

Association 1901 "SEPIKE"



**Social Educational Project of Improving
Knowledge in Economics**

Journal SEPIKE

Edition 25

Frankfurt, Deutschland
Poitiers, France
Los Angeles, USA

Redaktionelle Leitung / Editor-in-Chief:

Dr. Michael Schaefer (Germany)

Redaktion / Editorial Board:

Dr. Oksana Hetman (Germany)

Dr. Andrzej Gałkowski (Poland)

Dr. Krasimir Spirov (Bulgaria)

Dr. Krasimir Nikolov (Bulgaria)

Dr. Ihor Halytsia (Ukraine)

Dr.-Ing. Karl-Heinz Stiebing (France)

Myriam Poitevin (France)

Ehrenmitglieder der Redaktion / Honored Members:

Prof. Dr. Rainer Busch (USA)

Prof. Dr. Philip Rogeon (France)

Verantwortung / Responsibility:

Diese Ausgabe ist eine Sammlung von Artikeln und Werken internationaler Wissenschaftler, Professoren, Lehrkräften und Doktoranten. Die Autoren zeichnen sich für Inhalt, Übersetzung, wissenschaftliche Erkenntnisse sowie für den korrekten Nachweis von Quellen und Quellenangaben selbst verantwortlich. Der Herausgeber übernimmt keinerlei Haftung für unrichtige Angaben.

This international edition is a collection of articles and works of researchers, professors, doctoral and PhD students. The authors draw themselves responsible for the content, the translation, the scientific researches and their results, as well as for the correct detection of sources and source specifications. The publisher assumes no liability for incorrect information.

Bibliografische Information / Bibliographic Information:

Die Deutsche Nationalbibliothek (Germany) sowie die Library of Congress (USA) verzeichnen diese Publikation in den jeweiligen Nationalbibliografien; detaillierte bibliografische Daten sind im Internet über www.sepikecloud.com abrufbar.

The German National Library (Germany) and the Library of Congress (U.S.) run this publication in the national bibliographies; detailed bibliographic data are available in the Internet on www.sepikecloud.com.

Herstellung und Verlag / Editor:

Association 1901 "SEPIKE"

Herausgeber / Publisher:

© 2013 Association 1901 "SEPIKE"

www.sepikecloud.com

p-ISSN: 2196-9531: Journal Association 1901 SEPIKE

e-ISSN: 2372-7438: Journal Association 1901 SEPIKE, US Edition

Key Title: Journal Association 1901 "SEPIKE"

Poitiers, Frankfurt, Los Angeles, den 31.10.2019

CONTENT

PART I: ACTUAL ISSUES OF MACRO- AND MICROECONOMICS	5
RESEARCH ON THE POSSIBILITIES FOR APPLYING INNOVATIVE APPROACHES IN EDUCATION AND IN INTERNAL AUDIT TRAINING IN PARTICULAR (Valeria Dineva)	5
THE ISSUE OF UTILITY OF CYCLE OF MONEY (Constantinos Challoumis)	12
THE OBJECTIVE BASIS OF TRANSFERRED COUNTRY'S ECONOMY INTEGRATION INTO THE GLOBAL ECONOMY (Ummuhabiba Galandarova, Tahmina Balajayeva)	22
WINE TOURISM (Ayan Mirzayeva)	29
A MODEL FOR STRATEGIC PLANNING TECHNOLOGIES ANALYSIS IN ENTERPRISES (Nataliia Petryshyn, Yuliia Chyrkova, Maryana Bortnikova)	38
CREATIVE ENTREPRENEURSHIP IN UKRAINE IN THE CONDITIONS OF THE NEW GLOBAL DEVELOPMENT PARADIGM (Ruslana Sholya)	47
ANALYSIS OF THE SCALE OF NEW TECHNOLOGIES IMPLEMENTATION (Sandugash Tokenova, Lamjav Batmunkh)	54
THE POSSIBILITIES ENSURING THE QUALITY OF LIFE DURING RETIREMENT (Jarmila Vidová)	60
FINANCIAL INSTRUMENTS APPLICABILITY IN THE LABOR MARKET PERSPECTIVE BY MEANS OF THE LEGALLY RESIDING MIGRANTS IN THE EUROPEAN UNION (Krasimir Nikolov)	68
OUTLOOK FOR SOCIOECONOMIC DEVELOPMENT IN UKRAINE (Michael Schaefer, Oksana Hetman)	77
PART II: ACTUAL ISSUES IN MODERN PEDAGOGY	93
INFORMAL MENTORING IN PENITENTIARIES – A SOLUTION TO INCREASE THE CHANCES OF POST-DETENTION REINTEGRATION (Ecaterina Vršmaș, Cristina Magdalena Toma (Păun))	93

PART III: ACTUAL ISSUES IN THE FIELD OF MODERN SOCIAL COMMUNICATION	100
--	------------

THE AUTHORITARIANISM IN THE BALKANS AND THE ROLE OF THE MEDIA (Joana Kosho)	100
--	------------

NACHTRAG/POSTSCRIPTUM	106
------------------------------	------------

PART I: ACTUAL ISSUES OF MACRO- AND MICROECONOMICS

JEL: A2, O3

RESEARCH ON THE POSSIBILITIES FOR APPLYING INNOVATIVE APPROACHES IN EDUCATION AND IN INTERNAL AUDIT TRAINING IN PARTICULAR

Valeria Dineva, PhD in Economics, Associate Professor,

University of National and World Economy, Sofia, Bulgaria

Abstract: *Innovation in training is a necessity stemming from the needs of today's young people as well as the needs of universities. Offering innovative solutions for implementing innovative approaches provides a competitive advantage for universities, adds value and is a factor in their prestige. Innovative approaches in training, including internal audit depend on both the learning process and the specifics of disciplines. Partnerships established by universities with different entities to increase the effectiveness of training and the implementation of innovative approaches also have a beneficial impact. Strong academic leadership is also important for successful educational innovations.*

Keywords: *digital economy trends, internal audit, leadership, training, innovation, innovative approaches, virtual learning environment (VLE)*

INTRODUCTION

The digital world has a growing place in the lives of people, especially young people who have grown up with technology. They easily take advantage of the opportunities available to them in cyberspace. There they buy tickets, make reservations, make financial transfers, share information, have fun, find their friends, partners, and even love. They live comfortably and naturally in the digital world. All of this necessitates changes in traditional learning approaches that must be in unison with young people's habits, attitudes, skills and preferences. As M. Schaefer notes "Modern education and training needs new methods and modern forms, which must be adjusted to global communication and life-style" (Schaefer, 2016, p. 11).

In this sense, innovation in training is a natural need. Its use "integrates" learning into the interesting digital world and becomes closer to young people.

MATERIALS AND METHODS

This article presents some of the results obtained from the implementation of the first stage of a three-year research project on the topic: "Research, development and implementation of innovative methods in the learning process" (Peicheva, Dineva, & Andonov, 2019).

The *purpose of this article* is to identify the types of innovations and innovative approaches in education, and to define the appropriate ones for internal audit training.

To achieve this goal, the following studies were conducted in the following areas:

(1) Study and analysis of innovative approaches used in in the top five European universities ranked in the top 100 universities in the world;

(2) Examining the practices of companies offering online training platforms;

(3) Study on internal audit training programs of partner universities of the International Institute of Internal Auditors;

(4) Reviewing and analysis of studies on attitudes, opinions and perceptions of innovation.

During our research we have used methods of analysis and synthesis, secondary data analysis, comparativeness and justification, observation method and the method of system analysis.

RESULTS

1. Based on the study of the programs and practices presented by the leading European universities, as well as the literature reviewed, the main types of innovative approaches that we propose to summarize and group in the way shown below, can be defined.

Innovative approaches can be considered depending on the different stages that make up the training process, namely:

- *Innovative approaches at the stage of training planning*

At this stage, both electronic Calendars and electronic Timetables are used. Rather, these are organizational approaches.

- *Innovative approaches at the stage of in-class work*

These approaches can be used both on-site at the university, Face-to-face, and from a distance in Virtual classroom, online.

These approaches may include presentations, animations, films. These are definitely the most common approaches.

- *Innovative approaches in conducting discussions*

Discussions can be during in-class work as well as after class work, i.e. used as an independent approach. Specialized software could be also used for discussions. Electronic discussions are considered to be productive and contribute to effective communication. "MIT researchers are testing new software designed to facilitate electronic brainstorming. About 800 people are adamant that these discussions are more productive than those using traditional verbal exchange" (Syrett & Lammiman, 2003, p. 153).

A study conducted in Bulgaria shows that 68% of the students indicated "maintaining online relationships with teachers" as the nature of the innovative training. The highest is the percentage of the first year students of Bachelor's degree (74%) and those of Master's (77%) (Peicheva, 2016, p. 23).

- *Innovative approaches in extracurricular activities*

This group may include online courses, presentations, articles, standards and other platform-shared material, as well as electronic textbooks, i.e. all that allows students to work independently. These approaches, especially online courses and presentations, are very common and are advertised by most universities. The above cited study in Bulgaria shows that e-textbooks are recognized as an innovative form of learning by 60% of the students surveyed (ibid, p. 23).

- *Case studies as an innovative approach*

Properly designed and implemented case studies illustrating learning enable students to get as close as possible to real life. The use of case studies is indicated in the programs of prestigious universities. In the mentioned study in Bulgaria, case studies rank third as an innovation in learning after "maintaining online relationships with teachers" and "e-textbooks". "On the third place the surveyed students (51%) indicate that by innovative forms of education they understand "case studies". The highest percentage in this group are the masters who obviously prefer training to be mostly practical oriented" (ibid, p. 23).

- *Innovative approaches in providing feedback*

Among the most common approaches are electronic Quizzes, with feedback and practical exercises to apply knowledge. More popular are Quizzes, which are usually a question with four possible answers, convenient for the students to fulfill, and useful for the teachers as they provide information about the perception and understanding of the material delivered.

- *Tests*

Conducting electronic tests is a convenient approach for students and teachers. The advantages of electronic tests are many, but here can be mentioned paper savings, guaranteed objectivity, since the human factor is isolated for manual evaluation, facilitating the teachers' work, eliminating the possibility of prompting (in case the questions are generated randomly for each student) and others.

2. *Virtual learning environment (VLE)* platforms are becoming increasingly important. A study identifies among the top 10 emerging digital technology trends namely the Massive Open Online Courses. (ISACA, 2015). The use of telepresence and telecommunications technologies (e.g. virtual environments) for educational purposes. Use of this technology can enable large-size remote educational lectures and distributed remote peer study groups, and foster educational collaboration among large student groups (ibid, p. 4).

Moodle and Canvas are among the most common training platforms. Canvas is a virtual learning environment (VLE) delivered by Instructure, an educational technology company founded in 2008 and based in the United States. Launched in 2011, Canvas is used in more than 50 countries by more than 20 million students. The University of Oxford defines the software as intuitive and easy to use, scalable and secure. Students are also offered a mobile application available for both Android and Apple devices.

Moodle is a modular object-oriented dynamic learning environment. This is a free program that serves as an online teaching/computer integrated training system. It is widely used in Bulgarian universities.

3. All of the above innovative approaches are suitable for internal audit training as the stages considered are valid for each training. Apart from the stages, the implementation of different innovative approaches depends on the specifics of the discipline taught.

Internal audit is a very practically oriented discipline. Therefore, it is necessary to use innovative approaches that are close to the real environment. Simulating strategic planning or performing an audit engagement would be very useful and interesting for students. Situational games, including topics of objectivity, independence, ethics, are suitable for internal audit training. A characteristic of internal audit is the conduct of interviews that can be simulated in an online environment. Internal auditors work with samples and large amounts of information, so training in data and sample work is important for the future realization of students and is beneficial to their employers. It is appropriate that the choice of innovative approaches in internal audit training is consistent with technological trends. A study (ISACA, 2015) identifies the top ten emerging digital technology trends, viz. Big Data Analytics, Mobile, Cloud, Machine Learning, Internet of Things, Massive Open Online Courses, Social Networking, Digital Business Models, Cybersecurity, Digital Currency.

The benefit of applying of complete applications and internal audit software in internal audit training is undeniable.

4. The study showed that the use of partnerships, for example, with innovative centers, companies offering platforms, companies and business lecturers, various institutions, organizations, associations close to the subject of the taught discipline is typical and valuable when applying different innovative approaches to education. As an example of interaction can be cited Cambridge Digital Innovation, established as a Hughes Hall Study Centre in 2016 and as a Cambridge Judge Business School Centre in 2018 to stimulate interaction between industry professionals, policy makers, academics, and students on the digital revolution. Another suitable example is the partnership of many universities with Study.com, which offers earning credit by watching fun videos, taking quizzes, and passing a final exam. One of the areas for which appropriate on-line training is offered is precisely the internal audit presented in its contemporary aspects. Regarding the partnership with institutions, organizations, associations close to the subject of the taught discipline, a number of examples can be cited, but from the point of view of internal audit, of particular importance is the partnership of universities with the Institute of Internal Auditors (IIA) – Internal Auditing Educations Partnership (IAEP). In Europe, these are the Aix-

Marseille Université, the Duisburg-Essen University, the Pisa University, the Erasmus Universiteit Rotterdam, the University of Amsterdam, Birmingham City University. In this partnership, the Institute of Internal Auditors (IIA) provides universities with a wealth of resources, including movies, case studies, test questions.

SUMMARY AND CONCLUDING REMARKS

In conclusion, it can be summarized that the implementation of innovative approaches in education, including internal audit training, is a required process inspired by the development of technology and the expectation of better student experiences in the learning environment.

The results of the study showed that innovative approaches can be tailored to both the stages of the learning process and the specifics of the discipline taught.

Internal audit is a discipline too conducive to applying innovative approaches, as internal audit methodology is largely standardized, and there is a wide variety of internal audit processes, techniques and tools that can be represented digitally.

To make learning more effective, it is necessary to ensure access to rich and adequate resources through the use of an appropriate virtual learning environment (VLE). The research showed that good practices in this regard are the partnerships of the universities with professional organizations, by the example of the Internal Auditing Educations Partnerships (IAEP) with the Institute of Internal Auditors (IIA), and with companies specializing in online training.

Innovative approaches create skills in students that they will need in practice and will be sought by the employers.

Last but not least, it should be noted that the implementation of innovative approaches is important as it facilitates the process of forming an innovation culture. Leaders need to be educated so that in their professional realization they have the capacity to foster innovation in their work. "Leadership is facing the essential question – can members of the organization be encouraged, be inspired to realize their activity in unison with the change and generating innovation" (Dimitrova, 2017, p. 8). This quote also applies with full force to academic leadership because innovative activity and efficiency also depends on the teachers, enthusiasts, inspired and inspiring, competent, creative, visionaries, true leaders, capable of making changes and driving progress in universities.

REFERENCES

1. Schaefer, M. (2016). The SEPIKE Academy as a Modern Education Business Institution in the Future Global Market. Monograph "Innovations in the Modern World". Association 1901 "SEPIKE", Edition 1, Poitiers (France), Frankfurt (Germany), pp. 5-12.
2. Syrett, M. & Lammiman, J. (2003). *Uspeshnata inovatsya* [Successful innovations] (*Kak da nasarchim i razviem dobrite idei*) [How to promote and develop good ideas], izdatel'stvo "Klassika i stil", 2003.
3. Peicheva, M. (2016). Needs and Realities of Innovative Forms of learning in Higher Education. Monograph "Innovations in the Modern World". Association 1901 "SEPIKE", Edition 1, Poitiers (France), Frankfurt (Germany), pp. 14-20.
4. ISACA, Innovation Insights (2015). Available at: <http://www.isaca.org/Knowledge-Center/Research/ResearchDeliverables/Pages/innovation-insights.Aspx>.
5. Dimitrova, I. (2017). *Kultura na inovaciite* [Culture of Innovations]. Izdatelski kompleks UNSS.
6. Peicheva, M., Dineva, V., & Andonov, V. (2019). Research, development and implementation of innovative methods in the learning process, No. NII NI-13/2019, UNSS, Project manager M. Peicheva. Available at: <https://www.unwe.bg/bg/pages/182.html>.

JEL: H2, H26, E22, E23**THE ISSUE OF UTILITY OF CYCLE OF MONEY****Constantinos Challoumis**, PhD candidate in Economics,*Department of Economics,**National Kapodistrian University of Athens, Greece*

Abstract: *The paper considers the utility of cycle of money. We have examined the critical points of tax policy and public policy which are macroeconomics tools for the increase of consumption and investments. Therefore, we have analyzed the utility of the public sector and the uncontrolled enterprises. Thence, it is plausible to extract conclusions about the utility of cycle of money showing the points and the general behavior of any economy to determine the dynamics of any economic process. Both a simple system of first order derivatives under conditions, and the Karush-Kuhn-Tucker method have been used for the purposes of this analysis.*

Keywords: *cycle of money, utility, enforcement savings, controlled transactions, uncontrolled transactions*

INTRODUCTION

The cycle of money is a theory based on the idea that the public and tax authorities should boost the small or medium enterprises with lower taxes and from the bigger companies to retain low taxes only for production units, e.g. factories etc. The bigger companies, which overlap smaller companies make weaker the economy as the money they receive is out of the cycle. The sense of savings escape is about the money in the leakages not returning back with consumption and investments (reinvestments). This paper is about the ideal case of the cycle of money and its normal form based on the analysis the utility of cycle of money. The examination of utility of cycle of money is plausible through the companies' utility and an authorities' utility. Then, a simple system of derivatives about utilities of the companies and the authorities is used in our scrutiny. It should be notified that estimations are subject of two conditions. Thence, after estimations extracted the utility graphs used to obtain the behavior of cycle of money. In addition, it is considered both impact factors of escaping savings and financial liquidity, which are key elements of cycle of money.

MATERIALS AND METHODS

Our current paper is based on the previous researches of the theory of cycle of money and author's findings.

Both a simple system of first order derivatives under conditions, and the Karush-Kuhn-Tucker method have been used for the purposes of this analysis.

RESULTS

Theoretical background and the applied methodology

The contracts and agreements between the participants of control transactions are these which determine the profits and loss allocation. We should mention the changes in the contracts to the agreements. It is the reason why tax authorities should make periodic inspections. The periodic contracts' specification is important for the comparative analysis. Periodic inspections of the companies which participate in controlled transactions are crucial for the arm's length principle. Then, the cost sharing determination depends on the periodic companies' audit, i.e. tested parties¹. The scope of the companies with controlled transactions face the issues that are connected with the taxation of their activities. Therefrom, the requirements for the companies with controlled transactions with the tax authorities should be in the range of the arm's length principle. Thereupon, the appropriate agreement of the companies with controlled transactions permits them their profit maximization in the tax environment with low tax rate, and the cost maximization into the economic environment with high tax rate.

It should be notified that the companies with controlled transactions and inspections of tax authorities are done under the condition of the proportional adjustments². The interpretation of the condition for the proportional adjustments is that the companies which participate in controlled transactions many times do not have the appropriate data and uncontrolled transactions of similar circumstances to compare; therefore, they adjust their data in proportional way. This means if the companies (which are tested parties) conclude that the profits and losses of companies from uncontrolled transactions are much higher or much fewer then they make proportional analogy to compare them

¹ As tested parties, companies are considered that participated in control transactions

² Challoumis, C. (2018). Chain of Cycle of Money with Mixed Savings, *SSRN*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3158422.

with their data. The production of goods or services creates profits and costs to the companies³. Based on the prior scrutiny we have⁴:

$$u = s(zf + \tilde{z}d) \quad (1)$$

$$z = |\tilde{z} - 1| \quad (2)$$

The symbol u indicates the impact factor of the comparability analysis which has any method to the s ⁵. The symbol z is a coefficient which takes value between 0 and 1. The value is determined by the influence of the method to the s . The symbol f reflects the cost which comes up from the production of goods, and the symbol d reflects the cost which comes from the distribution of the goods.

Let us consider the following equations:

$$u_c = zf + \tilde{z}d \quad (3)$$

and

$$b = (p - u_c) * j_1 \quad (4)$$

The symbol b in the prior equation is an amount of taxes that should pay the companies of controlled transactions in the application of the arm's length principle. The u_c is the amount of tax obligations that can avoid through the allocations of profits and losses; j_1 is a coefficient for the tax rate.

In addition, the case of fixed length principle we have the next equation:

$$v = p * j_2 \quad (5)$$

The symbol v in the previous equation shows the taxes that should pay the enterprises of controlled transactions in the application of the fixed length principle. Then, j_2 is a coefficient for the tax rate in the case of fixed length principle. Thereupon, we conclude according the prior theory that:

³ Challoumis, C. (2018). Arm's Length Principle and Fix Length Principle Mathematical Approach. SSRN. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3148276

⁴ Challoumis, C. (2018). Analysis of Tangibles and Intangibles Transactions Subject to the Fixed Length Principle. SSRN. Available at: <https://ssrn.com/abstract=3142960>

⁵ Ibid

$$v \geq b \quad (6)$$

The tax for the companies participating in controlled transactions of transfer pricing in case of the fixed length principle is higher or at least equal with than of the case of the arm's length principle.

Thereupon, with the fixed length principle the enterprises of controlled transactions are able to tackle issues which come from the allocation of the profits and losses. Thus, the tax authorities are able to face the transfer pricing effects to the global tax revenue.

The fixed length principle permits to recover the tax losses of the global tax revenue from the controlled transactions of the transfer pricing. In the next scheme is illustrated the procedure that companies of controlled transactions follow for their allocations of profits and losses, the proportional adjustments of data, and the fixed length principle. Thence, we have possibility to create *Figure 1*, where the procedure of the fixed length principle is determined.

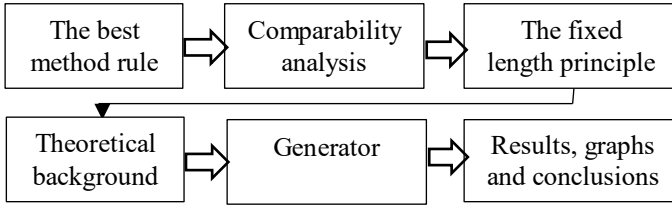


Figure 1: Cost sharing and application of the fixed length principle

Source: developed by author

The tax revenues correspond to the savings that the companies could have if the taxes were avoided. The way that these savings are administrated is different. Then the benefits of the companies could be managed in a completely different way, as could be saved or could be taxed. The theory of cycle of money shows when the savings robust the economy. It is crucial for this determination to be a separation of savings into the non-returned savings (or escaped savings) and into the returned savings (or enforcement savings). For the scope of this analysis, the equations are demonstrated below:

$$\alpha = \alpha_s + \alpha_t, \dot{\eta}, \frac{1}{v} + \alpha_t \quad (7)$$

$$x_m = m - a \quad (8)$$

$$m = \mu + \alpha_p \quad (9)$$

$$\mu = \sum_{t=0}^n \mu_t \quad (10)$$

$$\alpha_p = \sum_{j=0}^m \alpha_{pj} \quad (11)$$

$$c_m = \frac{dx_m}{da} \quad (12)$$

$$c_\alpha = \frac{dx_m}{dm} \quad (13)$$

$$c_y = c_m - c_\alpha \quad (14)$$

The variable α symbolizes the case of the escaped savings. This means we have savings which are not return back to the economy, or come back in the long run. The variable α_s symbolizes the case that we have escaped savings which come from transfer pricing activities. The variable α_t symbolizes the case that we have escaped savings not from transfer pricing activities but from any other commercial activity. For instance, α_t could refer to the commercial activities which come from the uncontrolled transactions. The variable m symbolizes the financial liquidity in an economy. The variable μ symbolizes the consumption in an economy. The variable α_p symbolizes the enforcement savings, which come from citizens and from small and medium sized enterprises. The variable x_m symbolizes the condition of financial liquidity in an economy. The variable c_m symbolizes the velocity of financial liquidity increases or decreases. The variable c_a symbolizes the velocity of escaped savings. Therefore, the variable c_y symbolizes the term of the cycle of money. Thereupon, the cycle of money shows the level of dynamic of an economy, and its robustness.

The basic principles for the cycle of money are:

(1) Both citizens and small and middle sized enterprises substitute the services and the property of the companies which save their money and not invest them or consume it proportionally in the economy. Thus, the companies of the controlled transactions are the main cause for the escape savings.

(2) The escaped savings are responsible for the economic decline in the society. The key point of escape savings is that the companies of controlled transactions of transfer pricing are responsible for the not reenter of these amount of money in the market. This situation causes the lack of financial liquidity in an economy.

(3) The substitution of controlled transactions is not substituted from citizens and from small and medium sized companies when there is not plausible to offer the same added value to the products. It happens especially in the instance of factories, in the research centers etc. Therefrom, these cases in the appropriate tax policy should be taxed as uncontrolled transactions independently, if they participate in the controlled transactions (using the fixed length principle).

(4) The enforcement savings are responsible for the high economic dynamic of the economy. Thus, the investments and the consumption are these elements which come from the savings of citizens and small and medium sized companies.

(5) The velocity of financial liquidity shows how rapidly the economy robustness grows or declines. There is an index for how well structured any economy.

(6) The velocity of escaped savings shows how rapidly the non-return savings are lost from the market, or by the lack of investments, or by the lack of consumption.

(7) The cycle of money represents the condition of the economy. The level of well-structured tax system, and in general the dynamic of the economy. If this indicator is high, then the economy has high robustness otherwise has low financial liquidity.

(8) The controlled transactions in the theory of cycle of money are considered not only transfer pricing cases, but any kind of profits administration to avoid taxation.

(9) As uncontrolled transactions in the theory of cycle of money are the case of commercial activity of citizens, small and medium sized enterprises, factories, research centers, and any kind of commercial activity, it cannot substitute by the companies of controlled transactions.

(10) The fixed length principle tackles issues subjects like the case cycle of money. But, it does not mean that restrictive must apply the fixed length principle as the cycle of money is more widely theory which exceeds the transfer pricing scope.

Therefrom, we obtain that the cycle of money grows when there is a tax system like the case of the fixed length principle which permits the low taxation of uncontrolled transactions and the higher taxation of controlled transactions.

There are three basic impact factors of the rewarding taxes (taxes which have immediate and important role in the market economy). These factors are affiliated with the education, health system of each society, and with the rest relevant structural economic factors of the prior two impact factors. This issue is illustrated in *Figure 2*.

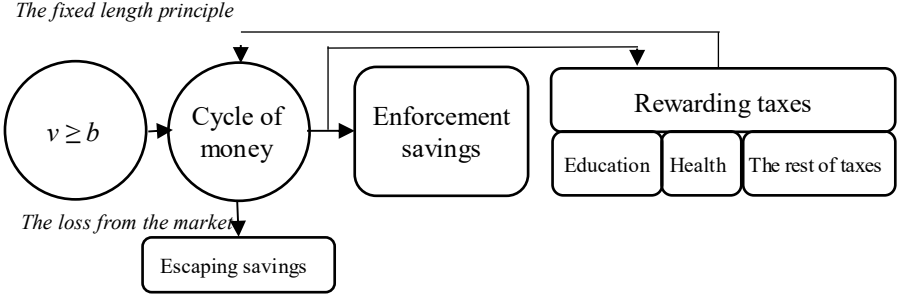


Figure 2: The cycle of money with rewarding taxes

Source: created by author

The scheme represents the cycle of money with all rewarding tax factors. Then, for the rewarding taxes we have equations:

$$\alpha_p = \alpha_r + \alpha_n * h_n + \alpha_m * h_m \quad (15)$$

and

$$\alpha_r \geq \alpha_n * h_n \geq \alpha_m * h_m \quad (16)$$

The variable α_r symbolizes the impact factor of the rest rewarding taxes. The α_n is the impact of the education factor. The α_m is the impact factor of health. The h_n and h_m are coefficients of the education and the health impact factors respectively.

Mathematical approach of the utility cycle of money

For the purposes of the mathematical approach of the utility cycle of money we use the prior equations subject to the utilities of the next equations with their conditions:

$$\tilde{U}'(t) = \sum_{j=1}^n [c_m \tilde{U}(t) - c_\alpha U(t)]_j \quad (17)$$

$$U'(t) = -\sum_{j=1}^n [c_\alpha U(t)]_j \quad (18)$$

$$U(0) > 0 \quad (19)$$

$$\tilde{U}(0) > 0 \quad (20)$$

According to the prior definitions, $\hat{U}(t)$ is the authorities' utility and thus, the public sector. The $U(t)$ is the enterprises' utility that take part in controlled transactions. Using equations, it is plausible to define the behavior of the cycle of money utility. Then, using all factors, meaning that we have both, the escaping savings and the enforcement savings, the magnitudes of them should have not a high divergence ($c_m = 0.197$ and $c_a = 0.198$). A utility of cycle of money in 3D is shown in *Figure 3*.

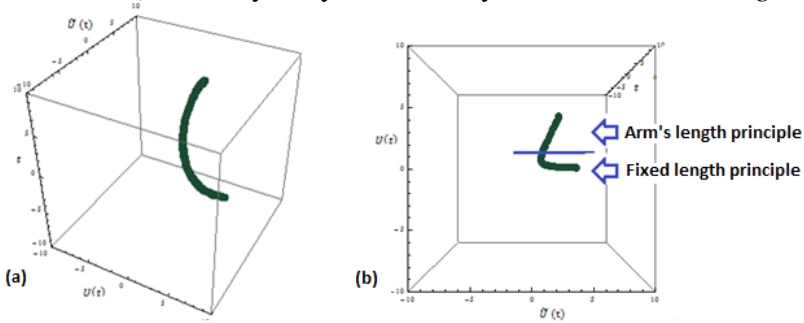


Figure 3: Utility of cycle of money in 3D from a different view

Source: created by author

In both diagrams (*Figure 3*) we have one critical point which is the point where the utility curve is changing (the symbol of t is the number of iterations equal 20). In the part of the fixed length principle we obtain that the authorities' utility (public sector) is increased. The same happens for the companies which participate in uncontrolled transactions (as belong from the view that both win in case of the lower taxation of uncontrolled transactions⁶). In the part of the arm's length principle, the enterprises of controlled transactions have more utility (*Figure 4*).

As the companies have higher utility than the authorities, this is the reason and the risk that enterprises take to proceed to business plans.

CONCLUSIONS

In this paper, we found out that the utility of public sector is a bit lower than the utility of private sector. This is the reason for the private sector why take risks for business plans.

⁶ Challoumis, C. (2018). Methods of Controlled Transactions and Identification of Tax Avoidance. SSRN. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3134109

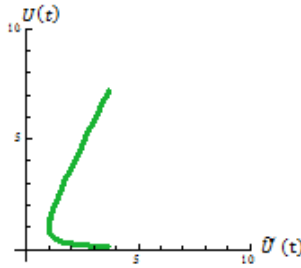


Figure 4: Utility of cycle of money

Source: created by author

Additionally, we obtained that there is a critical point between the tax policies, and more precisely between the arm's length principle and the fixed length principle.

REFERENCES

1. Argyris, C. & Schon, D.A. (1974). *Theory in Practice*. San Francisco: Jossey-Bass.
2. Ariely, D., Loewenstein, G. & Prelec, D. (2003). Coherent arbitrariness: Stable demand curves without stable preferences. *Quarterly Journal of Economics* (118), 73-105.
3. Boland, Lawrence A. (1991). *The Methodology of Economic Model Building*. London and New York: Routledge.
4. Camerer, C.F. (2003). The behavioral challenge to economics: Understanding normal people. *Federal Reserve of Boston meeting "How Humans Behave"*, Caltech, Pasadena CA 91125, pp. 1-34.
5. Challoumis, C. (2019). The arm's length principle and the fixed length principle economic analysis, *World Scientific News*, Vol. 115-118, pp.1-12.
6. Challoumis, C. (2017). Quantification of Everything (a Methodology for Quantification of Quality Data with Application and to Social and Theoretical Sciences). *SSRN*. Available at: <https://ssrn.com/abstract=3136014>.
7. Challoumis, C. (2018). Methods of Controlled Transactions and Identification of Tax Avoidance. *SSRN*. Available at: <https://ssrn.com/abstract=3134109>.
8. Challoumis, C. (2018). Analysis of framing on the public policies from the view of Rein & Schoen approach. *SSRN*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3286338.
9. Challoumis, C. (2018). Methods of Controlled Transactions and the Behavior of Companies According to the Public and Tax Policy. *Economics*. Vol. 6(1), pp. 33-43. Available at: <https://doi.org/10.2478/eoik-2018-0003>.

10. Challoumis, C. (2018). The impact factor of health on the economy using the cycle of money, *Bulletin of the Transylvania University of Brasov*. Vol. 2, pp. 1-4.
11. Challoumis, C. (2018). Identification of significant economic risks to the international controlled transactions. *Annals of "Dunarea de Jos" University of Galati Fascicle I. Economics and Applied Informatics*. Vol. 3, pp. 1-5.
12. Challoumis, C. (2018). The Role of Risk to International Controlled Transactions. *Annals of "Dunarea de Jos" University of Galati Fascicle I. Economics and Applied Informatics*. Vol. 3, pp. 5-8.
13. Feinschreiber, R. (2004), *Transfer Pricing Methods an Application Guide* (John Wiley & Sons, New Jersey).
14. Gomes-Casseres, B (1989). Ownership Structures of Foreign Subsidiaries: Theory and Evidence, *Journal of Economic Behavior and Organization*, Vol. 11, pp. 1–25.
15. Goodman, N. (1978). *Ways of Worldmaking*. Indianapolis: Hackett.
16. Gordon, L.V. (1976). *Survey of Interpersonal Values — Revised Manual*, Chicago: Science Research Associates.
17. Habermas, J. (1968). *Knowledge and Human Interests*. Boston: Beacon Press.
18. Hallerberg, M., Bassinger, S. (1998). Internationalization and changes in tax policy in OECD countries: the importance of domestic veto players. *Comparative Political Studies*. Vol. 31, pp. 321-353.
19. Kuhn, T. (1962). *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press.
20. OECD (1999). *The OECD STAN Database for Industrial Analysis*. OECD, Paris.
21. OECD (2000). *Towards Global Tax Cooperation*. Report to the 2000 Ministerial Council Meeting and Recommendations by the Committee on Fiscal Affairs. OECD, Paris.
22. OECD (2017). *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*, OECD Publishing, Paris.
23. OECD (1991). *Taxing Profits in a Global Economy* OECD, Paris.
24. Rein, M. & Schon, D. (1993). Reframing policy discourse in F. Fischer, J. Forester (eds.) *The argumentative turn in policy analysis and planning*. *UCL Press*, pp. 146-166.
25. Wilson, J.D. (1986). A theory of interregional tax competition. *Journal of Urban Economics*. Vol. 19(3), pp. 296-315.

JEL: F02, F60, O10, O53

THE OBJECTIVE BASIS OF TRANSFERRED COUNTRY'S ECONOMY INTEGRATION INTO THE GLOBAL ECONOMY

Ummuhabiba Galandarova, PhD in Economics,
Tahmina Balajayeva, PhD-Student,

Baku State University, Baku, Azerbaijan

Abstract: *The article analyzes the basis of Azerbaijan's integration into the Global Economy. The integration of Azerbaijan's economy was considered and detected on the effectiveness of its activities in the field of integration. In this paper we state that integration is considered the main driving force for rising country's economy. At the same time, the role of integration in the development of the national economy was explained. The development of the country's economy depends on its integration into the global economy with respect to its innovation activities.*

Keywords: *integration, innovation, national economy, innovative activities, production*

INTRODUCTION

The international economic relations emerged as a result of the trade, capital flow, international credit system, migration of labor force, currency relations and scientific and technological cooperation. International economic relations (hereinafter *IER*) in production sphere are based on the international division of the labor. *IER* indicates its practical reflection in the different enterprises representing different countries, with goods and services of firms and organizations in the international commerce, in scientifically technological investment, finance, currency and credit, information relations and demonstrates the replacements of the labor resources among them (Godfrey, 2008).

MATERIALS AND METHODS

The theoretical and methodological basis of the research is scientific works on national economy of Azerbaijan, on the problems

of integration. The validity of the obtained results is confirmed by the use of various generally accepted and specific methods, viz. theoretical generalization, abstraction, analysis, comparison and systematization, systematic approach.

RESULTS

IER comes out objectively from the international division of labor, production, global specialization and lastly, the internationalization of production. *IER* formation and development are determined with the mutual influence of countries' economies and reinforcement of reciprocal dependency on social, national, ethnic, political, and moral and legal conditions. *IER* covers a number of spheres of forms and practical directions of world production: (a) international commerce; (b) specialization of production, scientific and technological works; (c) exchange of scientific and technological information; (d) finance, currency and credit relations among states; (e) the flow of capital and labor force; (f) productive cooperation in activities of international economic organizations and settlement of global economic problems; (g) in the international informative relations, formation and expansion of the Internet and realization of trade operations through computer. All of these are enable to say that international economic relations is the specific sphere of the market economy which is a practical field and outcome of labor, capital, natural and other resources by carrying the attributes and qualities of the market economy (Godfrey, 2008). It is known that since the free market relations choose sellers and buyers independently, they rely on the following: (a) multitude of subjects and objects of the market; (b) ability to define the impacts of demand and supply; (c) their mutual relations with their flexible prices; (d) competition.

Principally, *IER's subjects and objects* are not far from the national economies' subject and objects operating under the market economy. The differences could be related to their multitudes, quantity and quality characteristics. Nowadays, both technology and information are of the greatest importance and they are being shaped gradually as the specific sphere of world economy (Karpov, 2011). Cooperation relations as the *IER's* subject turn out to have essential significance in scientific,

productive and technical spheres. The productive factors movement among countries are expanding, nevertheless there are still obstacles remaining in this process. Initially, the various forms of capital movement were involved, as well as a usage of financial and credit resources in global scale, international migration of labor forces and exchange of intellectual property etc. As the special *IER*'s objects, countries' multilateral cooperation directed to the solution of ecological and other global problems should be noted.

The characteristics of *IER*'s subjects are various. The relations among the partners from different countries, especially from different companies and mainly entrepreneurs dominate here. Almost in every country with market economy, in order to be a participant of *IER* that means to be able to sell and buy goods/services overseas, no limits are placed. However, the exportation of goods and services to foreign markets requires thorough marketing research, since the competition environment is more rigorous today. It is notable that in most cases, the states and international organizations are *IER* subjects.

In the Information Revolution era as a result of economy's internationalization, substantial changes in the structure, dynamics, forms and types of *IER* were emerged. Modern *IER* evolved under the following factors: (a) geopolitical changes in vectors of global economy; (b) *IER* impact to the internationalization of production and capital, and (c) mobility of labor resources. Today, the leading part of world economy is related with the capital transactions. The foreign direct investments placed by *TNCs* impact on the future of nations. If the international trade circulation is 5 bln US dollars within a day, the capital movement exceeds 200 US bln dollars. The activity of currency markets serving the international trade and capital movements turned out to be very vigorous. According to Basel report, daily turnover of currency markets is 1 mln US dollars. The creation of international monopolies narrowed the market sphere of commodities into the world market. Currently, the commodities are produced for concrete consumers, not for the market. The international monopolies in the fields of production are based on the raw materials of certain foreign suppliers under long-term treaties. The observed inclination of modern international trade is the shrinkage of the commerce trade role. On the

contrary, the commodity turnover has increased notably based on firm and cooperative relations (Karpov, 2011).

New viewpoints and theories about modern *IER* appeared. They took the essence of economic relations as the foundation occurred in the corresponding period, structure and forms of recently emerging economic relations. The theories of the modern era are the following: (a) availability theory; (b) highly qualified labor force theory; (c) International Trade and Technical Change theory; (d) Product life-cycle theory; (e) Linder hypothesis.

Availability theory: According to the availability theory developed by I. Kravis, the reason of external trade is the absence of a particular commodity in a particular economy. The countries get the products through trade which they cannot produce or production is costly. The reasons behind the different productions occurred, are unequal natural resources' distribution, technological innovations and the products stimulating the monopoly (ibid). Imports demonstrate the inelasticity of demand. In contrast, export is a sign of higher production. Hence, the export industries employ more advanced technologies compared to other sectors; that is why they are much developed technologically.

Highly qualified labor force theory: The countries which are rich in terms of certain type of occupation or highly qualified labor force, have been expertized in the production related to these factors. On the other hand, countries with abundant unqualified labor force prefer the production of goods based on intensive usage of unqualified labor.

International Trade and Technical Change theory: The vast part of trade among industrialized countries is based on new products and methods of their production. The majority of them is designed by the innovative firms operating in developed countries. Innovations are secured by the patent and intellectual property laws. The firm which revealed the innovation becomes the monopolist of that innovation. In accordance with this hypothesis, industrialized countries which invented innovative product or production method become the first exporters of those commodities. Only then, the other countries obtain those commodities by technological imitation or after some time with free product status, and they start producing those commodities more inexpensively with cheap labor force and rich raw materials rather than

first producers. Thus, that commodity starts to be exported by developing countries. Now as the inventors cannot compete with current producers, they start to import them from outside.

Product life-cycle theory: Referring to this theory, technological innovations and production of innovative products are specific to developed countries. This case is the result of highly expertized labor force and investments to scientific research.

Linder hypothesis: It states that demand is an important trade determinant. Internal demand determines the variety of products in the domestic production. These varieties can be sold in countries with similar demand. Demand is related to income level. There occurs more trade between similar countries. This theory covers the trade of non-homogenous industrial products. The trade of these products is related with similar tastes and preferences of states which means the relation with demand conditions, not production costs.

The nations competitive advantages theory by Porter: One of the current common problems of external trade is the concord of interest of external trading firms and national economy. The solution of these problems allows to answer a question – How do certain firms gain a domination in particular sectors of world trade in any country in terms of particular products? In order to answer these questions, Porter introduced the concept of "The competitive advantages of Nations" by generalizing the experience of industrialized and export-based countries. The competitiveness of a nation is determined by four mutually interactive and dependent factors in international trade: (a) factor endowments; (b) demand conditions; (c) related and supporting industries; (d) firm strategy, structure and rivalry (Porter & Ketels, 2007, adapted by Kuznetsova, 2012).

CONCLUSIONS

Different factors' combinations are possible for different countries. Porter has differentiated four stages of life cycle in each country, viz.: (1) Factor-driven economy. In this stages countries compete as they use the production factors they own – such as cheap labor force, productive land territories and so forth. (2) Investment-driven economy. The economies competitiveness stems from the private investment and

state and the adaptation and improvement of foreign technologies by national producers are of the great significance here. (3) Innovation-driven economy. This stage is characterized with competitive advantage which comes from the existence of four interactive factors. (4) Prosperity-driven economy. The active force of economy serves the gained prosperity. The state and its companies orient powers to save their status by giving up positions in international competition. However, as they do not make active investments, they run conservative strategies supported by government (Kuznetsova, 2012).

Porter gives the following suggestions to the countries with transitive economy accordingly to their economic strategies:

(1) For the countries in the factor-driven stage:

(a) creation and protection of stability, attainment of supremacy of legislature;

(b) achievement of higher-level physical infrastructure and general education;

(c) openness of the markets;

(d) circumstance creation to assimilate worldwide technologies.

(2) For the countries in the investment-driven stage

(a) putting investments to upgrade scientific research and physical infrastructure;

(b) generating opportunities to develop new production powers which can exceed foreign technology.

(3) For the countries in the innovation-driven economy

(a) creating worldwide research resources (organizational, labor force, infrastructural);

(b) providing the proper atmosphere for local firms to establish unique strategy and the newest innovations.

Porter's theoretical viewpoints formed the basis of nationwide consultations set in 1990s in the USA, Australia and New Zealand with the purpose to raise the competitiveness of the nation's currency in external trade. However, some economists indicated the necessity to revise Porter's viewpoints and stated that his concept must be upgraded in order to improve the competitiveness of the nation.

REFERENCES

1. Filosofova, T. & Bikov, B. (2012). *Konkurentsii. Innovatsii. Konkurentosposobnost'* [Competition Innovation Competitiveness], *UNITI-DANA*, Moscow, Russian Federation, 296 p.
2. Kuznetsova, E. (2015). The development of competitive relations and economic strategy of the state. Monograph. *UNITI-DANA*, Moscow, Russian Federation, 383 p.
3. Karpov, A. (2011). The Competitive Space of the Enterprise and an Industry. Monograph. Omsk, Omsk State University, Russian Federation, 280 p.
4. Ovchinnikov, B. (2007). *Globalnaya konkurentsii* [Global competition], Institute of Economic Strategies, Moscow, Russian Federation, 360 p.
5. Porter, M. (2010). *Konkurentsii* [Competition], Translated from English, *Izdatelskiy Dom "Williams"*, Moscow, Russian Federation, 592 p.
6. Godfrey, N. (2008). Why is Competition Important for Growth and Poverty Reduction, *Global forum on international investment*. Available at: <https://www.oecd.org/investment/globalforum/40315399.pdf>.
7. Porter, M. & Ketels, K. (2007). Competitiveness at the Crossroads: Choosing the Future Directions of the Russian economy. Harvard Business School. 112 p. Available at: <https://www.hbs.edu/faculty/Pages/item.aspx?num=31435>.
8. Roi, O., Drashkovich, V., Drashkovich, M. & Yovovich, R. (2014). Knowledge in the Modern Economics: Theory and Practice. Monograph. Omsk, *Omsk State University*, Russian Federation, 304 p.

JEL: Z30**WINE TOURISM****Ayan Mirzayeva, PhD-Student,***Institute of Control Systems, Baku State University, Azerbaijan*

Abstract: *Getting to another country, we consider as a duty to taste the national dishes. And in the famous wine-making countries also wines, which, as is known, reveal their taste and bouquet most fully in the production region. For wine lovers, wine tourism allows to immerse in the area atmosphere where vineyards grow, to feel peculiarities of the terroir, to communicate personally with wine-makers and perhaps even see the process of making a favorite wine. Currently, wine tourism is becoming increasingly popular. To make a trip to the wineries or visit one of the various wine festivals that take place in the warm season throughout the world, it is possible during the usual journey, combining a wine tour with sightseeing.*

Keywords: *enotourism, local wines, tasting, wineries, wine festivals*

INTRODUCTION

Nowadays, there are many different wine routes and tours (group and individual) to various parts of the planet, which any travel agency offers. As well, such tour can be planned individually. As a rule, most wine tours are made to the places located nearby (within 100-150 km) from major cities and tourist centers and take no more than one day.

Most famous for wine tourism is France and Italy, with their wine culture. They are careful about everything related to viticulture, and the local vineyards can rightly be called the country's tourist pride. France, being the leader of world winemaking, is the leader in wine tourism. Rhone Valley, Bordeaux, Burgundy give a lot of pleasure for tourists attracting beautiful landscapes, glorious history and recognized quality wines produced there. The popular tourist route through the wine-making Burgundy begins in the ancient capital the Burgundian dukes – Dijon, the path passes through the city of Beaune with its famous hospices, and includes a visit to the famous La Montrachet vineyard. As well, the popular wine regions are Champagne, Alsace and Provence, with its famous organic estates. Guests of Paris can visit the Loire Valley located near the French capital.

In Italy, many tourists and wine connoisseurs gather at the annual Vinalia held in April. Also attractive for tourists is the wine museum in Tordgiano, and a wine tour of the picturesque Tuscan region of Chianti. Bright wine festivals and shows are often held in the region. While relaxing in the picturesque Sicily and Sardinia, it is hardly worth refusing to enjoy the peculiarity of local wines.

Spain, famous for its ancient winemaking traditions, offers wine tours of the famous Rioja, the largest and most famous wine-making region of the country. In addition to the numerous wineries of Rioja, a wine museum and famous wine festivals located in the region are worth visiting.

MATERIALS AND METHODS

During our research we have used such scientific methods as generalization, descriptive analysis, logical and structural analysis.

RESULTS

There are no limits for the wine tourism routes. If the Old World is famous mainly for its historical monuments, the New World attracts with a wide choice of all kinds of entertainment. Particularly, beautiful vineyards are famous Stellenbosch district located in the South Africa. Seen sights can be combined with a visit to wine festivals that take place in Stellenbosch in August. The wine tourism industry in the US is high developed; the famous wine tour of the Napa region promises to be vivid. A great tour for wine lovers and majestic views will be a visit to the picturesque lakes Finger Lakes and the Hudson Valley in New York State. This area located among the lakes left by the retreating glacier is an ideal place for romantic natures. In Chile, the favorite place of wine tourists is the valley of Kolchagua, in Australia, it is worth to make a tour to the famous Hunter Valley.

Bulgaria, as a country producing wine and beverages, is well-known for wine tourism. Selected wineries and companies took the lead in this direction, they achieved the expected effect by joining forces with tour operators, the hotel and restaurant business and the Bulgarian Association of Winery Specialists. Wine tourism complements are other types of tourism – gastro-tourism (culinary art). Interestingly to get acquainted with the life and history of the nation, with historical facts, terrain, monuments, customs. All this is complemented by a

tasting of local wines and dishes. When it comes to wine produced in Bulgaria, it is remarkable that the first wine in Europe was made by the ancient Thracians. Later, the Greeks found out from them the secret of the divine drink and appropriated the right to discover the wine production. In the 6th century BC, the Thracian rulers held so-called "symposia" (meetings, where they drank wine and talked about past and upcoming affairs). Evidence of rituals in which wine played a major role was found in the excavations of the temple of Dionysus in the city of Perperichon, the capital of the Rhodope ruler. Dionysus is a Thracian God revered in ancient Hellas, God of wine and fun. According to historical data, in the ancient world there were two places where future predictions were made – Dionysus and Apollo. The temple of Dionysus was more important in comparison with the temple of Apollo at Delphi, and it was on a strategic path towards Philipopolis (today's Plovdiv). The amphora and rhyton in which the ritual wine was kept are also open in the Thracian tombs near Kazanlak, and the murals unambiguously depict a wine-grinder carrying a jug and a bowl (Thracian wine cup). Describing the history of wine, we should mention the furs of melnish wine transferred to Europe, the Greek merchants in Melnik. Interesting is that 500 liters of melnish wine Sir Winston Churchill has ordered annually to himself. Under socialism, Bulgarian wines were spread throughout Eastern Europe and in former USSR. Nowadays, new wineries, boutique cellars, new vineyards and wine producers are established every year, which strictly monitor the quality of the wine. New wine producers find a good reception in domestic and foreign markets and successfully compete with well-known global manufacturers – Mavrud and Melnik.

Great attention is also paid to the Gymza variety, known in Europe as Kadark. It is very delicate (gymza in Arabic means 'capricious woman'). The wine is soft, tart, fresh with the scent of cherries and raspberries. Such a wine can be tasted in Northern Bulgaria in Vidin, Novo Selo, Sukhindol, Pleven, where the Institute of Viticulture and Wine is located, which has a 100-year history of existence and has an experimental base for viticulture and winemaking. New varieties are being created, such as Rubin, a hybrid variety crossed between the famous French variety Syrah and the Italian variety Nebiolo. The wine of this variety is piquant, with a seductive aroma of currants and pepper,

cherries and strawberries, according to the technology it can be tart or soft, with a light freshness or fruit flavor. Particular attention is paid to the technology of the "New World", and recently, wines with new taste and quality have been made in Bulgaria. Along with the wine innovations, traditions continue, the classical technologies and wines of the "Old World" are used.

Wine tourism can be developed as an independent tour operator activity, developing routes for wine, routes for wine and culinary art, wine and history, wine and customs. In the chronological order from February to November, it is possible to organize visits to the wine cellars in connection with various festivities, starting with the feast of Trifon Zarezan. In early February, the Bulgarian Wine Forum "Vinaria" is held (i.e. a celebration of the wine industry). In March, a holiday with Martenitsa is celebrated (the only custom in the world). In April, the Wine Salon is held in Sofia. In May, the holidays of roses in the Thracian kings' valley give reason to taste a wine and brandy from the Thracian roses. The festivities associated with the St. George day at the beginning of spring also deserve interest. In summer on the Black Sea coast any day is suitable for wine. In November and December, the young wine is ready ("nouvelle"). In winter, mulled wine restores strength and is good for health at the end of the day spent on the ski track. Bulgarian Wine Cellar Specialists Association developed and submitted to the Tourism Committee, i.e. five wine tours around the country with wine tasting. The wine tours vary in duration. They are made in different regions using different wines, at reasonable prices and at convenient times for traveling. You can also find a professional wine cellar specialist – a guide on the Bulgarian wine list. In Bulgaria there are five vineyards and wine-growing regions, and each of them has good suggestions for receiving pleasure and knowledge.

The largest and richest region of the wineries is the region of Southern Bulgaria. In its central part near Plovdiv. Mavrud is a variety that has been preserved only in the vineyards of Asenovgrad. Today, Mavrud is in Perushtitsa, Brestovitsa, Pazardzhik, Pamidovo, Plovdiv. Mavrud is known as a wine called the Stanimashskaya Malaga, which was made by monks from the Bachkovo Monastery. Sweet, thick and strong wine. Mavrud is dry red, slightly tart wine with the aroma of blackberries, raspberries and cherries. In the Eastern and Western parts of the region, it is possible to taste Cabernet Sauvignon and Merlot

wines with world-class quality. Pamid variety is offered for tasting in Central Bulgaria and Pomorie. Pamid is a variety that has been growing in the Balkans since Thracian times. This wine is red with a pink tint and transparent. It is considered a second-class wine brand, but in Bulgaria it is respected and used in home winemaking. The best conditions for its growth exist in Central Bulgaria, i.e. in Pamidovo, Pazardzhik, Plovdiv. In 1930s, Karabunarskoye wine, made 85% of Pamid and 15% of Mavrud, became famous. The region along the Black Sea coast offers suitable conditions for growing white grapes. Therefore, the best Bulgarian white wines are made here. The region is divided into three sub-regions, i.e. North, Inner and South.

In the Northern sub-region in Varna, it is worth to visit at least three wine cellars. In the Inland sub-region in the cellar in Preslav, it gets to know the ancient capital of Bulgaria Veliki Preslav and taste refined brandy varieties created by the classical cognac technology. On the way, it is recommended to visit Shumen and Torgovishte cities.

In the Southern sub-region, the program of visits includes Burgas and Pomerania cities, where it is offered a tasting of high-quality wines and brandy varieties. The Northern Bulgarian region encompasses the Danube Plain and the North-Western part. The Danube Plain is divided into two sub-regions, i.e. the Danube belt and the central part. This region offers wine and raki throughout the year. Near Veliko Tarnovo, there are innumerable cultural and historical monuments and no wine cellars shortage. Bozhentsy, Gabrovo, Troyan, Tryavna are cities located in beautiful places with a wealth of history and wines. Sukhindol is known in the European market for red wines with a protected brand in this region. In the northwestern part of Bulgaria there are two caves Magura and Ledenika, where a natural frothy wine made according to the classic champagne technology. There are both gymza and Muscat are available to taste with characteristics typical for this region. Here it is worth mentioning the natural phenomena of Belogradchik, the fortresses of Baba Vida and Urvich. Along the Struma riverbank are typical Bulgarian varieties, Shiroka Melnish Vine or Melnik. Melnish wine can be tasted in Melnik, Sandanski, and Bansko.

The Pirin region is famous for its wine with the aroma of ripe cherries, black pepper and tobacco. Rose wine made from Shiroka Melnysh vine is very interesting. The Thracian kings' valley offers a meeting-acquaintance with the Thracian history in Kazanlak. It worth

to visit the Thracian tombs and to see houses of Bulgarian Renaissance, located at the foot of the Balkan Mountains.

Muscat is the main wine grape variety. Each region gives the wine its own specific aroma and taste. Karlovsky Muscat is in Karlovo, Doctor's Muscat is in Vratsa, Sungurlarsky Muscat is in in Slavyantsev. These are fresh wines with a pleasant bouquet of pear, honey, raisins and wax. Wines of Chardonnay, Muscat, Traminier are offered as well.

Dimyat, typical for Bulgaria, is a variety known in the Balkans since ancient times. It is said that the Thracians prepared wine from this variety. Dimyat can be tasted in Varna, Sungurlare, Preslav, Pomorie.

Chardonnay is a variety introduced from France and acclimatized in Bulgaria. Good wines from this variety are offered in northeastern and eastern Bulgaria, viz. around Preslav, Shumen, Khan Krum, Ruse, Torgovishte, Ludogorye, Pomerania, Bourgas, Sliven and Slavs are the most suitable for growing this grape variety. In Suhindol – in Central Northern Bulgaria, one can also find superb Chardonnay.

Cabernet Sauvignon is the most common grape variety suitable for making red and rosé wines. Red wine from Cabernet Sauvignon can be tasted everywhere in Bulgaria, and in the northern regions the wine has a fresh and fruity taste, and in the southern regions it is denser and maturer. Classic wines from this variety are still made in Svishtov, Sukhindol, Yambol, Sliven, Plovdiv, Lyaskovets. Rosé wine from this grape variety is offered for tasting in Svishtov, Khan Krum, Preslav, Nadarevo, Sliven, Slavyantsev, Stara Zagora, Pomorie, Burgas, Yambol.

Merlot is a grape variety that gives the wine the aroma of plum, cherry and raspberry. It is distributed in Central, Northern and Southern Bulgaria. Fans of this variety can taste fresh wine in Burgas, Pleven, Sukhindol, Svishtov, Pomorie, Vidin, Stara Zagora, Yambol, Sliven.

Fans of the "Old World" wine can take advantage in Pazardzhik, Yambol, Sakar, Haskovo, Svishtov, Pomorie, Plovdiv. If one is a connoisseur of sparkling wine (champagne wine), then better to visit Preslav, Lyaskovets, Chirpan, Slavs, Lyubimets, Vidin.

The concept of "wine tourism" has appeared in the end of the last century, however the creators of this fashionable tourist genre are not the traditional wine-making countries of Europe, but the countries of so-called "New World", combining winemaking with tourism guessed wine producers from Australia and California. It is usually dominated

by small wineries (with production 100-300 thousand bottles per year), which do not rely on large retail chains to sell their products. Through wine weekends and tours, they managed to increase their sales directly (cellar door sales). Currently, about 35% of the production of most Australian wine cellars is sold in this way; it brings the annual income from wine tourism about 3.6 bln USD. Approximately 18 mln tourists visit wineries in the Napa Valley region (California) annually (mostly, Americans). On contrary, the inclusion of famous wine cellars in tourist routes in Europe is the old practice, viz. a part of a general understanding of tourism as a journey for pleasure, but it is undeveloped as a business.

In addition to its nature, rich cultural and historical heritage, Bulgaria attracts an increasing number of foreign tourists for its excellent wine tours. Most of the modern Bulgarian wine producers have opened tasting rooms and offer their guests to enjoy the excellent quality, tastes and aromas of Bulgarian red and white wines. In Lyaskovets (one of the established wine-growing regions of Bulgaria), located nearby the old-capital Veliko Tarnovo, in the beginning of the 19th century, the story of the first wine tasting in Bulgaria was presented in the “Marriage” story of Tsani Ginchev. The direction to choose for a wine tour depends only on the personal preferences of tourists. One of the most attractive regions of Bulgaria is the Thracian Lowland. There are many wine cellars, which offer both the opportunity to taste the wine and get acquainted with characteristics of the wine-growing region, and hold a holistic trip around the region. Another very famous Bulgarian variety Mavrud is found in the northern part of the Rhodope mountain range, known as "Mount Orpheus". Mavrud has no analogue in the world. It has an exceptional harmony of color, taste and aroma, which gives a completely new experience to wine lovers. From technological point of the view, this is the region, where grapes are ripening best. According to the technical and natural characteristics it surpasses even popular European regions as Bordeaux, Tuscany and Lombardy.

Each wine, depending on its structure, taste and aroma, requires a suitable snack. This combination is difficult to comprehend. Young Mavrud (one-year-old) is combined with light red meat without any extra spices. Seasonings make difficult to feel the magic of wine. The old reserves of Mavrud, which are aged in barrels for more than a year, definitely should be combined with the Bulgarian national dish Kapama

with a lot of meat and onions. Wine tasting is often accompanied by a rich folklore program.

Recently, the Antioquia Way of Thracian Wine was created, a part of a project for the development of the Central and Southern regions of the country. The route 166 km long passes through nine wine cellars in Central Bulgaria, which hold 25 mln bottles. Guests can try selected elixirs. The area of the route also includes seven villages, famous for their mineral springs; where there are over 50 hotels, balneological sanatoriums and holiday houses. In Sungurlare (Southeastern Bulgaria) there is *Museum of Viticulture and Wine-Making* in a restored house by the National Institute of Monuments of Culture in Kotlensko-Geravensky. The house was built in 1882 and belonged to rich wine-makers Ivan and Milko Khristovov, who glorified their city and country at the end of the nineteenth century, received a gold medal at an exhibition in Anvers (Belgium) for his high-quality wine.

The roots of winemaking in Azerbaijan extend to ancient times. During the archaeological excavations conducted in the vicinity of Shomtepe (historical monument of the 5th – 4th millennium BC) in 1962, grape seeds were discovered. Archaeological finds in Kultap, Uzerliktepe, Kazakh testify to the ancient culture of grapes and winemaking (3rd – 2nd millennium BC). However, in Muslim Azerbaijan, as well as in Central Asia, wine consumption was persecuted and this led to the spread raisin and raisin grape varieties and the decline of winemaking. Local grape varieties were created as a result of selection in each populated area. Most of the local grape varieties in Azerbaijan originated from wild grapes through cultivation. As a result of natural and artificial selection, a rich fund of local varieties of various economic importance was created. In the Middle Ages, they use wine for a science and medicine. Historical data of the XII century show that a small amount of wine was used to treat melancholy and depression. Wine made from rose petals has been used to treat headaches, stomach pains, and heart disease.

Currently, there are about 40 grape processing enterprises operating in Azerbaijan. Wine products are exported to the USA, France, Italy, Spain, Germany, Canada, Sweden, India, Vietnam, China, Japan, Russia, Ukraine, Belarus and Georgia.

CONCLUSIONS

The purpose of enotourism (or wine tourism) refers to the tasting, consumption or purchase of wine. If other types of tourism are being passive, enotourism might consist of visits to wineries, wine tasting, walks in the vineyards or active participation in harvesting. There is no general definition of wine tourism in scientific literature. According to the *Assembly of European Rural Areas (AREV)*, wine tourism covers all those activities "where the wine and local gastronomy of each region is related to material or other culture". Various authors pay attention to the interweaving of culture and wine tourism. This is reflected, inter alia, in characterizing the components of viticulture, such as winemakers or vineyards. Similarly, wine-oriented travel motivation is used as a determinant. Wine tourism is determined by stakeholders: wine producers (winemakers, wine associations), tour operators and travelers. The seasonality is an influential factor, since wine tourism mainly depends on the grape growing season (from May to October).

REFERENCES

1. Karabaeva, A. & Lukyanenko A. (2012). Gastro-tourism in the Astrakhan region and prerequisites for creating a gastronomic map. *Tourism and recreation: innovation and GIS technologies*. Materials of the V International Scientific Practical Conference, Astrakhan, May, 25-26, 2012. Astrakhan, Editing House "Astrakhan University", pp. 336-338.
2. Karabaeva, A. & Lukyanenko A. (2014). Gastro-tourism development in Russia and Astrakhan region. *Astrakhan Journal of Environmental Education*. No. 1(27), 125-128. Available at: <https://elibrary.ru/item.asp?id=21251538>.
3. Mikhailov, V. (1992). *Kuchnya narodov Rossii: Puteshestvie po Uralu* [The cuisine of the peoples of Russia: Urals Journey]. Kvadrat, Moscow, Russian Federation, 496 p.
4. Kvartalnov, V.A. (2002). *Turizm* [Tourism]. *Financy i Statistika*, Moscow, Russian Federation, 320 p. Available at: http://tourlib.net/books_tourism/kvartalnov_tourism.htm.
5. Zhukova, M.A. (2004). *Menedzhment v turisticheskom bisnese* [Management in the tourism business]. *Knorus*, Moscow, Russian Federation, 192 p. Available at: http://tourlib.net/books_tourism/jukova.htm.

JEL: L20

A MODEL FOR STRATEGIC PLANNING TECHNOLOGIES ANALYSIS IN ENTERPRISES

Nataliia Petryshyn, PhD in Economics, Associate Professor,
Yuliia Chyrkova, PhD in Economics, Associate Professor,
Maryana Bortnikova, PhD in Economics, Associate Professor,

*Department of Foreign Trade and Customs,
National University «Lviv Polytechnic», Ukraine*

Abstract: *Investigation of the strategic planning technology is of the utmost practical significance as it allows to characterize the strategic planning state, helps to identify the problems of this process and difficulties related to its implementation. The article developed the model of the strategic planning technology analysis. Methodological provisions for analyzing current strategic planning technologies of enterprises have been established based on instruments of assessing the capacity of the strategic planning dissemination with the aim of identifying problems in this area.*

Keywords: *strategic planning, strategy, technology, analysis*

INTRODUCTION

Strategic planning holds a central place in the system of strategic management, and it is to realize measures related to formation of the enterprise strategy (a complex plan of the perspective development). The effectiveness of progressing the strategic planning process is provided by the technology of its implementation (the sequence of stages of developing the strategic plan of the enterprise, which entails detailing operations at every stage and its resourcing) (Kuzmin, Petryshyn, & Doroshkevych, 2011).

In some enterprises, strategic planning is of a formal nature and it is not perceived by managers as a prerequisite for successful activity and development. The fact of the presence of a specific technology for the implementation of such a process is generally in doubt. The procedure for implementing strategic planning at enterprises is, in most cases, unreasonable and depends on certain conditions that existed at the time of planning at the enterprise. It is difficult to confirm

the existence of reasonable stages in the strategic plans development and a clearly regulated sequence of their implementation. Despite all the difficulties, enterprises still try to carry out strategic planning of their activities and often encounter complexity in this process. There are problematic issues of choosing such strategic planning technologies that would consider the specifics and peculiarities of an individual company functioning.

MATERIALS AND METHODS

The problems of strategic planning were investigated by the wide range of scientists, viz. Ansoff, Armstrong, Thompson, Strickland, Sterlyn, Tulyn, Kovtun, Smentyna, Shershnova, Vasylenko, Ivakina, Tkachenko, Koretskyi, Dehtiar, Datsii, Miziuk, Mishchenko et al. The authors considered the strategic planning essence and principles; planning methods; the notion of strategies and their types; the main approaches to strategies selection; the essence, models and features of strategic management; the systemic methodology of planning, etc.

A literature review of abovementioned authors points to the fact that the problem of enterprise strategic planning technology formation and their analysis is poorly disclosed. Lack of attention is paid to the question of strategic planning technologies essence, their types, characteristics and peculiarities of analyzing.

The stated problem, insufficient level of its disclosing and resolving within the literary sources defined the following aim of the research: to develop a model of strategic planning technologies analysis and methodical regulations related to analyzing current strategic planning technologies of enterprises based on implementing the instruments of assessing the capacity of the strategic planning dissemination in order to identify problems in this area.

RESULTS

We offer to undertake the research of strategic planning technology by the facilities of evaluating the capacity of the strategic planning dissemination at enterprises, which provides for implementing ways and techniques of assessing the capacity and dissemination of strategic planning at enterprises.

The structural and logical model of analyzing the strategic planning technologies in enterprises is presented in *Figure 1*.

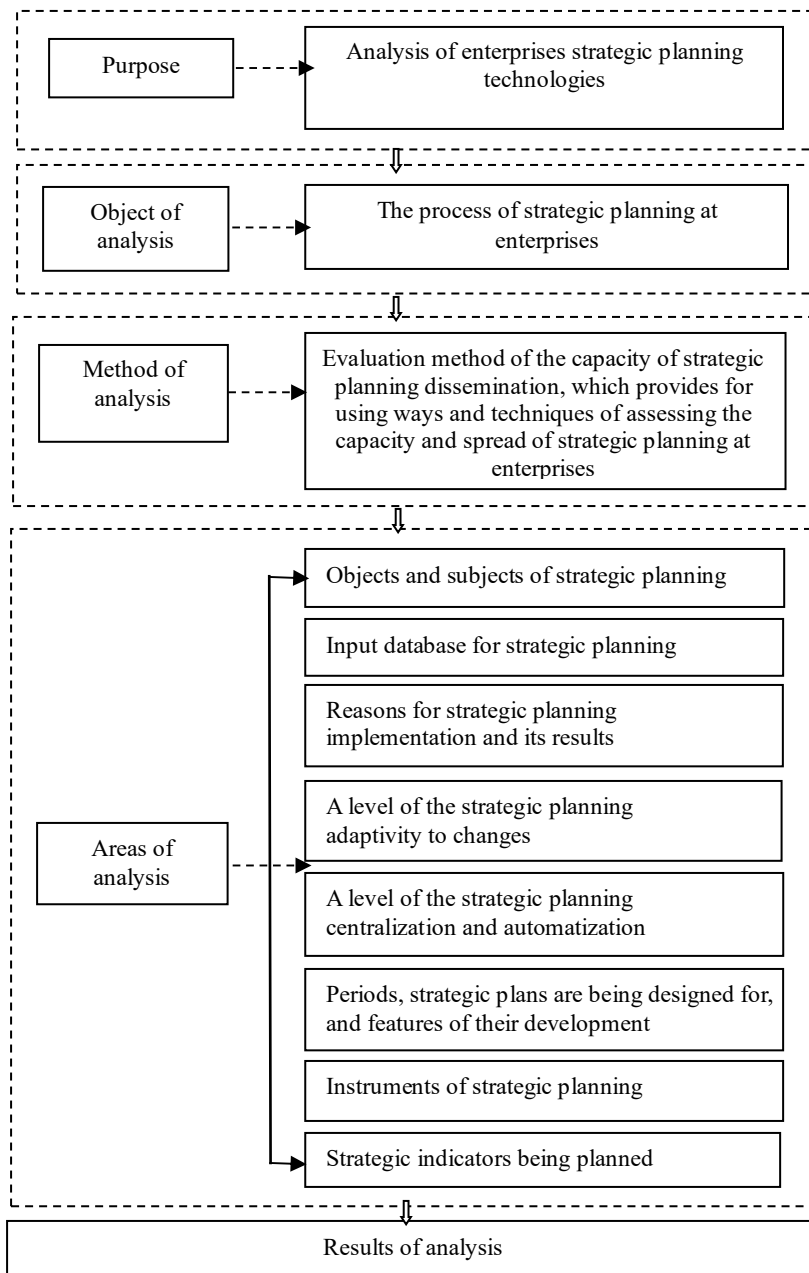


Figure 1: Structural and logical model of analyzing the strategic planning technologies at enterprises

Source: developed by authors

In this research, it is appropriate to conduct standardized interviews with experts – managers of the higher managerial level, because senior management is involved in determining and elaborating the development course of the enterprise in order to implement its mission formed and to achieve intended purposes.

A survey is a method of collecting primary information based on people's answers to pre-formed questions (Krykavskiy, Kosar, Mnykh, & Soroka, 2004). The technology of strategic planning is investigated on the basis of relevant information about the features of the strategic planning implementation at enterprises received from the managers of these enterprises. In this case, it is advisable to conduct a standardized (using the questionnaire) survey of experts (the target audience of the questionnaire is top-level managers).

Managers of the middle and lower levels are not always knowledgeable and possess reliable, complete information on the subject of the enterprise strategy, their activities are more focused on tactical planning. However, managers at all levels should be familiar with the direction of the enterprise development and not only clearly understand strategies chosen by the senior management of the enterprise, where they work, but also actively participate in their formation introducing their proposals for consideration. While exercising any research, including investigation of the enterprises strategic planning technologies, it is necessary to determine: the general population (the totality of those elements, which the selection is made from), the research element (research object), the research unit (research subject), the selection procedure for sample research units, sample size. The sampled population is determined in accordance with the objectives of the study. When researching the technologies of enterprises strategic planning, the sampled population is formed by domestic enterprises (within the whole country, a certain area or region). In this case, the research elements (objects of research) are the existing strategic planning technologies and their characteristics at the enterprises, and the subjects of the research are top-level managers of the enterprises studied. On the procedure for selecting units of a sample study, it is advisable to form a sample by a probabilistic procedure in which all members of the general population can be the object of study. This ensures the representation of the data obtained and the opportunity of

determining possible deviations. One of the varieties of probabilistic samples is a simple random sampling, which is the most optimal in this study, since, within such a sample, each member of the population has the same opportunity to be selected for further research. When establishing the required sample size, it is advisable to use the statistical method, which gives a real opportunity to substantiate scientifically the optimal sample size.

An instrument for researching strategic planning technologies and their characteristics is a questionnaire. To date, such a research tool as a questionnaire is the most common. It is a set of questions that, when conducting research, are offered to a person, who is questioned [ibid].

Research on current strategic planning technologies and their characteristics in enterprises should include the following points:

(1) It is necessary to find out whether strategic planning is carried out at the enterprise. If it is absent, then further research of such an enterprise about technology for the strategic planning implementation and their characteristics is inappropriate.

(2) It is worth exploring who exactly in the enterprise is engaged in strategic planning: managers of the highest institutional level of management (company president, vice presidents, directors and deputy directors), only specialists on planning, managers of all levels of management or another option.

(3) It is advisable to establish, whether the enterprise has determined its mission (clearly expressed reason for the existence of the enterprise) and goals (specific expected state of the enterprise).

(4) It is necessary to clarify the duration of the strategic planning technology stages, such as: collecting and processing an information array; the formation of the enterprise strategic goals; environmental factor analysis; refinement of the criteria for choosing a strategy; substantiation of strategic planning tools; formation of alternative strategy packages; selection of the optimal package of enterprise strategies; project documentation of the selected enterprise strategies; the formation of a program for the implementation of selected strategies of the enterprise; formation of criteria for evaluating the effectiveness of achieving strategies.

(5) It is important define the period, which strategic plans in the organization are developed for. In the vast majority of cases, domestic

enterprises practice the development of strategic plans for a period of 1 to 2 years, due to the unpredictability and instability of the external environment of their functioning.

(6) It is very important to identify strategic indicators that are planned in the organization. Work on the development of enterprise strategies (marketing, production, financial, investment, etc) involves the formation of an indicators system of that cover various functional areas of the enterprise and characterizes its effectiveness.

(7) When researching the technologies of strategic planning of enterprises, special attention should be paid to the procedure for developing strategic plans. This order characterizes the technology by which strategic planning and its features are carried out.

(8) The centralization level of the strategic planning implementation at the enterprise characterizes the concentration of managerial functions exercising, the adoption of important managerial decisions in a single center and affects the hierarchy of strategic planning.

(9) It is necessary to find out how the technology of strategic planning at the enterprise is adapted to changes in the functioning environment. The degree to which strategic planning technology is adapted to environmental changes is an extremely important factor.

(10) While investigating the technology by which strategic planning is carried out, it is necessary to establish an input base for planning. In most cases, strategic planning at enterprises is carried out on the basis of the results of the previous strategic plans implementation, and the actual performance indicators of the previous period are considered as the basis for calculating planned indicators. But it is also possible that the input base for strategic planning is an informational data array that is absolutely independent of previous periods.

(11) It is necessary to find out what exactly is the object of strategic planning at the enterprise (business lines, responsibility centers, individual projects and programs, a combination of previous options or another variant).

(12) It is advisable to study the features of the strategic plans development for automation.

(13) It is important to identify the strategic planning tools used in the enterprise. Today, the basic principles and approaches of strategic planning for Ukrainian enterprises are borrowed mainly from the

development of foreign scientists and the practice of American, Japanese and European corporations due to the fact that Ukraine has little experience in this area.

(14) When researching the technology of strategic planning, it is advisable to establish the main reason for the implementation of such planning at the enterprise. Strategic planning can be aimed at solving the problems of investment activity of the enterprise, that is, at forming an effective investment strategy that would ensure the acceleration of the return on investment process, the need to increase the value of shares, and the like.

(15) It is advisable to find out the results of strategic planning at the enterprise. Strategic planning should be focused on the formation of effective and adequate for a particular enterprise production, marketing, financial, innovative, investment and other strategies.

(16) It is necessary to establish the results of the strategic plans implementation as the basis for punishment or incentives for managers and other employees in the enterprise.

(17) It is important to identify problems that impede implementation of strategic planning at the enterprise. The difficulties of the strategic planning process can be caused by the insufficient level of information support for the formation of realistic and adequate strategic plans, problems with software and hardware, and the lack of qualified specialists in the field of strategic activity planning.

(18) It is important to find out who controls the implementation of strategic plans at the enterprise (such control can be carried out by the director of the enterprise, deputy director for economics or the head of the planning and economic department, etc.) and how effective such control is.

CONCLUSIONS

The study of strategic planning is recommended to undertake using methods and techniques for evaluating the capacity and prevalence of strategic planning in enterprises, i.e. by assessing the dissemination capacity of strategic planning in enterprises. A structural and logical model for the analysis of strategic planning technologies at enterprises has been developed. The main directions of research and analysis of strategic planning technologies are highlighted and characterized.

The results of the study contribute to improve the effectiveness of the enterprises strategic planning; the use of more appropriate and justified strategic planning technologies in appropriate operating conditions; ensuring the implementation of quality processes for the analysis of the strategic planning process and the development of strategies; improving the assessment of strategic planning effectiveness.

REFERENCES

1. Kuzmin O.Ye., Petryshyn, N.Ya. & Doroshkevych, K.O. (2011). Strategic enterprises activity: planning technologies and mapping. Monograph. *Miski informatsiini systemy*, Lviv, Ukraine, 320 p.
2. Petryshyn, N.Ya. (2009). Methodological basics of analyzing a strategical planning technologies for car-building enterprises. *Ekonomichnyi prostir*. No. 21, PDABA, Dnipro, Ukraine, pp. 212-219.
3. Ansoff, I. (2008). *Novaia korporativnaia stratehiia* [A New Corporate Strategy]. Translated from English. Edited by Yu.N. Kapturevskiy, Piter, SPb., Russian Federation, 416 p.
4. Armstrong, M. (2002). *Strategicheskoe upravlenie chelovecheskimi resursamy* [Strategic HR Management]. Translated from English. INFRA-M, Moscow, Russian Federation, 328 p.
5. Thompson, A.A. (2000). *Stratehicheskyi menedzhment* [Strategic Management]. INFRA-M, Moscow, Russian Federation, 412 p.
6. Thompson A.A. & Strickland, A.J. (2000). *Stratehicheskyi menedzhment. Kontseptsii i situatsii* [Strategic Management. Concepts and situations]. 9 ed. INFRA-M, Moscow, Russian Federation, 763 p.
7. Sterlyn, A.R. & Tulyn, Y.V. (1990). *Strategicheskoe planirovanie v promyshlennykh korporatsiyakh SShA (opyt razvitiia i novye yavleniya)* [Strategic planning at the industrial corporations of the US (experience and new phenomena)]. Nauka, Moscow, Russian Federation, 411 p.
8. Kovtun, O.I. (2008). *Strategies of the enterprise*. Monograph. *Vydavnytstvo Lvivskoyi komertsiiinoyi akademii*, Lviv, Ukraine, 424 p.
9. Smentyna, N.V. (2015). *Strategic planning of the socioeconomic development at the meso-level: theory, methodology and practice*. Monograph. Atlant, Odesa, Ukraine. 365 p.
10. Shershnova, Z.Ie. (2004). *Stratehichne upravlinnia* [Strategic management]. 2nd ed., KNEU, Kyiv, Ukraine, 699 p.
11. Vasylenko, V.A. & Tkachenko, T.I. (2003). *Stratehichne upravlinnia* [Strategic management]. TsUL, Kyiv, Ukraine, 396 p.
12. Ivakina, I. (2008). *Stratehichniy analiz* [Strategic analysis] Faktor, Kharkiv, Ukraine, 256 p.

13. Koretskyi, M.Kh., Dehtiar, A.O. & Datsii, O.I. (2007). *Stratehichne upravlinnia* [Strategic management]. TsUL, Kyiv, Ukraine, 240 p.
14. Miziuk, B.M. (2006). *Osnovy stratehichnoho upravlinnia* [Basics of strategic management] Magnoliia, Lviv, Ukraine, 544 p.
15. Mishchenko, A.P. (2004). *Stratehichne upravlinnia* [Strategic management]. TsUL, Kyiv, Ukraine, 336 p.
16. Krykavskyi, Ye.V., Kosar, N.S., Mnykh, O.B. & Soroka, O.A. (2004). *Marketyngovi doslidzhennia* [Marketing researches]. Natsionalnyi universytet "Lvivska politekhnika" "Intel'ekt -Zakhid", 288 p.

JEL: L26

CREATIVE ENTREPRENEURSHIP IN UKRAINE IN THE CONDITIONS OF THE NEW GLOBAL DEVELOPMENT PARADIGM

Ruslana Sholya, Applicant,

Uzhhorod National University, Ukraine

Abstract: *The essence and role of the creative economy in the conditions of new global development paradigm have been examined by the author. The author's attention has been focused on the development of creative entrepreneurship as a promising economic phenomenon and some of its negative aspects. The place of Ukraine in the ranking of countries according to the Global Creativity Index and the Global Innovation Index has been analyzed. The problems that hinder the activation of the creative sector in the Ukrainian economy and the steps that need to be taken to create favorable conditions for its development have been outlined.*

Keywords: *creativity, creative economy, creative entrepreneurship, economic globalization, global economy, intellectual capital, global innovation index*

INTRODUCTION

Today, in the conditions of development of the world economy, the features of the new paradigm of global economic development have been formed and clearly distinguished. Unlike the previous ones, the modern model is based on the processes of informatization, the active implementation of innovations in the development of economic processes in general and entrepreneurship in particular, the growth of the role and use of human intellectual potential, along with the use of scientific and technological progress in the conditions of activation of the economic globalization processes. Recently, these aspects are decisive in shaping the competitiveness of macro and micro levels, viz. countries, regions, cities, industries and enterprises. At the same time, the phenomenon of creativity plays an important role in this paradigm, since it is obvious that the role of traditional natural resources has been diminished, according to their limited nature and the endlessness of human needs and the intensification of global competition processes.

The formation of the creative economy foundations and its integration into the national economic systems with different levels of their economic development will allow the economic growth and modernization processes meet with the requirements of the world economic processes.

Innovative and creative direction is at the center of the perspective development of the countries' economies and its regions, although the speed of its implementation is usually and will be different.

MATERIALS AND METHODS

The theoretical base for our research is official statistics, periodicals, electronic informational resources, reflecting different aspects of creative economy and entrepreneurship development in the countries of the world and Ukraine. A number of scientific methods have been used in the research process, viz. methods of comparison and generalization, analysis and synthesis, induction and deduction.

RESULTS

One of the ways to gain competitive advantage and maintain a competitive position in the market is creativity, which is gradually becoming a separate resource of economic activity and stimulates its commercial success. As Iny (2014) notes, creativity is changing the vision of the world, enabling us to rethink business processes and transform industries. According to Florida (2007, p. 59), creativity plays a key role in the modern countries' socioeconomic development and the world as a whole. It is an economic resource that has removed the information and knowledge. Notably, information, knowledge and creativity is developing in close connection with each other. Creativity is the heart of the creative economy; it forms the newest economic growth model. Being introduced in "Business Week" in 2000, and explained in John Hawkins' book "Creative Economy" in 2001, there is still no clear definition of the creative economy. It depends on originality and creativity (Ostrikova, 2018). Creative economy is defined in a broad and narrow sense, using a subject-object approach, as an integral part of the world economy, bringing together people and businesses whose interaction is based on creativity, and the results are manifested in the economy. This approach somewhat demonstrates the evolution of the creative economy understanding. An important part of the creative economy is creative entrepreneurship, which is also a relatively new but promising

economic phenomenon. Creative entrepreneurship is the practice of setting up a business – or setting yourself up as self-employed – in one of the creative industries. Essentially, creative entrepreneurs are investors in talent (their own or other people's).

So far, *creative entrepreneurship* is a business connected with the cultural and creative industries (architecture, art, media, publishing, advertising, style and design industries, and entertainment). Although, in our opinion, in the future, it will concern all other industries due to combined approaches that support creation of innovative products and occupy new niches in the market. Thanks to creativity in business, a brand new class of entrepreneurs has been created. In addition to the basic economic knowledge, they use unique knowledge for gaining competitive advantage and creative knowledge for its sustainable maintaining (Pysarevsky, 2018).

According to the UNO data, the creative economy accounts for 3.4% of world GDP, the share of employees reaches 25% of the world's population, and growth rates are double higher the rate of the service sector growth and four times higher than the growth rate of industrial production (Ostrikova, 2018). Along with the benefits of the creative economy, there are some issues. Non-standard creative approaches contribute to the intensification of corruption shadow schemes, illegal migration, and the deepening of negative environmental consequences of economic processes.

In the EU, creative industries have been a profitable sector of the economy for many years. They contribute to the development of cities and countries receiving significant support and investments from national, urban and Pan-European programs (Saliy & Kaidan, 2015).

A government development program has been set up in the UK, support agencies are operating, and preferential lending is being created, it results in £ 77 billion a year and 1.7 million jobs. According to the PwC, one of Europe's largest creative industries clusters in Barcelona (The Catalan Institute of Cultural Enterprises) coordinates the activities of 140,000 creative entrepreneurs, generating added value of € 5.7 bln a year (Ostrikova, 2018).

In Ukraine, the creative sector at the beginning of development. The contribution of creative industries to the GDP of Ukraine is 4%. This

is almost three times smaller than the rural economy, but at the level of mining and twice that of construction (Okhovych, 2018).

The creative economy is the sector of the economy that contributes creation of high-paying jobs, as non-standard solutions and thinking enable creative ideas to be transformed into new benefits. Creative entrepreneurship reduces the burden on the use of traditional resources, as the main resource required is intellectual creative human potential. This type of entrepreneurship drives digital literacy, new business models, and the international mobility of participants in the creative industries who exchange the knowledge and experience. Understanding that, Ukraine is still lagging behind developed countries.

According to the Global Creativity Index, calculated by the Martin Prosperity Institute (Canada) in 2015, ranked by three indicators of economic development, i.e. technology, talent and tolerance, Ukraine ranked 45th among 139 countries in the world. Ukraine's position and the Top 10 countries in the rating are shown in Table 1.

Table 1
Rank of countries by the Global Creativity Index Rating, 2015

<i>Position of the country</i>	<i>Country</i>	<i>Economic indicators</i>		
		<i>Technology</i>	<i>Talent</i>	<i>Tolerance</i>
1	Australia	7	1	4
2	USA	4	3	11
3	New Zealand	7	8	3
4	Canada	13	14	1
5	Denmark	10	6	13
6	Finland	5	3	20
7	Sweden	11	8	10
8	Iceland	26	2	2
9	Singapore	7	5	23
10	the Netherlands	20	11	6
45	Ukraine	43	24	105

Source: compiled by author based on (*Global Creativity Index, 2015*)

Ukraine's position was almost in the middle of the rating. As we can see, the best of the indicators determined in the framework of the Institute's methodology, is the 'talent indicator', since Ukraine has been always characterized by high qualified intellectual potential. According to World Bank statistics, Ukraine is in the Top 20 countries in terms of human capital and talent by number of people with higher education

(Creators of the future, 2018). Tolerance is the lowest due to the lack of proper attention to minority issues. The entrepreneurship creative development level in Ukraine can be judged from the position of Ukraine in the Global Innovation Index ranking, since its result are based on achieved technological innovations and products of creative activity (Marutyan, 2018). Ranks of Top 10 countries and Ukraine according to the Global Innovation Index are shown in *Table 2*.

Table 2

Rank of countries by Global Innovation Index, 2014-2019

Rank	2014	2015	2016	2017	2018	2019
1	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland
2	Great Britain	Great Britain	Sweden	Sweden	Netherlands	Sweden
3	Sweden	Sweden	Great Britain	Netherlands	Sweden	USA
4	Finland	Netherlands	USA	USA	Great Britain	Netherlands
5	Netherlands	USA	Finland	Great Britain	Singapore	Great Britain
6	USA	Finland	Singapore	Denmark	USA	Finland
7	Singapore	Singapore	Ireland	Singapore	Finland	Denmark
8	Denmark	Ireland	Denmark	Finland	Denmark	Singapore
9	Luxembourg	Luxembourg	Netherlands	Germany	Germany	Germany
10	Hong Kong	Denmark	Germany	Ireland	Ireland	Israel
Ukraine	63	64	56	50	43	47

Source: compiled by author based on (*The Global Innovation Index, 2018; The Global Innovation Index, 2019*)

In 2018, in the category "Human capital and research" (education, research and academic resources) Ukraine ranked 43rd, "Business sophistication" (patents, intellectual property, employment of women and national minorities, working conditions, etc.) 46th, "Knowledge and technology" 27th, "Creativity" 45th. The lowest indicators Ukraine has in the parameters "Sophistication of the market" (credits, investments, competition) 89th place, and "Infrastructure" (access to the governmental services, cost of resources, energy saving indicators) 89th and "Institutions" (regulatory policy and the business conditions) 107th (Marutyan, 2018).

The infrastructure issues are particularly acute in Ukraine. An important problem is the lack of proper transportations between the individual settlements. Other issues that reduce benefits of business development in general and creative entrepreneurship particularly are:

- high rents for apartments and at the same time there is a large number of idle buildings that could be used for creative ideas;
- high level of bureaucratic business activity process and low level of the legislative definition and mechanism of regulation of creative entrepreneurship;

- lack of financial resources and mechanisms to simplify their acquisition for the development of creative entrepreneurial initiatives;
- lack of state incentives to realize entrepreneurial creative potential in Ukraine;
- lack of creative entrepreneurship development programs of the state and regional level;
- low level of state support, including financial support for the creative entrepreneurship development.

The positive result for Ukraine is the recognition of the creative entrepreneurship importance. First of all, it requires creative people who own non-standard thinking, are socially responsible, have creative business ideas and are ready to implement them. In addition to the desire and emotions to change the world around, to realize their creative ambitions, they need the understanding and support of the society, which can be secured by the socioeconomic benefits. Unique human capital, having the appropriate knowledge and talent, can give impetus to certain economic processes in the country and in business. The state is obliged to support the establishment and operation of enterprises in the creative sector of the economy, in particular by: (a) development of legislative support and legal regulation of the creative entrepreneurship basics; (b) ensuring transparent conditions for the functioning of enterprises and reliable operation of the law enforcement system; (c) preparation of programs for creative entrepreneurship support, including grants, which will facilitate the financial component; (d) facilitated access to both cheap credit resources and places that could be used productively; (e) development of educational initiatives for training entrepreneurs with a new vision of business development in Ukraine; (f) creation of new configurations of authorities cooperation at different levels (state, regional and local authorities, as well as their interaction with integration structures with an experience in the creative industries development); (g) new forms of collaboration development and creation of new spaces for creative entrepreneurs, viz. co-workings, hubs, activity centers, educational centers, festivals, creative forums, trainings and workshops.

CONCLUSIONS

Thus, the beginning of the creative entrepreneurship development in Ukraine has been set, but it has not yet reached the level of developed

countries. Ukraine's potential provides an opportunity to hope for optimistic prospects that can be achieved by developing "islands of creative entrepreneurship", demonstrating economic benefits and being in line with the current realities of the global economic development.

REFERENCES

1. Iny, A. (2014). How does creativity really work? Available at: https://www.bcgperspectives.com/content/interviews/innovation_alan_iny_how_creativity_really_work.
2. Florida, R. (2007). Creative class: people who change the future. Classic-XXI Publishing House. Moscow, Russian Federation.
3. Ostrykova, T. (2018). Creative economy: what it is and why it can save Ukraine. Available at: https://24tv.ua/ru/kreativna_ekonomika_shho_tse_take_ta_yak_vona_mozhe_vryatuvati_ukrayinu_n1024850.
4. Sotnikova, Yu.V. (2017). Creative economy in Ukraine: reality or perspective? Market infrastructure. Issue 3, pp. 123-127.
5. Pysarevsky, M. (2018). Creativity in entrepreneurship: how innovation is born. Available at: <https://innovationhouse.org.ua/statti/kreativnist-upidpriemnictvi-jak-narodzhujtsja-innovacii>.
6. Saliy, Y. & Kaidan, T. (2015). From squats to hubs: where the creative economy comes from. Available at: <https://life.pravda.com.ua/culture/2015/10/21/202073>.
7. Okhovych, S. (2018). Creative entrepreneurship: a revenue-generating business or hobby? Available at: <https://sukhari.com.ua/kreativne-pidpriemnitstvo-biznes-chi-hobi-yake-prinosit-dohid.html>.
8. The Global Creativity Index 2015 (2015). Available at: <http://martinprosperity.org/media/Global-Creativity-Index-2015.pdf>.
9. Creators of the Future: how to create a creative class in Ukraine, (2018). Available at: <http://open.kmbs.ua/creative>.
10. Marutyan, R. (2018). Ukraine in the Global Innovation Index 2018. Available at: <https://matrix-info.com/2018/07/18/ukrayina-u-globalnomu-innovatsijnomu-indeksi-2018-roku>.
11. The Global Innovation Index 2018: energizing the world with innovations, (2018). Available at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2018-chapter1.pdf.
12. The Global Innovation Index (2019). Available at: <https://www.globalinnovationindex.org/analysis-indicator>.

JEL: O30, R52**ANALYSIS OF THE SCALE OF NEW TECHNOLOGIES
IMPLEMENTATION***** Sandugash Tokenova, Lecturer,****** Lamjav Batmunkh, Lecturer,**** Seifullin Kazakh Agro Technical University, Astana, Kazakhstan**** Mongolian State University of Agriculture, Ulaanbaatar, Mongolia*

Abstract: *Sustainable agricultural production at the stage of reforms in the agricultural sector cannot be achieved without the advanced technologies' implementation, the transition to a qualitatively new level of intensification based on efficient use of labor, physical and energy resources, biological capacity of modern plant varieties and agro-environmental resources productivity.*

Keywords: *analysis, implementation, implementation scale, region, climate, crop production, soil, yield, acreage, gross output*

INTRODUCTION

In order to analyze the new technologies implementation of in the Republic of Kazakhstan, the Akmola region has been chosen due to its similarity with Central Mongolia on weather conditions (*Table 1*).

Table 1

**Comparative Characteristics of Regions: Akmola region,
Central Agricultural Region of Mongolia**

Indicators	Akmola region	Central Agricultural region of Mongolia
Sector	Crop and livestock breeding	
Weather conditions	The climate of the dry-steppe zone is distinctly continental, short hot summers, long and cold winters cause deep soil frost (up to 3-4 m) that contributes to the accumulation of cold and slow warming of soil in the spring	
Precipitation	350-400 mm	250-350 mm
Temperature	January -16 -19 °C, July +19 + 21 °C	January -18 -22 °C, July +16 + 18 °C
Soil quality	Chestnut: light and dark, black soil, saline, alkaline and alkalized soils	Chestnut: light and dark, sometimes give way to black soils
Seeding time of grain crops	May, 05 – June, 06	May, 10 – June, 05
The period of grain crops harvesting	September, 01 – October, 01	August, 25 – October, 15

Source: The Statistics Committee of the Republic of Kazakhstan and Mongolia

Nowadays, sustainable agricultural production can be achieved only with the advanced technologies' implementation, the transition to a qualitatively new level of intensification based on efficient use of labor forces, physical capital and energy resources, biological capacity of modern plant varieties and agro-environmental resources productivity.

The *aim our research* is to compare similar agro-regions of Kazakhstan and Mongolia from the point of innovative opportunities to implement new agro-technologies.

MATERIALS AND METHODS

During our research we have used such scientific methods as generalization and description, comparative analysis, logical and structural analysis, graphical method.

The theoretical background of researches is a set of analytical reports and statistical data from Statistics Committee of the Republic of Kazakhstan and Mongolia.

RESULTS

Comparative analysis of the Akmola region (Kazakhstan) and Central Agricultural Region of Mongolia shows some equalities. The climate of the dry-steppe zone is distinctly continental, short hot summers, long and cold winters cause deep soil frost (up to 3-4 m), which contributes to the accumulation of cold and slow warming of soil in the spring. The average annual precipitation is 250-400 mm, about 70-75% of them fall during the growing season. The sum of active temperatures above 10 °C is 1300-2300 °C. The arable land stock of the dry steppe (about 1.5 mln ha) is mainly represented by chestnut soils. They contain a low amount of humus and are divided into dark chestnut (3.5-4% of humus in the A_{arable}), chestnut (2.5-3.2%) and light chestnut (1.2-2.5%). According to the total phosphorus and potassium content, soils are potentially rich, but their available compounds do not always provide for the needs of crops.

The main limiting factor of field crops productivity on chestnut soils is nitrogen. The content of total nitrogen is low (0.07-0.20%). Organic and mineral compounds resistant to the mineralization make up the largest proportion of it (93-95%). Chestnut soils compared with black soils and grey forest soils have a lower pool of available nitrogen

for the plants. Well-known, the activity of mineralization processes is mainly due to the hydrothermal conditions and agricultural methods (preceding crop, methods of soil treatment and fertilizer distribution, cultivated crop). During the summer, 5-10 mg/kg of nitrate nitrogen can be accumulated in the fallow of light chestnut soils, from 8-14 in chestnut soils, and from 10-19 mg/kg in dark chestnut soils.

As a rule, extremely low content of available nitrogen remains after grain crops in these soils, that limits the productivity of the second crop after fallow combined with its weak replenishment due to the current mineralization. In years with insufficient moistening, the nitrification processes are usually inhibited and the content of nitrate nitrogen is 1.3-1.5 times lower than in years favorable for moisture. After high-yield years there is also a very low supply of available nitrogen in the soils of all the fields, except fallow. Therefore, nitrogen fertilizers should be used to stabilize the yield.

The implementation of short crop rotation system in all grain-growing farms with the minimization of soil treatments, continues. Transition of resource-saving technologies in the moisture production became the next factor of yield gain. First, let us consider the dynamics of grain production in Akmola region in *Table 2*.

Table 2

**The dynamics of wheat production in Akmola region,
Kazakhstan and Central Mongolia for 2012-2017**

Indicators	2012	2013	2014	2015	2016	2017	Average for 2012- 2017
<i>Akmola region, Kazakhstan</i>							
Acreage, thousand ha	3935.40	3796.20	3663.40	3660.60	3855.90	3719.40	3771.8
Yield, c/ha	7.0	10	10.9	10.8	11.1	10.9	10.1
Gross output, thousands ton	2754.78	3796.2	3993.11	3953.45	4280.05	4054.15	3815.82
<i>Central Agricultural region of Mongolia</i>							
Acreage, thousand ha	205.604	202.022	200.222	238.123	229.693	240.175	219.3
Yield, c/ha	17.1	13.3	17.4	5.1	14.6	7.0	12.4
Gross output, thousands ton	351.582	268.689	348.386	121.442	335.351	168.122	265.59

Source: The Statistics Committee of the Republic of Kazakhstan and Mongolia

In Akmola region, there is a decrease in acreage from 2012 to 2017 by 216 thousand ha or 5.5%, although since 2015 there is a trend of increasing from 3660.60 to 3719.40 thousand ha in 2017. The highest gross output rate is observed in 2016 that amounts to 4280.04 thousand tons compared to other periods, due to the yield of 11.9 c/ha. In 2012, due to climate conditions, the yield was only 7.0 c/ha; the Republic of Mongolia has received 17.1 c/ha for the same period, although by 2015-2017 this figure amounted to only 5.1-7.0 c/ha, due to weather conditions (drought). See these trends in *Figure 1*.

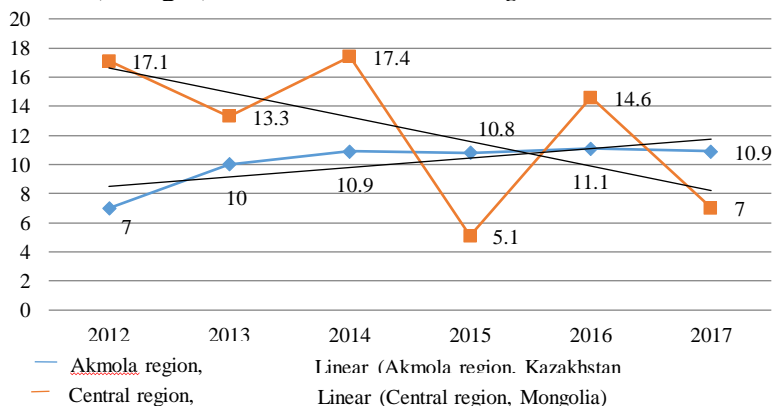


Figure 1: The Dynamics of Crop Yield for 2012-2017 in Akmola Region of Kazakhstan and Central Agricultural Region of Mongolia

Source: The Statistics Committee of the Republic of Kazakhstan and Mongolia

Famous agricultural chemist and biochemist Pryanishnikov (2015) proved that grain is poorer in nitrogen at high humidity, since the plant has to produce a much larger number of grains with the same nitrogen stocks in soil as at low humidity. It is impossible to ignore the enhanced percolated regime of soil by meltwater and summer rains, which has been a characteristic feature of this year.

In recent years, drought has had a devastating effect on crop yields. As a rule, during years of drought, there is little precipitation in the tilling periods, stem elongation, earing, blossoming and grain filling. As a result, the yield is reduced to 4-5 c/ha. Without the drought-resistant varieties it is impossible to increase crop production. Next step of our analysis is an identification the main indicators of the agricultural technologies introduction in Akmola region, Kazakhstan and Central Agricultural region of Mongolia (*Table 3*).

Table 3

**The scale of advanced wheat technologies implementation
in Akmola Region, Kazakhstan and Central Agricultural Region
of Mongolia for 2012-2017**

Year	2012	2013	2014	2015	2016	2017
<i>Akmola region, Kazakhstan</i>						
Total crops acreage, thousand ha	3 935.4	3 796.2	3 663.4	3 660.6	3 855.9	3 719.4
Crops acreage according to the advanced technology, thousand ha	2 436.0	2 490.3	2 747.6	2 991	3 157.9	3 399.5
The scale of implementation, %	61	65	75	81	82	91
<i>Central Agricultural region of Mongolia</i>						
Total crops acreage, thousand ha	205.604	202.022	200.222	238.123	229.693	240.175
Crops acreage according to the advanced technology, thousand ha	40.388	43.057	58.854	80.521	85.254	92.45
The scale of implementation, %	19.6	21.5	29	33	37	38

Source: The Statistics Committee of the Republic of Kazakhstan and Mongolia

The main indicator is the *coverage of agricultural enterprises with new technologies* defined as the ratio of the number of grain-producing agricultural enterprises using new technology to the total number of enterprises engaged in the production of grain in the study region. This indicator explains evidence of more awareness and experience in the use of new technology among agricultural entrepreneurs. Second index is the *scale of implemented technologies* calculated as the ratio of the crops acreage under the new technology to the total crops acreage (in the farming region). This indicator shows the scale of new technology introduction in the production and geographical unit being investigated.

As it is clear from *Table 3*, in 2012 the scale of crops acreage implementation on progressive technologies made up to 61%, and by 2017 it reached 91% of the total crops acreage in the Republic of Kazakhstan. On contrary, in the Central Agricultural region of Mongolia the scale of crops acreage implementation on progressive technologies in 2012 reached only 19%, by 2017 the percentage of new technologies implementation reached till 38%.

From this comparative point of view, it is visible a huge difference in the development level of agribusiness and level of implementing advance technologies into the agricultural production.

Next step of our analysis is the consideration of the progressive scale of advanced technologies implementation (*Table 4*).

Table 4

Indicators of advanced technologies implementation in Akmola Region, Kazakhstan and Central Agricultural Region of Mongolia

Indicators	2017
Akmola region, Kazakhstan	
Total number of enterprises, units	2665
Number of enterprises implemented of new technologies, units	1848
Coverage of agricultural enterprises with new technologies, %	69.3
Central Agricultural region of Mongolia	
Total number of enterprises, units	6834
Number of enterprises implemented of new technologies, units	1400
Coverage of agricultural enterprises with new technologies, %	20.5

Source: The Customs Control Committee of the Ministry of Finance of the Republic Kazakhstan and the Statistics Committee of Kazakhstan and Mongolia

Analysis of the available data in the grain agricultural sector of Akmola region shows that the production of grain is largely carried out using both traditional and new technologies.

The *coverage of agricultural enterprises with new technologies* in Akmola region, Kazakhstan amounted to 69.3% of the total number of enterprises in 2017. Only 1848 out of the available 2665 used new water-saving technologies. This indicator shows a high level of experience using new technologies among agricultural entrepreneurs of the region. According to statistics, the Central region of Mongolia has 6834 units, of which 1400 are introducing advanced technologies, the share of which is 20.5% that is quite low indicator. The scale of advanced technologies implementation we saw from previous *Table 3*.

In accordance with received results, it can be concluded that the new technologies implementation takes place primarily in relatively large agricultural enterprises with a high level of management in the Republic of Kazakhstan, but still needs development in Mongolia.

REFERENCES

1. Glazko, V.I. (2015). Dmitry Nicolaevitch Pryanishnikov, Russian scientist – traditions, problems... *International Journal of Environmental Problems*, Vol. (2), Issue 2, pp. 97-116. Available at: http://www.ejournal33.com/journals_n/1453198307.pdf.
2. Ministry of National Economy of the Republic of Kazakhstan. Statistics committee (2018). Available at: <http://stat.gov.kz>.
3. National Statistic Office of Mongolia (2018). Available at: <https://www.en.nso.mn>.

JEL: O18, P25, R21

**THE POSSIBILITIES ENSURING THE QUALITY
OF LIFE DURING RETIREMENT**

Jarmila Vidová, PhD in Economics, MBA,

*Department of Economic policy, Faculty of National Economy,
University of Economics in Bratislava, Slovak Republic*

Abstract: *The quality of life and its level depend on the amount of income that changes over the life cycle. A specific group in the study of life quality are seniors, who form a group of population with specific needs. The quality of their lives can change significantly in relation to retirement, as not only changes in socioeconomic life are affected financial situation. In our paper we point out the possibility of solving the lack of financial resources by acquiring real estate of working age and using it as a source of income for retirement age, as the amount of old-age pensions in the Slovak Republic is very low.*

Keywords: *pension systems, investment in real estate, quality of life*

INTRODUCTION

Seniors are a group of the population with specific needs. In higher-income countries, the specifics of seniors as consumers are taken into account, mostly by businesses and service providers. This generates considerable purchasing power. Many authors have researched various issues the quality of life, but uniform definition is absent (Laluha, 2002, Holkova, 2010). According to Fahrenberg et al (2000), quality of life is satisfaction with life, individual evaluation of past and present conditions of life and expected life perspectives. Authors examined ten areas of life and individual satisfaction, viz. health, occupation and job, financial situation, leisure, marriage and partnership, relation with their children, happiness with themselves, sexuality, friends, relatives and housing, acquaintances. Their analysis is based on research of the complex problems connected with the apartment, house, surroundings, degree of satisfaction of human needs, analysis of the equipment of the area by various service institutions or facilities.

Satisfaction with life in a given country can be measured by several indicators, such as the quality of life index, the human development index, etc. The Quality of Life Index consists of nine indicators. It is an indicator of material well-being expressed in GDP per capita weighted by purchasing power parity, health (expressed in life expectancy at birth), political stability, family life (measured by divorce rate), community life (measured by worship and trade union membership), climate and geographic location (expressed in longitude on which temperature depends), employment security (expressed in unemployment rate), political freedom (index of political and civil liberties) and gender equality (difference in average earnings of men and women).

The quality of life and its level depend on income. Income amount changes over the life cycle. Significant change occurs in connection with retirement. As a result, economic and financial situation are changed, as well as previous way of life that affect the quality of life. The median annual income varies greatly by age groups from one country to another. Among those aged 25-54, Belgians earn the highest income (23 783 EUR), while for the group aged 65 and over French people earn the highest income. Generally, the revenue in South Europe is the lowest. In France, the median annual income of those aged over 65 is similar to that of people between the ages of 25-54, i.e. around 21 500 EUR. It is also the case of Spain but with a way lower average annual income of round 13 500 € and the median annual income in the age group over 65 years is 6 533 € in the Slovak Republic (OECD Global Pension Statistics, 2018).

Pensioners from less wealthy countries rely more on families to emphasize financial planning and active retirement preparation. When comparing households in the Slovak Republic according to the number of economically active inhabitants, households with one economically active member prevailed (31.1% the Slovak Republic, 38.2% in the Bratislava region). In more than a quarter of the total number of households, there were two economically active members (27.1% in the Slovak Republic, 28.8% in the Prešov region). According to the results of the 2011 Census, Slovakia had over 27% of households with one pensioner (29.1% in the Nitra region) and more than 13% of households with two members (15.1% in the Trenčín region), 15.0%

in the Prešov Region). Households in Slovakia had an average of 2.9 members. Households with 1 census household prevailed (90.2% of all households). This type of households in Slovakia had an average of 2.7 members. Higher than average number of members of households with 1 census household in the Slovak Republic was registered by the Census 2011 in the Zilina and Presov regions (both 3.0). The lowest average number of members in this type of household was achieved by the Bratislava Region (2.3 members). 35.1% of households in the Slovak Republic were households with at least 1 dependent child, or 42.6% in the Presov Region (ibid).

(IN) QUALITY OF LIFE AT RETIREMENT AGE

Pension systems include social security schemes, compulsory employer-sponsored retirement plans, voluntary pension insurance and own savings, as well as wages. Their aim is to enable pensioners to have an adequate standard of living and to alleviate old-age poverty. Currently, countries have difficulties in financing pensions. The lack of pension funds currently causes an aging population in addition to unemployment. In addition, some countries have generous pension schemes that are in financial crises and are increasingly challenging taxpayers and are becoming an increasing burden on the state budget. Contributions from the current working population provide benefits only to the current retired population, so financial reliability depends directly on the number of beneficiaries and economically active people who pay taxes, levies. This is the so-called old-age dependency ratio. The higher is the dependence on old age, the greater is the financial stress on pension systems.

The level of dependence on old age is related to low birth rates and low mortality. Low birth rates increase the ratio as the number of people entering the labor market will decline. Reducing the mortality rate of the elderly also increases the ratio as the number of people in the retirement group increases compared to the stable mortality position. Immigration can change this, and it can also change the dependence on old age, which can solve the problem in one country, not on a global scale. In terms of fertility rates, in more developed countries, the number of children per woman has decreased from 2.8 children in the 1950s to around 1.6 children in the early 2000s. Since then, we have

seen a slight decline in birth rates in many countries and have been more pronounced in less developed countries, with an average decline from 6.1 children in the 1950s to 2.7 children between 2005 and 2010. This process is known as the "bottom aging population" and from 2002 to 2017 it can be seen as a narrowing of the population pyramid base of the EU28. The overall decline is expected to continue. With regard to the mortality rate of pensioners worldwide, between 1950 and 2010, the average life expectancy of 60-year-olds increased from 14 to 20 years on average. An inevitable consequence of lower birth rates and lower pensioner mortality was an increase in global dependence on old age. Between 1970 and 2015 it increased from 9.2% to 12.6%. This trend is even more pronounced in developed countries. In 2018, the aging index in the Slovak Republic exceeded the limit of 100. In Slovakia, there were 102 seniors per 100 children. The average age of the population increased by a few months to the level of 40.8 years, while the average age is above the age of 40 since 2015. The increase in the relative proportion of older people can be explained by increasing longevity, a trend that has been apparent for decades in which life expectancy has risen. This development is often referred to as the "peak aging" of the population pyramid. A comparison of the 2017 and 2080 age pyramids suggests that the EU28 population will continue to age.

Over the coming decades, a large number of baby boom generation members will expand the advice of older people. By 2080, however, the pyramid will take the shape of a rectangle, as its center (around the age of 45-54) will narrow considerably. It is also assumed that by 2080 the share of the working-age population will continue to decline until 2050, after which it will stabilize to some extent, while older people are likely to have an increasingly significant share of the total population: By 2080, people aged 65 or over will account for 29.1% of the EU28 population compared to 19.4% in 2017. As a result of population movements between age groups, the economic dependency index of the post-productive component in EU28 countries is expected to almost double 29.9% in 2017 to 52.3% by 2080. The total economic dependency index is also expected to increase from 53.9% in 2017 to 79.7% by 2080 (Eurostat, 2018).

Pensions in the Slovak Republic currently represent a huge and ever-increasing share of public expenditure, accounting for more than

10% of GDP on average. The basic and the most important pension in retirement age is the old-age pension, which is paid in the Slovak Republic under conditions laid down by Act No. 461/2003 Coll. on social insurance, provided by old-age insurance paid by the Social Insurance Agency. An insured person is entitled to an old-age pension if he/she has been insured for at least 15 years and has reached the retirement age. In 2017, the retirement age increased from 62 to 62 and 76 days, last year the retirement age rose to 62 and 139 days and from the beginning of this year to 62.5 years. Between 2020 and 2023, retirement age will increase by two months each year. In 2023, retirees will retire at 63 years and two months. In 2019, pension benefits increased by 2.6%, or by the minimum valorization fixed amount of a given type of pension, whichever is more advantageous for the pensioner. For seniors whose old-age pension is less than 334.70 EUR, the pension benefit is increased by 8.70 EUR. In the case of early retirement, this will amount to 8.30 EUR.

PROPERTY OWNERSHIP AS ALTERNATIVE SOURCE OF INCOME IN PENSION AGE

Since many pensioners have inadequate pension incomes, in addition to pensions, in many countries one of the sources of financing the living costs of pensioners is real estate. Property ownership in old age is associated with preventing many potential risks, including poverty, homelessness and adverse effects on mental health and well-being. Around the world, there are various trends in home ownership. In many countries we see a decline in the ownership share of housing, but in other countries the level of ownership is either stable or rising. A step towards increasing income after retirement is a reverse mortgage, which in some countries is called 'capital release' or 'equity conversion mortgage'. A reverse mortgage is a very popular loan, especially in Anglo-Saxon countries. Retirees in the UK or the US often reach for such a solution if they need to settle their debts at the end of their lives, fail to pay health care from their pension, or want to travel or pay for their retirement pursue your hobbies. A reverse mortgage allows an individual to borrow against the value of his property. The loan accumulates with interest and is repaid from the proceeds of the sale at the termination of the contract. However, it also has limitations, the

borrower must have a certain age and the maximum amount you can borrow (loan to value ratio) increases with age. A reverse mortgage can also serve as a credit line. Reverse mortgage is thus designed for seniors who own real estate but have no income or their income is very low. A reverse mortgage will allow seniors to earn a one-time or life-long income, allowing them to live in the property. As regards the age limit of the applicant, it is not uniform in the countries in which it is used (e.g. USA – 62 years, UK – 55 years). Debtors should generally be older than 60 years, with creditors fixing this minimum age limit depending on the welfare system, the retirement age and other welfare state instruments (Husáková, et al, 2018).

In the Slovak Republic, more than 240,000 households were residents aged 65 and over, which is over 14% of all residential households. The highest number of such households was found in the Nitra region, almost 36,000 (15.6% of the total number of residential households in this region). Residential households with population up to 30 years were only about 54 thousand, i.e. approximately 3% of the total number of residential households in the Slovak Republic. Most, over 11,000 of them were in the Bratislava Region (less than 5% of all residential households in the Bratislava Region). In the Slovak Republic, there were over 123,000 residential households that consisted exclusively of women vs. residential households, which were exclusively men. In the Bratislava region, the highest number of exclusively male (over 30,000, i.e. 13.2%) and exclusively female (almost 53,000, i.e. 23%) residential dwellings were found in the Bratislava Region. In this region, the census also recorded the largest number of residential households with at least one non-national member. The lowest number of such households was in Trenčín region.

Pensioners can use their property to offset inadequate retirement income. There are several ways to raise funds, selling real estate, reverse mortgage, renting real estate respectively parts of real estate. The disadvantage is that expenditures of households of pensioners throughout the Slovak Republic can have only minimal fluctuations, but the value of real estate is different in regions. While current retirees are still pensioners and can use finance with the appreciation of their property to increase retirement income, the situation of the 35-year-old will be different given the downward trend in the economically

active in the future and will need to create retirement reserves. Regarding investment in real estate, due to the absence of rental housing is the need to invest in their own housing, respectively live for unsubsidized market rents.

Recently, the real estate market has significantly increased rents and in the absence of flats, property prices per m². However, many people prefer not to buy real estate, but to rent because the job offer may change. In the Slovak Republic, the real estate value has increased by 270% since 2004, in some areas with increasing labor supply. Looking at the long-term perspective, it is assumed that property prices will rise and be a possible financial source, even if they are counted with a pessimistic option. Considering that a future pensioner will have to start using other forms of housing because of the consequences of old age, the property is a source of additional funding to cover the costs. Young people may also be indirectly linked to property investment. This is the case if they save for retirement in a pension management company; they can increase their deposits by investing in real estate. However, any measures aimed at promoting the financial sustainability of the pension system should be linked to credibility.

CONCLUSIONS

As the financial environment is changing and the recently observed trends do not have to be repeated. However, irrespective of future scenarios, it is very likely that an integrated approach to pensions and housing will also be up-to-date in Europe and that solutions to reflect on the interaction of pensions and housing will be innovated. Many current pensioners have high capital, but are also poor. A back-mortgage on their property can in some cases be a valuable means of supplementing a disproportionate income after retirement. Although reverse mortgages have not been popular in the past, there is factors' combination that may lead to increased use due to inadequate income after retirement from other sources, a high level of property ownership among pensioners and the recent significant increase in property prices in many areas. On the other hand, many young people have difficulty getting a home purchase due to higher property prices and changes in the conditions for obtaining housing loans. In conclusion, the interaction between pensions and housing is visible in countries where there is an integrated housing system.

ACKNOWLEDGEMENT

This paper resulted from a project VEGA No. 1/0251/19 Household investment in housing and their alternative use as additional income at the time of retirement benefit.

REFERENCES

1. Fahrenberg, J., Myrtek, M., Schumacher, J. & Brähler, E. (2000). *Fragebogen zur Lebenszufriedenheit (FLZ)*. Handanweisung. Göttingen: Hogrefe.
2. Holková, V. et al (2010). *Mikroekonomické súvislosti spotreby a kvality života domácností SR* [Microeconomic context of consumption and quality of life of Slovak households]. Bratislava: EKONÓM.
3. Husáková, M. et al (2018). The Reverse Mortgage as a Financial Tool for Increasing the Living Standard of Seniors in the Slovak Republic. *Ekonomický časopis*. Bratislava: Ekonomický ústav SAV: Prognostický ústav SAV, 2018. Vol. 66, No. 6, pp. 621-640.
4. Laluha, I. (2002). *Kvalita a dynamika sociálno-ekonomického pohybu* [Quality and dynamics of socio-economic movement]. In: Stanek, V. et al. *Sociálna politika*. Vydavateľstvo Sprint Bratislava. pp. 214-229.
5. Laluha, I. (2008). *Kvalita života* [Quality of life]. In: Stanek, V. et al. *Sociálna politika*. Bratislava, Sprint Bratislava. pp. 230-242.
6. Wind, B. et al (2016). The Distribution of Housing Wealth in 16 European Countries: Accounting for Institutional Differences. *Journal of Housing and the Built Environment*, Vol. 32(4), pp. 625-647.
7. What is ASFA (2019). *Association of Pension Funds of Australia* (ASFA). Available at: <https://www.superannuation.asn.au>.
8. Pension Markets in Focus (2019). *OECD Global Pension Statistics*. Available at: <http://www.oecd.org/daf/fin/private-pensions/globalpensionstatistics.htm>.
9. French Asset Management Association (2019). Available at: <https://www.afg.asso.fr/en>.
10. Occupational Pension Supervisory Commission OPSC (2019). Available at: <https://www.oak-bv.admin.ch/en/occupational-pension-supervisory-commission-opsc>.

JEL: F22, J31, J61**FINANCIAL INSTRUMENTS APPLICABILITY IN THE LABOR MARKET PERSPECTIVE BY MEANS OF THE LEGALLY RESIDING MIGRANTS IN THE EUROPEAN UNION****Krasimir Nikolov**, PhD in Economics, CGAP Expert,*Ministry of Interior, Sofia, Bulgaria*

Abstract: *The logical and consecutive connections between migration challenges in front of the Union and the labor market perspectives enshrined into the applicability of the financial instruments are our sustainable future. We need to make use of partnership ensuing from smart network in our regional policy development. The migration management smart system based on the Asylum and Migration Fund will give us an opportunity to employ revenue-generating projects. The sizeable investment gap in Europe needs its masterpieces in the face of the InvestEU Fund. The European policy-making will need sustainable project pipeline including the legally residing migration population. It will provoke the EU added value in dissemination of high quality social projects at local, regional and interregional level. The result-oriented indicators stemming from AMF and ESF should be taken as synergy possibility in the process of integration of legally residing migration into the labor market. The quest for SMEs development provokes the EU for inclusion of Financial Instruments in doing 'more with less'⁷. The MS concerned must be able to manage the FIs by means of the InvestEU in provisioning opportunity for widening the SMEs. The Employment and Social Innovation Program is able to adjust the demand and supply between AMF & ESF and InvestEU regarding inclusion of the SMEs in FIs implementation.*

Keywords: *migration, labor market, inclusion, financial instruments*

INTRODUCTION

The project pipeline ensuing from the smart revenue-generating schemes between the EU instruments and logical liaison of the results-based indicators must fit to the social enterprise investment needs. The

⁷ EU Budget: InvestEU Program to support jobs, growth and innovation in Europe

synergies and blending are possible to be combined in the social vision of the mature projects regarding the SMEs development by means of the FIs perspective. It has a direct effect on the design of national programs for the next MFF. The synergy between AMF and ESF in the integrational multifaceted world has two demanding possibilities, income generation or saving. Regarding the possible using of the FIs, the MS should analyze in its programs: the development needs at national and regional level, selection of thematic objectives, focus areas, investment priorities regarding market failure analyses in the domain of FIs, set up and description of priority axis, and measure, etc⁸.

RESEARCH METHODOLOGY

In the current article, literature review of administrative documents of the European Commission regarding development of the financial instruments possibilities for AMF and ESF is implemented.

RESULTS

I. Implementation of Financial instruments in the course of synergy projects by AMF & ESF

The synergy encompasses setting up of smart indicators based on logical mixture between up-down and bottom-up model in programming the compatibility between AMF & ESF. It is a kind of how to adjust the result indicators to work as consecutive and collaborative smart common indicators. The logical connection of complementarities within the EU funds provide sustainable inclusion of legally residing migrants in the EU labor market. The final aim of the investment strategy is filling the financial gap at SMEs by FIs by providing of high quality legally residing migrants included into the labor market. The FIs applicability concerns interest rate subsidy, guarantee fee subsidy or technical support, also financial products to be combined within the same operation and to be treated as FIs.⁹ FIs are being implemented by ex-ante assessment procedure. It consists of high-level gap analyzes fulfillment along with programming regarding the coherent elements of a strategic engagement in tailoring of the ESF and AMF programs

⁸ Financial Instruments in ESIF programs 2014-2020. A short reference guide for Managing Authorities, European Commission, p. 5.

⁹ Ibid, p. 13

in their successful implementation. The investment priorities in our case are the combination between readiness of the legally residing migrants and the perspectives over the labor market. The collaboration between the national programs based on FIs should be achieved at time of signing of the Partnership Agreement. The project result-indicators ensuing from the blending operations are subject to ex-ante assessment. The ex-ante assessment embraces analyzing the market failures and investment needs for policy areas. The leverage effect includes profit element of the private sector capacity. The flexible management of the ex-ante assessment between different instruments and stages of the project pipeline development provides the private sector with impetus expressing in collaboration between the loan guarantees and EU grants. The gap assessment at regional development level is based on sectoral labor market assessment and project implementation under Social Enterprise Investments Program (EaSI). The ex-ante assessment must be tailored to the logical chain of projects regarding the success of the FIs managed by the SMEs and in the implementation of projects by means of the EaSI program. At this stage of the project chain development must be used the financial Instruments Technical Advisory Platform (FI-TAP). Finally, the *program monitoring committee* analyzes the ex-ante assessment.

Synergy connections between AMF & ESF

AMF possibilities for mature projects

The integration measures are connected to the European business network of refugees' integration. The logical and consecutive connection between project indicators be it output or result must be strictly organized in programming of AMF and ESF, because the final product for the private sector must be mature. The mature projects regarding Common European Asylum System and the legal migration provide AMF in synergy with ESF. It would increase the inclusion potential if the MS has possibility for blending procedures (*Figure 1*).

The legal assistance must be ensured to provide the TCNs with the proper information regarding their current situation in the MS concerned. Hence, the results accumulated regarding achieved higher level of language skills and assimilation of the possible professional skills of the legally residing TCNs will turn the target group mature for the next level of their migration journey into the labor market.

Specific objective 1

Output indicators – N of participants supported (Received legal assistance & Vulnerable participants assisted); N of participants in training activities

Result indicators – N of applicants for and beneficiaries of international protection transferred from one Member State to another; N of persons resettled

Specific objective 2

Output indicators – N of local and regional authorities supported to implement integration measures; N of participants supported: (Participants in a language course & orientation course

Result indicators – N of participants in language courses who have improved their level in the host-country language by at least one level and N of participants report progress in their integration six months after the end of the support

Logical and consecutive connections between SO1 and SO2 for integration of legally residing TCN in the course of *seeking mature projects*

Figure 1: AMF logical connection

Source: created by author

The European Social Fund¹⁰ continues the mature projects ensuing from the AMF strategic programming aimed at strictly defined target groups. The synergy is mostly applicable regarding the output indicator: *migrants, people with a foreign background, minorities (including marginalized communities such as the Roma)*. By synergy must be ensured combined effect greater than the sum of separate EU funds intervention & no overlaps, collaboration & partnership between the both MA in programming & monitoring & evaluation & creativity for better integration of legally residing TCN. The synergy based on AMF mature projects and ESF is possible in the following perspectives: (1) Sustainable & quality employment counselling (CV writing, gaining work experience, recognition of qualification, acquiring an employment status); (2) Social inclusion, combating poverty & discrimination (pre-training courses, individual counselling and guidance, alternative job opportunities & services of general interest); (3) Investing in education, training and vocational training (promote educational integration of children); (4) Enhancing institutional capacity (employees' capacities and skills to improve access of migrant to asylum proceedings).

II. Analysis of ESF and AMF in common blending vision

The ex-ante assessment is recommended to be implemented again regarding applicability of the ESF as continuation of the AMF. The MA can directly implement loans or guarantees without the formal

¹⁰ Output and Result Indicator Definitions Guidance for the European Social Fund

setting-up of a fund. The idea comes by credit lines managed by the MA through intermediate bodies (financial institutions). The blending understanding encompasses realization of result-based plan regarding programming monitoring and evaluation. The model bottom-up provides the core element in the seeking result. The logical framework¹¹ regarding the ESF (common indicators) is applicable for the AMF development (*Figure 2*).

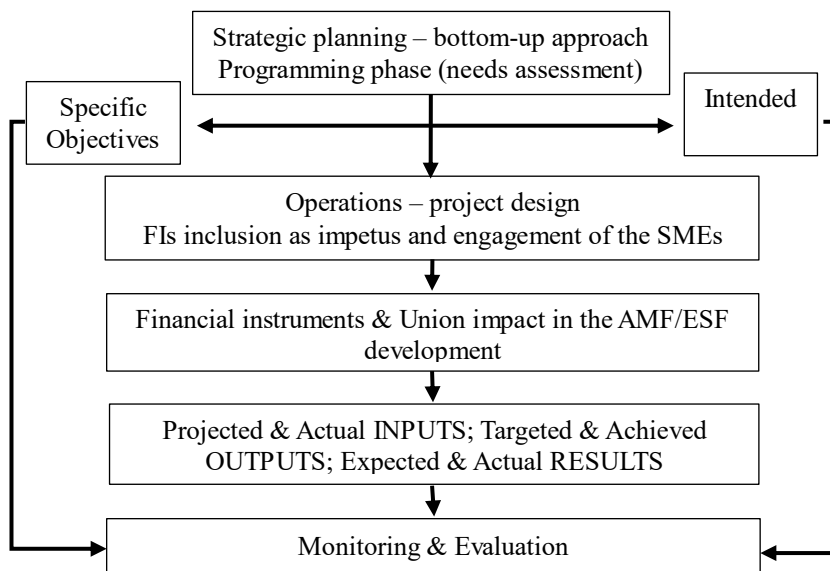


Figure 2: The logical framework of programming, monitoring and evaluation

Source: created by author

Common indicators of ESF should be implemented under coherent way with AMF mature projects in the financial instruments implementation. Hence, the impact of the Cohesion Policy interventions on the well-being of citizens will be leveraged more than expected. The baseline for ESF must be tailored in the process of programming simultaneously with ex-ante assessment regarding the FIs applicability. The final product of the AMF must be taken as a result for the baseline of ESF project implementation. The evaluation

¹¹ The programming period 2014-2020, Guidance document on monitoring and evaluation, European Commission, p. 5.

observes the changes in the result indicators regarding public interventions. It will provide the blending with improvement of the expected results (*Figure 3*).

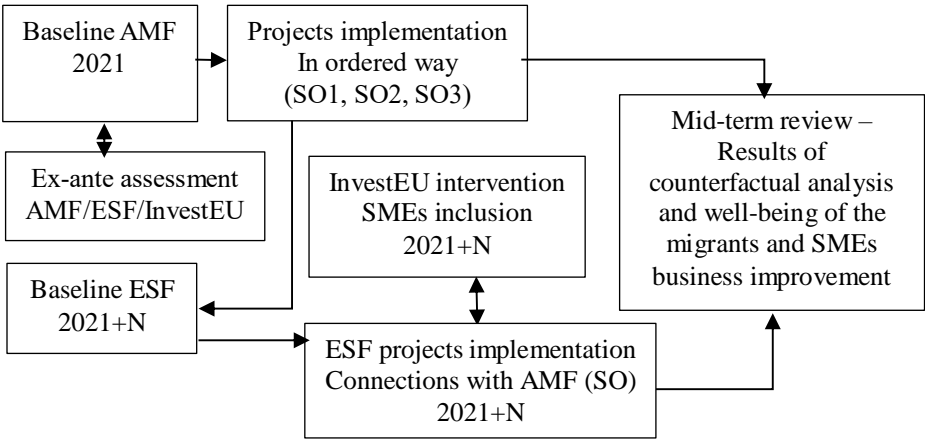


Figure 3: Blending implementation

Source: created by author

We need *baseline grid* regarding inclusion of the both funds in synergy strategy in preparation of the mature projects for blending ensuing from InvestEU by means of EaSI program impact (*Figure 4*).

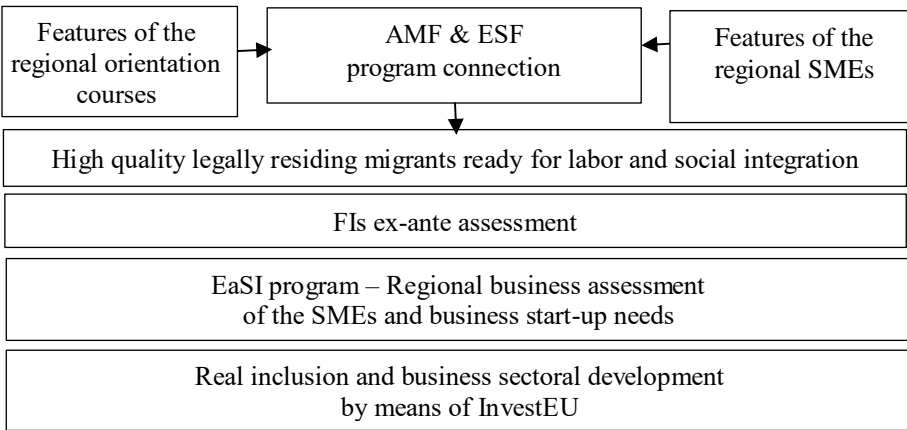


Figure 4: Structure of the FIs implementation by means of AMF & ESF

Source: created by author

The baseline is different for result and output indicators, the result indicator – baseline is not zero, it is the condition of the object before intervention, while for the output indicator, the baseline is zero.

III. The European Program for Employment and Social Innovation (EaSI)

The mature project of AMF consists of legally residing migration population with very good language skills, real orientation for their life and proficiency. After the carrying out of the synergized projects between AMF and ESF, the target group should be promoted to EaSI and included in the SMEs business plans. It is possible by providing of guarantees by the InvestEU. The investment project should be liaised with SMEs regional association in the MS concerned. The EaSI projects applicability to the AMF and ESF blending projects is valid for school and university integration of *legally residing migrant minorities*¹². The knowledge Labs are possible to be taken as social enterprises. The treatment of *vulnerable groups* as legally residing migrants¹³ by dissemination of business models, partnerships setting up, awareness rising in the process of jobs creation, etc. The social enterprises with lack of longer-term support would support the SMEs to be *investment ready* and ensure a pipeline for social investments¹⁴. The result is creation of economic opportunities for marginalized groups like legally residing migrants. The masterpieces of *deal-by-deal project*¹⁵ is possible to be used the model regarding transferability of the best results from Benelux and Central and Eastern Europe. The investment capital into the *social finance ecosystem* is possible based on deal-by-deal, including finding a fund partner, developing fund contracts and approaching investors.

The social enterprises are the main player in providing of *high-level orientation courses*. Their objective is preparing of *investment environment* regarding *value-based enterprises to build their investment readiness*¹⁶ by mentoring and counselling on financial and legal issues (*Figure 5*).

¹² The European Union Program for Employment and Social Innovation (EaSI), p. 58

¹³ Ibid, p. 69

¹⁴ Ibid, p. 73

¹⁵ Ibid, p. 81

¹⁶ Ibid, p. 95

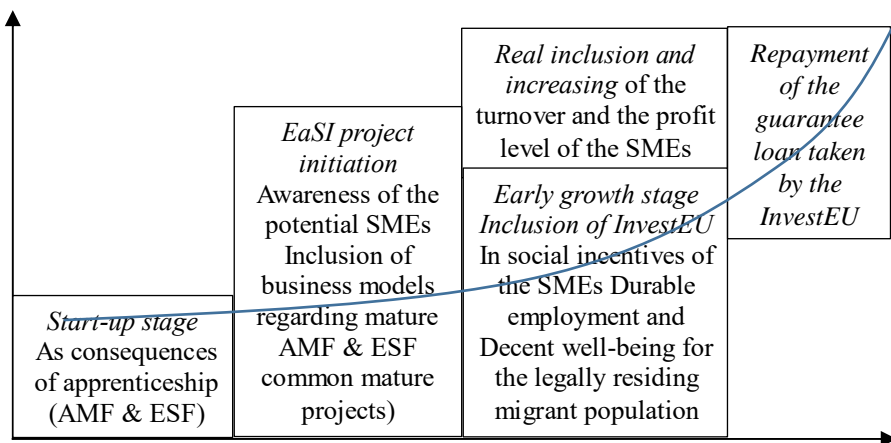


Figure 5: Successful inclusion – successful repayment

Source: created by author

IV. Implementation of InvestEU Fund in the course of labor market integration of legally residing third country nationals

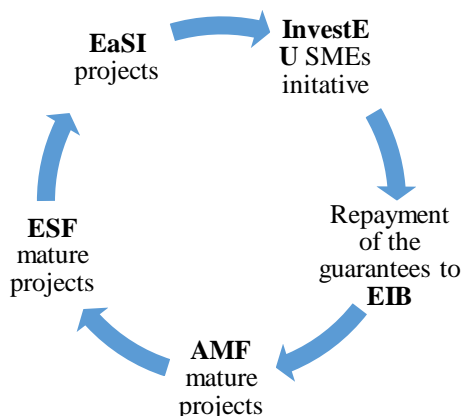
The InvestFund in the coming MFF will back up the social inclusion and skills¹⁷. The MS concerned must be able to ensure *mature projects* for potential investors. It is possible by means of the logical connection between ESF and AMF National Programs. The InvestEU Fund will have the ability to react to market changes and policy priorities that change over time.¹⁸ The mature projects ensuing from AMF and intrinsically liaised with the ESF will provide InvestEU to address market failures and investment gaps. Consequently, jobs creation will be fostered. The InvestEU will back up the investment projects of the European Investment Bank (EIB) Group and other financial partners, and increase their risk-bearing capacity. The financial partners of the InvestEU will invest in projects using EU guarantee¹⁹. After achieving of the mature projects by AMF & ESF and implementation of the EaSI projects regarding readiness of the social entrepreneurship, an Investment Committee (IC) of InvestEU approves the individual guarantee requests. The IC selects projects eligibility criteria set by the Regulation as well as the Investment Guidelines, with a specific focus on complementarity.

¹⁷ EU Budget for 2021-2027: Commission welcomes preliminary agreement on InvestEU

¹⁸ The InvestEU Program: Questions and Answers

¹⁹ Ibid

Successful projects are being sent to the IC (*Figure 6*). The IC approves the use of the EU guarantee for financing and investment operations.



Investment Plan's European Investment Project Portal gives visibility to investment projects. By the Portal, the potential investors and project promoters have access to user-friendly database. Hence, the mature projects will be ready to take its investment way.

Figure 6: Circle of success in FIs implementation

Source: created by author

CONCLUSION

In the world we are leaving in, the future of the generations out of the European borders appears to be unstable. We have one of the smartest policy based on solidarity that is thriving and expresses prosperity and stability. The migration policy of the EU is getting its smartness for inclusion the legally residing migrants into the real labor market. The synergy connection between AMF & ESF in the future FIs applicability will fill the next MFF 2021-2027 with needed business integration based on social and business vision of European generations.

REFERENCES

1. EU Budget: InvestEU Program to support jobs, growth and innovation in Europe, European Commission.
2. Financial Instruments in ESIF programs 2014-2020. A short reference guide for Managing Authorities, European Commission.
3. Output and Result Indicator Definitions Guidance for the European Social Fund, European Commission.
4. The programming period 2014-2020, Guidance document on monitoring and evaluation, European Commission.
5. The European Union Program for Employment and Social Innovation, European Commission.
6. EU Budget for 2021-2027: Commission welcomes preliminary agreement on InvestEU.
7. The InvestEU Program: Questions and Answers.

JEL: H50, J10

OUTLOOK FOR SOCIOECONOMIC DEVELOPMENT IN UKRAINE

Michael Schaefer, Doctor in Economics,
Oksana Hetman, PhD in Economics,

Association "SEPIKE", Poitiers, France

Abstract: *Our article discusses the main factors of economic development of Ukraine, in 1992-2018. The scientific papers of scholars-representatives of various economic schools and scientific institutions are analyzed in details. It has been analyzed a wide range of statistical information and analytical reports reflecting the main indicators of the country's economic development in the specified period. A selective analysis of indicators is made and presented in a comparative form. The authors also presented their own vision and dynamics of the economic cycles through which the country went through when forming a statehood. In conclusion, a number of steps are proposed to form a new concept for the development of Ukraine with the prospect of successful European integration.*

Keywords: *economic development, economic growth, productive factors, innovation, perspectives, new concept, integration.*

INTRODUCTION

Considering the scientific literature regarding research and the case study of the phenomenon of "economic growth" in Ukraine, we should mention quite modest interest of foreign scientists in this topic. Not many publications are dedicated to. On the contrary, the up-and-down dynamic interest is seen from blogs of journalists, interviews and speeches politicians, set forth on the news site and their official pages in social networks.

Ukraine gained wide popularity in the world mainly due to negative events: political failures, economic and environmental disasters, deep socioeconomic crises, revolutions and military operations, which grew into a protracted conflict between neighboring states. The events with which the world identifies Ukraine are mainly: the disaster at the Chernobyl nuclear power plant, the hunger crisis, mass strikes and

march of miners' protests, three crisis of inconsistent political power (Kravchuk, Kuchma, Yanukovych), "Orange revolution", "Revolution of valor", Maidan, Russian intervention ended with the annexation of the autonomous republic of Crimea, and military operations continuing to this day in the territories of Donetsk and Lugansk region.

All these events affected the socioeconomic, gender, geopolitical situation and influenced a very modest economic development over the past 25 years, during which Ukraine demonstrated two complete economic cycles, characterized by a protracted regression and one economic recovery. The need to describe current level of economic development is being updated by the possibility of creating a "road map" of Ukraine's worthy exit onto the trajectory of European economic development with the aim of being able to realize an economic upswing to which this thesis is dedicated.

Today's world is globalized. All processes are accompanied by instant socioeconomic changes in any sphere. The mobility of labor, the absence of restrictions on the capital movement, the active economy digitalization, the development of cross-country cooperation, all abovementioned determine all the processes taking place in the economic development of any country.

It is well-known, the economic development is a prerequisite for economic growth, but not necessarily a condition. Therefore, an important to research the phenomenon of economic growth by means of vector analysis of the factors mentioned above, as well as the reactions of economies to internal and external shocks.

The economic growth models existing in economic theory are no longer applicable to the current reality, they only describe the general dynamics and patterns of changes in economic processes from the point of view of state regulation. However, undescribed factors outside of their attention remain the rapid development of an innovative economy, human capital economy, digital economy, digital marketing tools, digital monetization, the development of artificial intelligence systems and cryptocurrencies so on.

Therefore, this paper is an integrated assessment of the factors, causes, results and consequences of economic development in Ukraine as a country with a transcendental economy.

MATERIALS AND METHODS

Latest papers of Ukrainian scientists and materials of the State Statistic Service of Ukraine are used during our research. Scientific methods of generalization, analysis and synthesis, logical and structural analysis have been implemented. Graphical analysis has been used to demonstrate historical dynamics of socioeconomic development in Ukraine.

LITERATURE REVIEW

In our study, we have limited ourselves to a review of the scientific works of Ukrainian authors. It was interesting for us to study the internal opinion, viz. how Ukrainian scientists representing different economic schools and trends (neoclassical school, neo-monetarism and institutionalism), different ages (older and younger) and different levels (academics, professors, scientific researchers, and young PhD candidates) consider the causes and consequences of the country's economic development, and what key problems they identify as the main obstacles to the economic growth.

Zvieriakov & Zavadska (2018) have examined innovative models of intensive economic growth worldwide and developed some recommendations to implement the best practices in Ukraine. Inter alia, they considered 'a super-system approach', which involves the possibility of using the existing potential for innovation in other sectors of economy by cross-sectoral optimizing the components of innovative policy through coordination and integration. In their opinion, Ukraine is in this stage and has a number of shortcomings, viz. (a) financial lacks in institutional support; (b) low interaction level between the state, institutes and elements of the national innovation system; (c) low innovative activity of the commercial sector; (d) unformed demand for innovative products; (e) low innovation culture in Ukraine. By their study, they proved that the model of intensive innovation development is intended to provide structural changes in Ukraine and improve its technological level. It is proposed to introduce a mechanism for coordination and control over the development of innovation activities by the state, relevant institutes and regulators in order to achieve synergy effect and balanced economic growth of the national economy of Ukraine. The main sense of their offers is

innovative development provision in Ukraine at the expense of internal and external investments (FDI).

Yunin, Sevruck, & Pavlenko (2018) have pointed out that Ukraine has chance to reach a stable economic growth and sustainable development only being the member of European Union. Therefore, Ukraine should focus on corruption combat and return of citizens' trust to state bodies, judicial and law-enforcement system. They stated that negative dynamics in the public service sector, i.e. in education, healthcare, and the financial sector hinder an economic growth in the backgrounding of a weak external demand and military conflict in the East of the country remained factors of deterrence. As well as previous authors, they made an accent that Ukraine needs additional external financing to cover the net repayment of external loans by the real sector estimated at about \$7 bln annually for 2017-2019. This requires prolonged cooperation with the IMF and other lenders. Defining sticky GDP growth in Ukraine, authors think that Ukraine should increase its production and export of finished products, which in the future will increase GDP. Finally, scholars propose the way of transition of the national economy to the 'green' model of development based on sustainable production and consumption on the bases of combating degradation of the environment and exhaustion of natural resources and implementation of 'green' growth policies based on the effective use of material resources and environmentally-oriented technologies.

Shevelova & Plaskon (2018) have researched the relationship between the inflows of foreign direct investment (FDI) and absorptive capacity (AC) in Ukraine. They analyzed the appropriateness of the Ukrainian economy's AC to attract FDI and facilitate economic growth with a particular focus on AC factors, such as the potential of human resources to absorb innovation and benefit from research and development (R&D) expenditure. Their resulting model indicates that R&D expenditure benefited very significantly in evolving country's innovation system due to economic growth. As well, they noticed, that physical and human capital has not been used effectively in Ukraine to facilitate economic growth and attract FDI. The number of patents is not significant in all of the regression models. They proved by mathematical calculations, FDI in Ukraine for the 1996-2015 period did not influence the economic growth et al. However, the AC of

human capital, in particular those with a higher education, is relatively relevant to benefit from IFDI. Authors think, their conclusions have important implications for governmental policy, which should be based on improving the business climate, a strategy for digital development, innovation, migration, institutional and regional policies aimed at the achievement of country's sustainable economic growth. The government should increase R&D expenditure as an important factor of gross domestic product growth and introduce grants, loans and other financial supports for encouraging students to continue university education.

The main problem of Ukraine's shrinking economy is grandiose and never-ending migration, according to Kupets (2016). Reasons for migration depend on education and skills (not only level but also field), social status of migrants and other individual and family characteristics. Outlining the huge recessionary gap of Ukrainian economy after 2014, author thinks it is due to the starting a new wave of emigration (especially youth migration to the EU). As well, author has noted that overall global crisis influence migration behavior, the magnitude, type and composition of migration flows, with a subsequent analysis of the effects of these changes on pertinent economies. Thus, she sees a great danger in deepening disproportion between the labor resources quality and stricture of human capital worldwide. In particular, she concluded that Ukraine will suffer in slowing paces of economic growth as minimum next decade by losing more qualified and more productive labor capital.

Kozlovskiy, Mazur, Vdovenko, Shepel, & Kozlovskiy (2018) are representatives of institutional theory in Ukraine. They state that Ukraine is one of the leading players on the world agricultural markets, therefore both its perspectives and economic growth depend on agribusiness. Authors developed an innovative model for predicting the level and conditions of economic and administrative stimulation for the development of agricultural production in Ukraine based on the theory of fuzzy logic and widespread macroeconomic statistics. This mathematic model enables to make a linguistic assessment of factors in the macro environment influencing the effectiveness of stimulation that cannot be quantified. In their opinion, it will help to identify the quantitative proportions of economic development and key agricultural branches for further governmental support.

Paska, Zabolotnyi, Hura, & Ponedilchuk (2018) are representatives of institutional economics; they stated that in modern conditions, due to the high globalization and the comprehensive growth of competition it is necessary to develop agrarian sector of Ukrainian economy as a base for the country's competitiveness and acquisition of strategic values in the EU level. Authors accented that the GDP is crucial for the country's financial and economic development. In turn, the agricultural production impacts on this indicator significantly. Thus, authors proved mathematically the importance of subsidizing the leading branches of agri-business as a most successful and most competitive direction of the Ukrainian economy development.

According to the scientific research Hrytsku & Danilova (2018), economic growth in Ukraine depends on the formation of eco-network and its integration with European system of nature protection declared in 92/43 Directive on preservation of natural environment, wild flora and fauna. Development of functioning eco-network would help unite the lands of nature reserve fund and other natural/semi-natural landscapes, and provide for preservation, reproduction and non-exhaustive use of nature resources, biological and landscape diversity, as well as strengthen landscape resistance to anthropogenic loads, renew the self-regulative and self-reproductive abilities of natural eco-systems, provide for positive changes of environmental state, and form ecologically safe environment for human life activity. Thus, authors underline the key element of an economic growth, viz. resource productivity integrated into the ecologically friendly environment.

Vavdiuk, Koretska & Galushchak (2018) have examined the relationships between fiscal and monetary policy instruments in Ukraine in the period of 2010-2017 and its influence on the economic growth. Empirical results have shown that the development of the state's economy depends on the interconnection of fiscal monetary policies.

It was established that simultaneous achievement of fiscal and monetary policy indicators in Ukraine was impossible. This is due to the fact that the indicators proved to be incompatible with the result, which showed in the use of a multi-directional toolkit for regulating fiscal and monetary markets. But such discrepancies in the interaction of instruments made it impossible to achieve the positive result – growth/stabilization of economic indicators. Authors estimated

economic particularities, viz. the differences between the economic growth rates and inflation, the growth rates and structure of public debt, the pace of growth of the money supply, shadow economy. Their findings state, if in developed countries economic recessions can be accompanied by deflation, in the developing countries, economic crises are characterized by a rapid devaluation of the exchange rate and, consequently, on the contrary – there is an increase in inflation. As a result, authors observed the dominance of fiscal policy over monetary in Ukraine as a policy accompanying the economic growth. They concluded that growth rate of the money supply in Ukraine should correspond to the GDP growth rate. As well, it is necessary to take into account the rate of money circulation, the change in the interest rate and the rate of obligatory redundancy. Thus, authors, who are representatives of neo-monetarism theory proved monetary stimulus over fiscal once, which should be aimed at promoting stable economic growth.

Authoring team consisting of Kharlamova, Melnychuk, Antonyuk, Chala, Humenna, Radchuk, Shnyrkov, Stolyarchuk, Taruta, Zhylinska, Moscardini (scientific consultant) have developed a scientific doctrine "Ukraine 2030 – The doctrine of Sustainable Development" (2018). The Doctrine presents strategy how to build a sustainable and inclusive growth of Ukraine through the system errors identification. Authors states that the previous obsolete socio-political and economic paradigm is a key inhibitory factor that prevents Ukraine from achieving higher horizons of development causing its rapid decline up to down to being a raw material appendage of the developed countries. Six major inhibitory factors are depicted: (1) The war in the East of Ukraine and occupation of Crimea has the negative impact on the national economy (25% of GDP lost); (2) The shadow economy has reached 50% of GDP; (3) The extent of corruption caused by the shadow economy reached 14% of GDP; (4) The improper outdated pension system accounts for 13% of GDP; (5) Public debt annually costs the country 9 billion USD (almost 10% of current GDP) and occurs destructive pressure on the national economy; (6) The energy intensity of GDP exceeds 3-5 times the level of developed countries. Authors propose the government anti-crisis program, including such primary steps (1) Effective response and preventive measures to the inefficiency of public administration; (2)

Adapting to new demand trends in the global economy along with stimulating the internal market development; (3) The development of industries with high added value. Fulfillment of the mentioned above leads Ukraine to the desired social and economic outcomes: (a) social and territorial cohesion, (b) the annual growth rates above 10%, (c) joining the top 30 competitive countries in 2030, (d) Ukraine should end poverty and not get into the circle of 'failed' countries, (e) GDP is expected to attain 710-750 bln USD. Analyzing the 2030 Agenda for sustainable development and comparing the current strengths and weaknesses of the national economy, the Doctrine determines that the human capital is the main wealth and the potential of Ukraine. Investing in people, i.e. in science, culture, education, and health makes the most anticipated result – a high-tech national economy with the sustainable, stable and comprehensive growth.

In our opinion, interesting is scenario analysis presented in official Justice Consulting site of Ukraine by leading monetary analysts in Ukraine, i.e. representatives of banking sphere. Expert group included seven high reputed financial strategists, viz. Blinov (Alpha-Bank Ukraine), Akhtyrko (Concorde Capital Ukraine), Amphiteatrov (IBI-Rating Ukraine), Prihodko (Credit Dnepr Ukraine), Rebrik (*Raiffeisen Bank Aval* Ukraine), Martynenko (IC Ukraine), Phastovets (Adamant Capital Ukraine). The experts have forecasted three scenario of economic development in the nearest future. Their scenario analysis is based on seven indicators (viz. GDP growth rate in percentage, budget deficit as a percent of GDP, reserves of the National Bank of Ukraine in billions US dollars, public debt as a percent of GDP, exchange rate (UAH/USD), inflation rate in percentage, industrial production growth rate in percentage); it includes three dimensions. Referring to their consensus negative scenario economy of Ukraine will shrink at least 0.58%; on contrary, positive analysis shows rising economy up to 3.35%; realistic scenario demonstrates 2.51% economic growth. Despite the fact that some expert views diverged significantly concerning GDP growth rates, production growth rates and deepening budget deficits, all of them united in the fact that the political changes that have taken place will contribute to a smooth recovery of the Ukrainian economy. The confidence of experts is based on the atom, which, in their opinion, Ukraine has already created and confirmed with a 25-year

practice high-quality market conditions in foreign markets (especially in the field of metallurgy and agribusiness). In the domestic market, bank lending mechanisms look quite stable. Among the minuses, experts note the increase in global energy prices and high risks for lenders, which so far closes the country for foreign investment. Among the key business threats, they agree on a military escalation in the east of the country (Donetsk and Lugansk regions), noting that Russia's sanctions against Ukrainian business are destabilizing and undermining the economy.

Summarizing papers, analytic reports and forecasts of Ukrainian scientists, we should point out wide multi-dimensional analysis, which is based on different outlook and points of the view. Thus, representatives of neoclassic school discover productive factors, representatives of neo-monetarism look for the financial reasons of economic development stubborn, institutionalists look for the main reason as an undeveloped institutional structure that hinder economics development. But all scientists (not depending on economic school) point out a high level of bureaucracy and corruption into the all spheres of authority and entities that is an evilest enemy of any progress.

RESULTS

At the time of new USSR collapse, Ukraine has been one of the leading union's republic with a great proud on high quality education, developed scientific and industrial branch, developed agriculture, very powerful military complex, transport infrastructure and high qualified labor forces. Nowadays dynamic is opposite: high qualified staff is running away from Ukraine because of low income and respectless existence.

Let us consider some statistic facts about Ukraine using an official State Statistic Service site of Ukraine (2019). Based on comparison, we would like to watch some remarkable tendencies according to the indicators. Minimal retirement helps in 1991 overcome 2018 in 5.7 times (in comparable prices). Denomination of national currency was over 30 times, living standard fell 12.7 times. Period of Ukrainian independence should be distinguished in two big parts: (1) 1991-2014 slowing economic growth (2) from 2014 after Maidan up to now so called eco-democratic recovery.

Common characteristics of economic development under conditions of Ukraine's independence are:

1) "Free fall" of economy: in 1991 Ukraine economy ranked 60th position overcoming Poland and Belarus. Today in 2018 Ukraine is far from mentioned countries.

2) GDP per capita 2013-2015 decreased in 2.5 times during this period Ukraine became poorer nearly twice compared with 1991.

3) At the beginning 1994 governmental debt of Ukraine 4,8 bln. USD including 75% external debt, in 2018 governmental debt rose up 15 times and became 76.3 bln USD. Currently, debt of Ukraine 2.6 times more than reserves of Ukraine. It means to cover governmental debt of Ukraine; each Ukrainian has to pay 1800 USD.

4) Depopulation and geopolitical changes:

a. Territory of Ukraine in 1991 consisted of 603.7 thousand square meters, in 2018 – 557,5 thousand square meters, excluding occupied regions of Donetsk and Luhansk and Crimea.

b. Due to environmental catastrophe (Chernobyl and violent relation towards the nature from the side of industrial enterprises 42.6 thousand square kilometers are lost). Its more than the territory of states such as Estonia, The Netherland and Switzerland.

c. Depopulation in Ukraine, according to official statistics 51.5 million citizens have been living in Ukraine in 1991, at the end of 2018 population decreased up to 42.2 million, but according to the expert estimation real population is only 36 million (7-8 million people are officially and unofficially living and working abroad). In front of mentioned trends, level of mortality overcoming birth rate: in 2018 for 100 death people was born only 64 newborns. According to forecast of United Nations, population of Ukraine will decrease in 2050 for 6.5 million people. In contrary, life expectancy has increased from 69 years up to 71 in 2018.

d. Criminality level: In 1991, Ministry of Inter Affairs has registered 405516 crimes, in 2018 it amounted 496000 registered, but according to estimation of international security experts, real crimes in Ukraine is 523.9 thousand (not including unreported and closed cases).

e. Decline of science: in 1991 Ukraine, has been covered 313097 scientists, in 2018 only 94274 scientists. National Academy of Science has a huge problem: average age of academicians 74 years. Young

people cannot involve into scientific research because of low level wages and absence of working places. Thus, no chances to move up the country.

f. Absence of health care insurance system: Ukrainian medicine is far away from median, in 1991 registered 227 thousand doctors, in 2018 only 187 thousand. Medical personnel in 1991 amounted 607 thousand but in 2018 only 367 thousand. In 2018 registered 1700 hospitals (in comparison to 1991 it was 4500). According to the United Nation Report, quality of medical service decreased 18.8 times in comparison with 1991.

g. Education: one of pluses of educational sphere in Ukraine is availability of governmental provisions. If in 1991 governmental education included 82%, in 2018 it amounted 48%. In 1991 50% of secondary schools were Russian language schools, in 2018 only 7%. For comparison level of literacy in 1991 was 86% in 2018 only 52%.

Regarding to the main indicator of economic growth, viz. GPD per Capita and GDP based on purchasing-possibility-power (PPP), which are indicated in *Figures 1-2*, they demonstrate extremely cycling trend.

Thus, observing attentively a trend line smoothing all indicators GDP per capita during 1992-2018, we can see that country in the begging of its independence was experiencing small rising with warming short-period of 1994-1995, afterwards was falling by this indicator in recession up to 2000. From 2000 up to 2012, clearly visible so called sustainable socioeconomic development of country.

After 2012-peak, till 2018 country has experienced slowing decline due to politic instability and military actions in the East of the country. And only at the end of 2018, economy of Ukraine demonstrates upcoming trend and refreshing economic activity.

Considering trend for indicator of GDP based on purchasing-power-parity (PPP) during 1992-2018, we should notice deep and consistent decline of purchasing level of Ukrainians (*Figure 2*).

This means that the dynamics shown in the previous figure (which clearly indicates the cyclical nature of the trend temporal correlation – all stages of economic cycles – recession, gap, recovery and peak) occurs against the background of a steadily decreasing purchasing power of the population (exclusion is observed in the period from 2004 to 2010, fairly reflecting the "thaw of the Ukrainian economy").

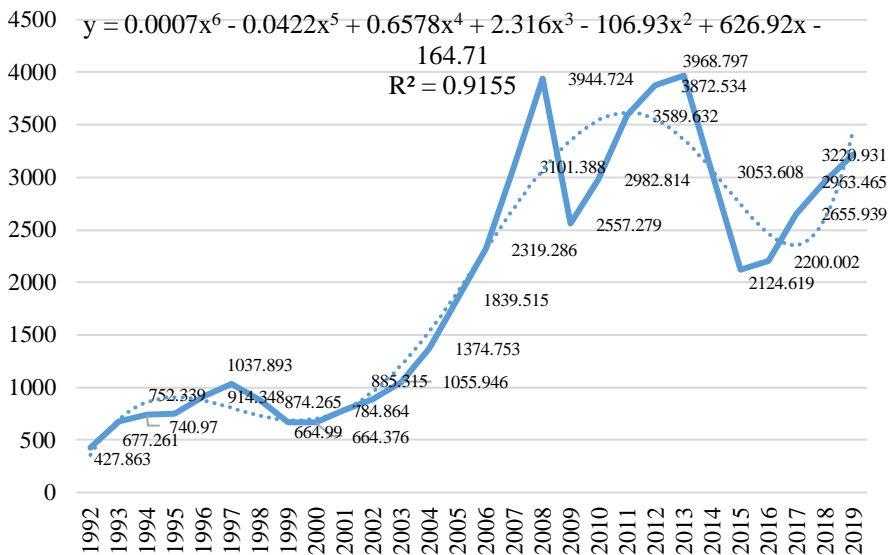


Figure 1: GDP per Capita of Ukraine, 1992-2018

Source: created by authors according to State Statistic Service of Ukraine (2019) and IMF Report (2019)

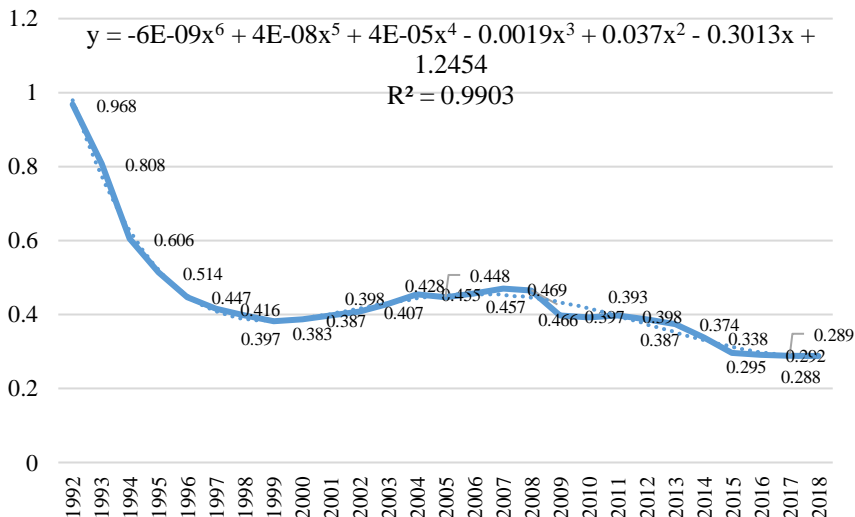


Figure 2: GDP based on purchasing-power-parity (PPP) of Ukraine, share of world total 1992-2018

Source: created by authors according to State Statistic Service of Ukraine (2019) and IMF Report (2019)

In fact, "artificial" or so-called weak economic growth in the economy occurs due to high inflation growth rates, statistical manipulation of the real population data (viz. economically active) and significantly cheap import substitution in relation to the expensive domestic production. The situation is aggravated by factors of low labor productivity (despite the essentially high level of education of the population of Ukraine according to the statistics of Ukraine and the Human Development Index, it really looks rather weak and of poor quality in relation to the modern requirements of the rapidly developing global digital economy), a significant outflow of young people (economically active resources) abroad (to the countries with a higher living standard), lack of renewal of capital resources (a limited number of Ukrainian enterprises can boast of a modern level of equipment and high capital-labor ratio), lack of scientific discoveries and innovative developments really implemented into production (not imaginary implemented for the sake of defending a scientific degree and the multiplication of useless patents in the archives).

CONCLUSIONS

In the beginning of 2000s economic development of Ukraine was primarily depending on the raw material prices. During last decade Ukraine was leading in supplying metallurgical production on external markets. For the second position, agricultural industry's products created Ukraine's exports. As the interest for raw materials is decreasing, in background of Chinese breakthrough in world markets, and climate control oriented policies recognition by society, Ukraine looks quite vulnerable, as world demand to the resource components is decreasing as well. Such conditions put Ukraine under the choice of changing strategy of integration into world economy. In our opinion, creating a new strategy should be based at following key points:

- 1) Complete finalization of raw material cycle. As China currently produces over 50% of Lithium and Steel demand (including the fact that Ukraine is one of the buyer of this product from China), what makes Ukrainian metallurgic sector completely uncompetitive.

- 2) Influence of developing consumers' markets. It is worth to notice that in progressive developing markets (agro industry, energy business, light industry) Ukraine has a perspective, since it processes a good land, favorable preconditions for development small and medium enterprises for light industry and progressive building of supply chains.

3) Possibility of reestablishing new trade cooperation's with the contribution of a new democracy wave since 2019. The new growth centers located outside the EU and Russia – the traditional trade partners of Ukraine, accounted up to 50% of the country's exports – can be described as a first approximation as markets that provide easy access and further expansion of activities. In this plan, development is possible with the diversification of markets in direction of Asia, Africa and Middle East.

4) New prospects in the sale of engineering products. Ukraine has white depositary patented engineering developments in all branches of industrial complex. It could be justified perspective to join new market of engineering service support, as in neighboring European countries (Hungary, Romania and Bulgaria) and engineering support in the vector Germany. This will be a springboard for technological growth and possibility to improve simultaneously Ukrainian engineering branch. This step is possible, since from 2019 Europe supports all initiatives of Ukraine and new policymakers.

5) New challenges on international labor market. Currently, the EU has a high deficit female workers having vocational training education (medical sisters, nurses, etc.) and for men (mechanics, building engineers, projecting engineers, IT specialist all levels, agro-engineers and chemical engineers). This creates favorable conditions to capture new opening labor segment in the Europe. In turn, this will contribute the merging and deep integration Ukrainian labor market with European, easy exchange of labor forces, rising wages and as a result promoting economic growth.

6) Perspectives for creating strong institutes. Ukraine possesses traditional bureaucratic structure in public governance. From one side, this hinders the necessary to provide fast managing decisions, from the other side, it provides direct access to the public funds. Since all technical project decisions supported by governmental guaranties and levels the risk down for investors, this looks as a good perspective for the public reengineering and strengthen infrastructure connections.

7) Easier access to the innovation and investments. At the end of 2018, new trend on joining the market of innovative technologies has been outlined. Ukraine has significant developments and high human capital in the IT field. This increases trust for foreign investors in IT

sphere. Ukraine should use this advantage for scale development of own IT market. For this, it is required adaptive public regulation and subsidization this important segment.

8) Key approach for Ukrainian economy' modernization is renewing of energy sector which is based on price setting and quality of energy suppliers. From 1991 till 1997, Ukraine held the leading positions in energy delivery with significantly lower prices. The only problem left is inefficient government institutions based on deep bureaucracy.

9) Improvement of governmental institutions. The core of efficient and mobile decisions is flexible public governance and regulation. Traditionally, Ukraine is the country which is adopted system of public management based on bureaucracy (inherited from USSR), but since last elected president in 2019, public government became to the system adaptive governance (e-governance development) reducing quantity of officials and clerks and implemented new documentary flow technologies.

10) Involvement of unrealized potential. Despite the fact that main factor that hinders Ukrainian economic growth is continuing military conflict at the East of Ukraine on the territories of Donetsk and Luhansk Regions, there are huge perspectives to integrate Ukrainian economy into European Union economy, viz:

a) Diversification energy supplying

b) Strengthening gas market on the background of shale deposits discovered in Ukraine (in occupied Donetsk region); the return of temporarily occupied territories will lead to the joining a new market in Ukraine and possibility to be equal partner in the EU area.

c) In the shelf of Black Sea before military conflict the project of opening a terminal for the storage of liquefied natural gas was approved, which was aimed of stabilizing gas supplies from the Persian Gulf and Azerbaijan.

d) Creating structures of energetic security with the aim to provide control of energy supplies and energy demand. Ukraine in the current moment possesses with significant potential to develop renewable energy sources: wind energy, solar energy, etc.

All mentioned reserves complies to EU integration policies are at the forefront of green energy.

REFERENCES

1. Zvieriakov, M. & Zavadska, D. (2018). Model of intensive innovative development: world experience of implementation and trends of formation in Ukraine. *Economy and Management. Naukovyi Visnyk NHU*, No. 5, pp. 155-166.
2. Yunin, O., Sevruck, V. & Pavlenko, S. (2018). Priorities of economic development of Ukraine in the context of European integration. *Baltic Journal of Economic Studies*. Vol. 4, No. 3, pp. 358-365. DOI: <https://doi.org/10.30525/2256-0742/2018-4-3-358-365>.
3. Shevelova, S. & Plaskon, S. (2018). Is the Ukrainian economy's absorptive capacity appropriate to attract foreign direct investment and facilitate economic growth? *International Journal of Emerging Markets*. Vol. 13, No. 6, pp. 1928-1947. Available at: <https://doi.org/10.1108/IJoEM-03-2017-0090>.
4. Kupets, O. (2016). Economic Aspects of Ukrainian Migration to EU Countries. In: Fedyuk O., Kindler M. (eds) *Ukrainian Migration to the European Union. IMISCOE Research Series*. Springer, Cham. Available at: https://link.springer.com/chapter/10.1007/978-3-319-41776-9_3.
5. Kozlovskiy, S., Mazur, H., Vdovenko, N., Shepel, T. & Kozlovskiy, V. (2018). Modeling and Forecasting the Level of State Stimulation of Agricultural Production in Ukraine Based on the Theory of Fuzzy Logic. *Montenegrin Journal of Economics*. Vol. 14, No. 3, pp. 37-53.
6. Paska, I., Zabolotnyi, V., Hura, A., & Ponedilchuk, T. (2018). Management of competitiveness of agricultural production in the context of financial economic development of Ukraine. *Management in agriculture*. Vol. 2(2), pp. 186-195.
7. Vavdiuk, N., Koretska, N., & Galushchak, V. (2018). Monetary and fiscal policies interaction in developing countries' economy: evidence from Ukraine. *Management in agriculture*. Vol. 2(2), pp. 326-338.
8. Ukraine 2030. The Doctrine of Sustainable Development (2018). Edited by G. Kharlamova. ADEF-Ukraine PH, Kyiv, Ukraine, 164 p.
9. Waiting for a Miracle: Three Scenarios of Ukraine's economy development in the year of election (2019). Available at: https://project.liga.net/projects/economics_2019.
10. State Statistic Service of Ukraine (2019). Available at: <http://www.ukrstat.gov.ua>.
11. Ukraine at a Glance (2019). International Monetary Fund. Available at: <https://www.imf.org/en/Countries/UKR>.
12. Ukraine: Gross domestic product (GDP) from 1994 to 2024 (in billion U.S. dollars) (2019). Statista.DE. Available at: <https://www.statista.com/statistics/296140/ukraine-gross-domestic-product>.

PART II: ACTUAL ISSUES IN MODERN PEDAGOGY

JEL: A10

INFORMAL MENTORING IN PENITENTIARIES – A SOLUTION TO INCREASE THE CHANCES OF POST- DETENTION REINTEGRATION

Ecaterina Vrăsmaș, PhD in Educational Sciences,
Cristina Magdalena Toma (Păun), PhD-Student,

*Department of Education Sciences,
University of Bucharest, Romania*

***Abstract:** Re-entering society after incarceration is riddled with challenges. Those with a criminal history face many barriers to receive public support. Many are suffering with mental or physical illnesses with limited means of getting adequate treatment, many of them have special needs, they don't have qualifications, job, home after release, no family support, etc. All of these issues are in addition to problems borne out of the societal stigma associated with serving time in prison.*

According to National Penitentiary Administration in Romania, over 10.551 inmates was released from prison in 2018 and begin the reintegration process into their communities. Penitentiary aims are to reduce future crime by changing the behavior, attitudes or skills of the offender by responsibilities prisoners in their own reintegration process, and also raise the public opinion awareness to prevent social exclusion. The annual cost of re-offending is extremely high in all EU member states. Re-offending rates are highest amongst those sentenced for less than one year. Mentoring in prisons could have a positive impact. Also, it can be a bridge between the penitentiary and the society. Mentoring is a two-way process being of benefit; it gives the mentor the extraordinary opportunity to facilitate a mentee's personal and indeed professional growth by sharing knowledge they have learned through years of experience. While the primary intent of the mentoring role is to challenge the mentee to think in new and different ways, the mentee is not the only one who gains from the arrangement. There are various ways a mentor can benefit as well.

Keywords: *social reintegration, mentoring, education, inmates, delinquency*

INTRODUCTION

Introduction to informal mentoring

The idea of mentoring is used in different areas of life – they vary from students' support to help for drug-addicted people. Today mentors can and should provide expertise to the less experienced individuals to help them advance their careers, enhance their education, and build their networks. While mentoring is an important aspect to leadership training, it doesn't hold to a typical training environment or process. It is tradition has existed even longer than traditional training.

Mentoring is a unique and valuable volunteer service in prisons. Often, it can be the foundation for fundamental, positive change. It is provided that each prisoner or ex-prisoner will have a positive influence in life and have a positive contact to assist the prisoner upon release. Mentoring is intended to enhance personal growth through the sharing of experiences and wisdom and to offer a framework for teaching and modeling values and life skills. Mentoring it is mentor's and mentee's interaction with a common objective.

Definition of mentor

Mentor who works in prison is a person who passes on his/her knowledge, skills and experience which are useful for the professional and personal improvement of the prisoners or ex-prisoners. The mentor's assistance is important in integrating theoretical knowledge of social work into the sphere of practical work.

Mentors, using their own learning experiences to help the learner when it teaches, he teaches himself. In a theoretical sense this study describes the concept of mentoring, as well as specific mentoring roles: leader, guide, expert, advisor, supporter, modeler and motivator.

Mentor who works with mentee is a "concierge" who opens the doors to opportunity. This role involves contact, the mentor helps the learner to get acquainted with the professional environment people create their networks, which could be utilized in achieving objectives. Mentor may choose to be a specialist dealing with only one role or performing several roles. There is the universal role – a facilitator.

Formal and informal mentoring

Many organizations feel they are familiar with may even have plenty of mentoring taking place amongst their people. There are differences between informal and formal mentoring. Both forms of mentoring have effect between the mentor and learner relationship quality, but they differ.

Differences between the informal and formal mentoring

Informal Mentoring:

1. The relationships grow "like Topsy" as circumstances.
(a) the relationship is rarely, if ever, evaluated; (b) the relationships may be very long-lived.

2. The possibility of win/win benefits.

- (a) mentoring is initiated and maintained solely by the mentoring partners; (b) mentoring partners are matched by chance or serendipity, often with the mentor choosing the mentee; (c) relationships aim may be non-specific, non-existent or suggested by the mentor; (d) a primary criterion for accepting the mentor is a feeling of liking and respect; (e) the relationships may not be recognized as "mentoring"; (f) there is no mentoring agreement.

Formal Mentoring:

1. The relationships work within an agreed framework of frequency of meetings, timeframes, communication methods, structure, etc.

2. The relationships are regularly assessed, and means established for assessing progress towards the goals.

3. The relationships have a finite duration, beyond which partners can elect to conclude it, extend it, or exchange it for a friendship.

4. The likelihood of win/win/win benefits (for the mentor, mentee and the organization).

5. A mentoring program coordinator manages the start-up, progress and evaluation phases of the program.

6. Partnering two people is a facilitated process, with the mentee having the responsibility of choosing the mentor.

7. The aims of the relationship are specific, directed towards achieving goals which the mentee has clarified.

8. A primary criterion for selecting the mentor is his/her ability to assist the mentee to achieve identified goals.

9. Both partners identify the relationships as mentoring, and seek to apply the appropriate skill and expectations to it.

10. A mentoring agreement forms cornerstones of the partnership.

Similarities between the informal and formal mentoring

1. The requirement of free choice by both partners.
1. Dependence on a high level of rapport for success.
2. The opportunities for learning for both partners.
3. The possibilities of crossing hierarchical boundaries and achieving improved networking.
4. Contagion: the opportunity to take the learning from one mentoring relationship into another, leading to continual improvement for all.

MATERIALS AND METHODS

Personalized Approaches

Every individual *must* be treated as an individual. Every person has different needs and goals, therefore requires a personal approach to help them move forward.

When you meet a mentee for the first time, you need to have an open mind. Listen to them, ask questions about what they want in their future and then support them as best as you can to move them towards their goals and aspirations – their *dreams*! There are tools available to help doing this that will be shared later in the program.

Identification of a support network

At the start of the mentoring process, identify support network. Do they have family, friends or other professionals who they can also look at for support? This is just a question you need to ask and most importantly, keep this information on file, should you need to make contact with those people at any time during the mentoring process. Also, make sure the mentee tells those people who you are and how you are helping them, so if you did need to make contact with them, they know who you are.

Self-development/personal development

There are many tools available for use with the mentee. These tools can support the mentee in self-development, including looking at their attitudes and beliefs. Also, any training they could be signposted to, in order to aid their personal development, which can then have an impact on their choices in career roles and a possible self-employment role, if they choose this particular pathway.

Listening/emotional support/spiritual support

Never get emotionally involved with the mentee. It is possible to guide them through their challenges. To provide spiritual support not just in terms of religion but also in terms of keeping focus on their tasks, their vision and where they should be heading to. It helps a usage of active listening techniques by clarifying thoughts.

Tackling victim mentality/learned helplessness

All individuals at times in their lives have helplessness moments when they fail. It's a time when the 'physical wind' is knocked out of them. A sadness time when the future looks negative and exerting effort is overwhelmingly difficult. For some people, the recovery is quick, with the symptoms of helplessness dissipating within hours. For others, the helplessness can last for weeks, or if the failure is important enough, for months or longer.

Learned helplessness is a condition, which appears to all people in everyday life, especially when something doesn't go according to the plan. To start to break the condition of learned helplessness, people need to stay focused, to be positive and view failure as something that didn't work or part of learning process. There is the learned helplessness snapshot tool, which is available to use with the mentee. Through its use in the past, it has managed to open people's minds to think that they should change their mindset to think more positively.

Promoting Informed Choice

To work through the mentoring process with an individual, it is worth to make suggestions for actions they could take to further their opportunities for success. Not necessary to let the mentee think on their own what they could do. It is necessary to inform them of opportunities that may be beneficial for them.

De-institutionalize

When people are released from prison, they are institutionalized often after being in a locked up environment for many months and years. When they are released, they find themselves with many challenges, including how to cope in a busy city environment and with new modern technology.

In order to support the individual to de-institutionalize, it is needed to have regular contact with the mentee to make sure all is ok and engage them into meaningful activity (volunteering) with other organizations such as Pictora (Sale of offender art).

Social skills/daily operation skills

This links into de-institutionalization, where mentees need support to have the awareness of new environments, behaviors within certain environments and new initiatives. An example of this is self-service checkouts at supermarkets, which may not have existed at the time of going to prison. Therefore, without being told what to do, people do not know how to work the machines. Things that are sometimes taken for granted. Support will be required to tackle these challenges.

Work in prisons

Mentoring is a unique and valuable volunteer service in prisons. It is provided that each inmate will have a positive influence in life and have a positive contact to assist the inmate upon release. Mentoring is intended to enhance personal growth through the sharing of experiences and wisdom and to offer a framework for teaching and modeling values and life skills. Mentoring topics will be geared towards personal growth in ethical behavior and interpersonal relationships. Mentoring ideally will be a one-on-one relationship, with mentor and inmate of the same gender. Inmates may change or decline mentors at any time without penalty and may request a new mentor. Mentors may decline to mentor an inmate at any time and may request a new inmate to mentor.

CONCLUSIONS

Informal mentoring can be a solution for inmates reintegrating. Considering that the rate of repeat offenders remains constant, it may be time to look for new educational solutions.

REFERENCES

1. Abramson, L.Z., Seligman, M.E.P., & Teasdale, J. (1978). Learned helplessness in humans: critique and reformulation. *Journal of Abnormal Psychology*. Vol. 87, pp. 49-74.
2. Feather, N.T., & Davenport, P.R. (1981). Unemployment and depressive affect: Motivational and attributional analysis. *Journal of Personality and Social Psychology*. Vol. 41, pp. 422-436.
3. Hall, C.S., & Lindzey, G. (1997). *Psychológia osobnosti* [Psychology of personality]. Bratislava, Slovenské pedagogické nakladateľstvo.
4. Heubeck, B.G., Tausch, B., & Mayer, B. (1995). Models of responsibility and depression in unemployed young males and females. *Journal of Community & Applied Social Psychology*. Vol. 5, pp. 291-309.

5. Leana, C.R., & Feldman, D.C. (1992). Coping with job loss: how individuals, organizations, and communities respond to layoffs. New York, Lexington Books.
6. Patton, W., & Noller, P. (1984). Unemployment and youth: a longitudinal study. *Australian Journal of Psychology*. Vol. 36, pp. 399-413.
7. Pervin, L.A. (1993). Personality. Theory and research. New York, John Wiley & Sons Inc.
8. Pervin, L.A. (2003). The Science of Personality. Second edition. New York: Oxford University Press.
9. Grundtvig Learning Partnership Compendium (2009). Available at: http://arhiva.mobilnost.hr/prilozi/05_1320222942_PA_Compendium_2009.pdf.
10. Quinless, W.F. & Nelson, M.A. (1988). Development of a measure of learned. Available at: <https://www.ncbi.nlm.nih.gov/pubmed/3340571>.
11. Reducing Re-offending by ex-prisoners (2002). Reported by the Social Exclusion Unit, p. 8. Available at: <https://www.bristol.ac.uk/poverty/downloads/keyofficialdocuments/Reducing%20Reoffending.pdf>.
12. Sweeney, P.D., Anderson, K., & Bailey, S. (1986). Attributional style in depression: A meta-analytic review. *Journal of Personality and Social Psychology*. Vol. 50, No. 5, pp. 974-991.
13. Tennen, H., & Herzberger, S. (1986). Attributional Style Questionnaire. In: R.C. Sweetland, & D.J. Keyser (Ed.), Test critiques Kansas City, MD: *Test Corporation of America*. Vol. 5, pp. 20-32.
14. Weiner, B. (1986). An attributional theory of motivation and emotion. New York, Springer-Verlag.
15. Raport anual de activitate (2018). Available at: <http://anp.gov.ro/wp-content/uploads/2019/03/Raport-activitate-ANP-2018-1.pdf>.

PART III: ACTUAL ISSUES IN THE FIELD OF MODERN SOCIAL COMMUNICATION

JEL: F50

THE AUTHORITARIANISM IN THE BALKANS AND THE ROLE OF THE MEDIA

Joana Kosho, PhD in European Studies,

"Aleksandër Xhuvani" University, Elbasan, Albania

***Abstract:** Balkan states are making headlines; protests, boycotts, conflicts, and authoritarian rhetoric. "Balkans spring" is a term used in the Balkan media to evoke the uprisings in the Middle East in spring of 2011. The Balkan states are in the center of European concern in terms of instability and fragile democracy. Some of the political leaders in many Balkan countries are being accused of an authoritarian approach. Why is authoritarianism resurging in the Balkans? How is this phenomenon mirrored in the media? Is media being used as an industry to promote power? The main focus of this paper is to show how media is representing the authoritarianism in the Balkans.*

***Keywords:** media, authoritarianism, the Balkans, populism, industry*

INTRODUCTION

The Balkan Peninsula has been called 'powder keg' for its wars, armed conflicts, nationalism and unrests. In order to forget about dangerous nationalism scenarios, European integration is the only national and regional interest, which all Balkan states do agree about. Nevertheless, the prolonged road to the gates of the European House is exposing the existing problems these countries have with state building, democracy and stability.

Many waves of protests of the opposition parties that have hit some of the Balkan countries for a long period of time, as in Albania, Serbia and Montenegro, are mirroring the deep conflicts that are rooted in the disappointment of the people from their political leaders. Systems are shaking and 'the power of the people' is being redefined. Why is authoritarianism resurging in the Balkans and what is the role of the media in this equation?

Why authoritarianism is re-emerging in the Balkans?

"Democracy in the Western Balkans has been backsliding for a decade. There is no single turning point for the entire region, but the downward spiral began a decade, accelerated with the economic crisis in 2008 and multiple crises within the EU that distracted the Union from enlargement". This is one of the main conclusions of a study of Balkans in Europe Policy Advisory Group (BiEPAG, 2017).

Professor Florian Bieber, *director of the Centre for Southeast European Studies*, describes Western Balkans as 'stabilitocracies', a term that according to him has to do with: "governments that claim to secure stability, pretend to espouse EU integration and rely on informal, clientelist structures, control of the media, and the regular production of crises to undermine democracy and the rule of law". In his article "The rise and fall of Balkans stabilitocracies" (Bieber, 2018), he states that Balkans have a unique structure that combines semi-authoritarian features, while claiming to be reforming democracies and receiving external support, in particular from EU member states, for the sake of the (false) promise of stability.

In the other study "Patterns of competitive authoritarianism in the Western Balkans", Florian Bieber analyses the re-emerging of the authoritarian regimes in the Balkans. According to him, the competitive authoritarian regimes that have re-emerged in Western Balkans are defined by the combination of two features: (1) institutional weakness that provides insufficient democratic safeguards, and (2) authoritarian political actors who utilize these weaknesses to attain and retain power. Thus, the core argument of Bieber's study is that the competitive authoritarian regimes that have emerged in the Western Balkans have adapted to the challenge of maintaining external support by largely Western actors, the EU, its member states and the United States while ensuring authoritarian control domestically. Second, these regimes exercise control informally rather than through constitutional and legal change, taking control of the media and the state institutions. Third, the competitive authoritarian regimes of the Western Balkans rely strongly on external legitimacy as "reformers", at least initially, yet govern through the creation and management of crises (Bieber, 2018).

Authoritarianism and the media

A joint research project between Reporters Without Borders and the Balkan Investigative Reporting Network in Albania, reveals that the Albanian media scene is highly concentrated in the hands of few major owners, who have strong political affiliations, and control more than half of the audience share and nearly 90% of the market share. Albania is classed as partly free, a hybrid regime and the state of the media is considered highly problematic by Reporters Sans Frontiers.

A study conducted by The Center for International Media Assistance (CIMA), at the National Endowment for Democracy (June 2016), about the media in the Western Balkans, concluded that the media in the Balkans is being captured by the power structures. According to this study the media are, in most cases, financially unsustainable and dependent on support from political and business elites and authorities increasingly take advantage of the economic weaknesses of the media to gain control. In a personal monitoring of the national, regional and international media, since January until May, 2019, we have noticed an increasing coverage of political news, having conflict as their main news value. Headlines such as "Thousands in Serbia Protest for 11th Week Against Populists", (Associated Press, 17/02/2019); "Activists Hail Protest Wave as 'Balkan Spring'", (Maja Zivanovic, BIRN, 18/02/2019); "New Zealand Mosque Gunman 'Inspired by Balkan Nationalists'", (Maja Zivanovic, BIRN, 15/03/2019); "Serbian Protesters Storm National Broadcaster Building", (BIRN, 16/03/2019), show a turbulent picture how the authoritarianism in politics is shaping the relationships between power structures, media and public opinion. The concern of some news media about the authoritarian approach of the politics is highlighted in articles like "Balkan States Embracing Authoritarian Leadership: Report", (Maja Zivanovic and Gordana Andric, BIRN, 10/01/2018); "Freedom House: Albania, hybrid regime. Authoritarian dangers from PM", (Top Channel, 11/04/2018); "How Aleksandar Vucic Became Europe's Favorite Autocrat", (Foreign Policy, 09/03/2018); "UAE in the Balkans: Meeting point between 'sultanism' and authoritarianism?", (European Western Balkans, Tena Prelec, 13/07/2018). From all the media covering, we can see a dark side of the Western Balkan's politics, reflected in the growing dissatisfaction of the Balkan's people.

Media as a populism industry

Adorno and Horkheimer (*The Culture Industry: Enlightenment as Mass Deception*) have emphasized the impact of mass culture that "...now impresses the same stamp on everything. Films, radio and magazines make up a system which is uniform as a whole and in every part. Even the aesthetic activities of political opposites are one in their enthusiastic obedience to the rhythm of the iron system" (Adorno & Horkheimer, 1993). They coined the term 'culture industry' to describe the way mass media is shaping the audience's points of view.

Media can be a cultural industry, a financial industry, a political one; but moreover, media can be used as a populism industry. What is populism and how does it affect the media? In his paper, "The Populist Zeitgeist", Cass Mudde defined populism as an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, 'the pure people' versus 'the corrupt elite', and which argues that politics should be an expression of the *volonté générale* (general will) of the people (Mudde, 2004, p. 543).

As a way of discussing how politics and media operate together within the political environment, we can speak about what is called "mediated populism" that has excited attention across academics, policy-makers and political commentators. Michael Higgins (2017) has explored the extent to which the imperatives of the communications industry exercise a 'mediatizing' influence on political actors and institutions, where 'media logic' becomes a negotiated component of the grammar of everyday political activity.

Specifically, in the Western Balkans, the study of contemporary populism is predominantly located within the authoritarian turn context that has happened in the region over the last decade. The debates, which largely focus on the backsliding of already fragile democratic levels, refer the concept of populism and authoritarianism as symbiotic and as one of the great dangers for the region's democracy and stability (Brentin & Pavasović Troš, 2016, p. 12).

One example how populism is linked to the media and how the media can be used as a populism industry is ERTV in Albania. An original way that politics can use media, is to create a personal one. The most sensational development in Albanian politics 2.0 has been the opening in March, 2017 of ERTV, a kind of web TV that carries

the initials of the Prime Minister and SP Chairman Edi Rama, which broadcasts live feeds besides from stories. At present, ERTV has turned into a media trademark and its videos are very frequently broadcast on traditional television stations, but in reversed roles: while once politics summoned the media for help in its communication with audiences, now it is the traditional media that summon politics (ERTV) for help in mediating to bring information about political events to the public (Zguri, 2017, p. 42).

CONCLUSIONS

The main research materials of the field show a resurgence of authoritarian ways to do politics in the Balkans. The prolonged road to European membership has impacted negatively the overall policies and the political environment in Western Balkans. The mediated authoritarianism and populism is becoming an effective tool for taking the power and preserving the status quo.

While studying how media is linked to authoritarianism, we can distinguish two main moments: media as a victim of authoritarianism and media as a tool to promote populism and authoritarianism. The main data show that the media in the Balkans is being captured by the power structures. The media are, in most cases, financially unsustainable and dependent on support from political and business elites, and authorities increasingly take advantage of the economic weaknesses of the media to gain control.

The monitoring of the Balkan media during a period of five months (January – May, 2019) show an increasing media coverage of news about conflict, unrest and hate speech in the political arena of the Balkans. Media has been used periodically to spread seeds of separation and hate; with slogans like 'we against them', 'beyond the left and the right', 'we the people' – the authoritarian leaders are using the populist style in their political speech in the best platform there can be: mass media in all its forms – traditional and social – to gain, consolidate and maintain power.

REFERENCES

1. Adorno, Th., & Horkheimer, M. (1993). *The Culture Industry: Enlightenment as Mass Deception*, New York: Continuum.

2. Balkans in Europe Policy Advisory Group (March, 2017). The Crisis of Democracy in the Western Balkans. An Anatomy of Stabilitocracy and the Limits of EU Democracy Promotion. Edited by Marko Kmezić and Florian Bieber.
3. Bieber, F. (2018). Patterns of competitive authoritarianism in the Western Balkans. *East European Politics*, Vol. 34, No. 3, pp. 337-354.
4. Bieber, F. (2018). The Rise (and Fall) of Balkan Stabilitocracies. *Horizons*. Winter 2018/Issue No. 10.
5. Brentin, D., & Pavasović Troš, T. (2016). Populism from Below in the Balkans. *Contemporary Southeastern Europe*. Vol. 3(2).
6. Higgings, M. (2017). Mediated populism, culture and media form. *Palgrave Communications*, Vol. 3, No. 3.
7. Mudde, C. (2004). The Populist Zeitgeist, Government and Opposition Ltd.
8. Reporters Without Borders (2018). For Freedom of Information, Media Ownership Monitor, Albania. Available at: <http://www.mom-rsf.org/en/countries/albania>.
9. Tadić Mijović, M., & Šajkaš, M. (2016). Captured News Media: Bosnia & Herzegovina, Serbia, and Montenegro, *The Center for International Media Assistance* (CIMA).
10. Tomovic, D. (2019). Montenegro Opposition Parties Unite Behind Civic Protests, *Balkan Insight*. Podgorica. Available at: <https://balkaninsight.com/2019/03/30/montenegro-opposition-parties-unite-behind-civic-protests>.
11. Zguri, Rr. (2017). Relations between media and politics in Albania, *Albanian Media Institute*, Tirana.

NACHTRAG

Die Autoren der Publikationen übernehmen persönliche Verantwortung für das Ergebnis der eigenen wissenschaftlichen Forschung.

Unsere Hauptaufgabe ist es, die wissenschaftliche Gesellschaft mit modernen innovativen Sichtweisen, Meinungen sowie originellen wissenschaftlichen Entscheidungen der genannten Autoren bekannt zu machen.

Unternehmen sind herzlich willkommen, in unserer Ausgabe zu werben, aber auch sich an den Inhalten zu engagieren und praktische Erfahrungen zu teilen.

Liebe Kolleginnen und Kollegen! In unserem Journal können Sie die Ergebnisse Ihrer theoretischen und praktischen Forschungen veröffentlichen, um sie mit der wissenschaftlichen Elite in Ost-und Westeuropa zu diskutieren.

Die Ausgabe der Assoziation 1901 "SEPIKE" hat einen hohen internationalen Status und bietet Ihnen die Möglichkeit, Ihre Artikel als internationale Publikation für Ihre wissenschaftliche Dissertationen im Bereich Wirtschaftswissenschaften oder Pädagogik zu verwenden.

Organisatorische und technische Anforderungen für die Einreichung Ihrer wissenschaftlichen Arbeit finden Sie auf unserer offiziellen Website www.sepikecloud.com.

POSTSCRIPTUM

Authors of publications take personal responsibility for the result of their own scientific research.

Our main task is to acquaint scientific society with modern innovative points of views, opinions as well as original scientific decisions from mentioned authors.

Companies are welcome here to advertise in our journal, but also to participate in the content and to share practical experience.

Dear Colleagues! There is possibility to publish results of your theoretical and practical researches in our Edition in order to discuss it with Scientific Elite in Eastern and Western Europe.

Edition of Association 1901 "SEPIKE" has scientific rank that gives an opportunity to consider your article as an international publication in the process of scientific degree obtaining in Economics, Pedagogy and Social Communications.

Organizational and technical requirements to submit your scientific paper you can see in our official website www.sepikecloud.com.