foreign direct investment in Republic of Moldova (mil.USD)

| | 2010 | | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| | inflow | outflow | inflow | outflow | inflow | outflow | inflow | outflow |
| FDI | 358.62 | 154.23 | 440.10 | 172.46 | 374.64 | 199.35 | 371.27 | 163.85 |
| Abroad | 0.09 | 3.60 | 0.04 | 20.61 | 0.41 | 20.19 | 0.21 | 29.09 |
| In national Economy | 358.53 | 150.63 | 440.06 | 151.85 | 374.23 | 179.16 | 371.06 | 134.76 |
| Social capital | 186.33 | 29.35 | 187.24 | 43.34 | 210.12 | 65.57 | 185.97 | 25.65 |
| Bank sector | 34.03 | | 7.64 | | 12.21 | 18.60 | 32.64 | 7.48 |
| Other sectors | 152.30 | 29.35 | 179.60 | 43.34 | 197.91 | 46.97 | 153.33 | 18.17 |
| Reinvestment | 14.55 | | 86.72 | | -11.01 | | 19.20 | |
| Bank sector | -24.66 | | 10.91 | | 5.26 | | 8.81 | |
| Other sectors | 39.21 | | 75.81 | | -16.27 | | 10.39 | |
| Other capital | 157.65 | 121.28 | 166.10 | 108.51 | 175.12 | 113.59 | 165.89 | 109.11 |
| Debts to foreign investors | 2.71 | 6.80 | 7.27 | 20.48 | 0.03 | 9.83 | 5.62 | 18.36 |
| Engagements to foreign investors | 154.94 | 114.48 | 158.83 | 88.03 | 175.09 | 103.76 | 160.27 | 90.75 |

Source: Elaborated on the date presented by National Bank of Moldova and National Bureau of Statistics.

In 2013, the direct investment amounted to a net outflow of 207.42 million USD, up to 18.3 percent over the previous year. The flow of foreign direct investment of the citizens of Moldova was EUR 28.88 million USD net during 2013, which represents an increase of 46.0 percent compared with 2012.

Indisputable, Moldova agriculture is the main branch of the economy, which is why it is considered as the strategic national priority. Although we can talk about a fairly advanced stage of promoting reforms in this sector now, it seems, however, that the roller destruction left deep traces in highly technological systems and equipment, as well in the management and finance. [9]

Investment climate in Moldova for Foreign Direct Investment can be presented as follows:

- Stability of economic policies;
- Facilities investment;
- Laws and regulations that support the development of entrepreneurship;
- Support effective to service delivery activities.

## CONCLUSIONS

Analysis of Foreign Trade in agricultural products leads us to the conclusion that every country must develop the real sector for trade promoting and investment. Without dynamic enterprises, no country can take advantage of trade and investment opportunities. Enterprises need access to finance, technology and business services. It is therefore important to create favorable conditions for entrepreneurs, especially for those that produce goods for export. Particularities of facilities for domestic and foreign investors should be closely linked to the guaranteed right for business achieving. Any investment is made in order to obtain further profit. This is about the ability to export, focus and smooth put of value. It is important that the state does not discriminate the foreign and domestic investors in the application of facilities. In principle country equally needs these investments.

Among the factors that remove investors, experts indicate corruption, excessive state control, poor infrastructure and the Transnistrian conflict.

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