

PARTICULARITIES OF STATE SOCIAL INSURANCE BUDGET PLANNING IN THE REPUBLIC OF MOLDOVA

MARDARI LILIANA

Economics and Management Department

Technical University of Moldova

Chisinau, Republic of Moldova

Email account: lilianamardari11@gmail.com

lilianamardari11@gmail.com

Abstract: *The budget represents a public management plan, an important landmark of highlighting the degree to which the state is involved in the economy and social life, as well as the way in which it manages to manage them. Therefore, planning a budget realistically is a first step towards good governance.*

The state social insurance budget represents the totality of revenues, expenses and funding sources intended for the performance of functions and the management of the public social insurance system, so its planning also has specific peculiarities. The planning of the state social insurance budget is carried out based on the forecast of macroeconomic indicators; the limits of interbudgetary transfers; the policy priorities stipulated in the sectoral spending strategy; trends in demographic indicators and other indicators regarding the number of beneficiaries of social benefits; other specific features contained in the circular regarding the development of the state social insurance budget.

The purpose of the research is to highlight the peculiarities of the state social insurance budget planning in the Republic of Moldova. The central public authority in the field of social protection is responsible for developing policies in the field of state social insurance and social assistance and presents forecasts and other information necessary for the development of the medium-term budget framework, promotes the draft law on the state social insurance budget, monitors and analyzes its execution, as well as the performance within the programs, puts forward proposals in order to ensure the financial stability of the public social insurance system.

The methods applied in the research process are: dynamic analysis, comparison, observation, deduction. The results of the research reflect the planning of the state social insurance budget in the period 2017-2021. Another aspect of the research is the executed/approved analysis of the state social insurance budget and through the prism of the medium-term budgetary framework.

Keywords: budgetary planning, budget, social insurance, income, expenditure.

JEL Classification: H53, H61, H75

1 Introduction

The budget planning literature describes these approaches using various terms, such as "revenue and expenditure planning and forecasting" and "multi-year budgeting". Forecasting involves estimating future budgetary resources and expenditure needs, while planning involves formulating goals and policies. The objective of "planning and forecasting" in the medium term is to increase discipline over expenses.

The budget is a fundamental category of the science of finance, because it is the financial expression of the state's action program for the period of one year.

So, the budget is, first of all, a public management plan, a series of instruments of a fiscal or budgetary nature, used by the state authorities to influence the socio-economic life of the state and orient it in the desired strategic direction for the future. It is an important benchmark for signaling

the degree to which the state is involved in the economy and social life, the capacity of the national economy to contribute to the creation of financial resources available to the state, as well as the way in which it understands how to manage them. This is why planning a realistic state budget is a first step towards good governance of the country.

Management by objectives, programs and budgeting represent methods of quantifying budget revenues and expenses, which emphasizes the identification of sources of revenues and purposes for each field of activity. Thus, each administrator of the public money establishes his own objectives, which will contribute to the achievement of the proposed goals.

This method was designed in the context of a medium-term global planning, so as to allow the coordination of objectives between ministries. (OECD, 1997).

The precise determination of the objectives, as well as the correlation of the partial objectives with the final ones, is reflected in the budget planning.

The budget based on the program or the program budget is a way of preparing and presenting budgets, starting from the objectives pursued and not from the organization of the administration.

Emphasis is placed on the objectives to be achieved and on determining the set of means used to achieve them.

Thus, the program budget becomes a useful and original tool for budget programming and its correlation with a specific plan.

In this sense, it is allowed for each relevant ministry to establish the relative priorities, and as a result, the choice of priority actions from a given budgetary framework; affecting budget allocations and comparing with results; the analysis of objectivity and effectiveness based on the comparison between the costs involved in the results obtained; avoiding the coverage by budgetary funding of some inopportune actions, especially those that are not the subject of this funding.

The quality of the budget depends, to a large extent, on the form and effectiveness of the coordination established between different institutional actors.

The distribution of responsibilities in the preparation of the budget must correspond to the distribution of responsibilities within the government. There must be clear and indisputable rules for compliance and responsibility in the execution of the budget, defined in the legislation. The state social insurance budget is an integral part of the national public budget and is administered independently of other component budgets of the national public budget. As a result, within the Ministry of Labor and Social Protection, there is a re-discussion of the objectives, as well as the coordination of the objectives and resources intended for the social protection system. It also allows the identification of horizontal options regarding the differentiation of the size of budget credits distributed between ministries.

2 Planning the state social insurance budget through the medium-term budgetary framework

In general, multi-year estimates are rolled over each year. The first year is totally consistent with the annual budget, and the expenditure forecasts for the other years are indicative. The planning period is usually three to five years. While in some countries the development of multi-year estimates has become an integral part of annual budget formulation and is seen as a key tool

for controlling expenditure, in others multi-year estimates provide only basic information for decision-making of politics. (Allen. R., Tommasi, D., 2001)

In principle, multi-year estimates must show:

1. the current level of expenses,
2. the additional expenses necessary to provide the same level and quality of services in the future
3. additional expenses or savings, if the level or type of services changes.

Elements 1 and 2 can be described as existing/continuing policies and element 3 as new policies or policy changes.

The 2021-2023 medium-term budget framework was developed against the background of the unprecedented impact of the COVID-19 pandemic and natural disasters on the national economy, exacerbating the already existing vulnerabilities. (*Medium-term budgetary framework 2021-2023*)

The aggravating circumstances related to the COVID-19 pandemic and the drought, the economic uncertainty and the difficulty of producing a definite macroeconomic and budgetary forecast in the medium term determined the modification of the standard content of the document, having a format adjusted to current conditions.

In the field of social protection, the coverage area of unemployment insurance was extended, and the amount of unemployment aid for existing beneficiaries was increased; the coverage area and the amount of aid within the Social Aid Program were increased; transfers from the state budget to the state social insurance budget were increased to compensate for the reduction in income from contributions.

In this context, the measures to support the population can be specified:

a) increasing the volume of the unemployment fund by about 3 times, simultaneously with increasing the amount of unemployment aid for existing beneficiaries up to 2775 lei during the state of emergency and granting unemployment aid in the amount of 2775 lei for people who register with status unemployed, but who do not meet the criteria for granting this status (expansion of the number of beneficiary persons) during the state of emergency - 83.0 million lei;

b) supplementing the budget of the Ministry of Labor and Social Protection for proactive employment measures in the labor field - 10.0 million lei;

c) the increase of allowances by 28% for social assistance in connection with the increase in the number of beneficiaries, simultaneously with: the increase of the guaranteed minimum monthly income from 1107 lei to 1300 lei, during the state of emergency, and with the increase of the amount of the minimum monthly income guaranteed for each child from 50% (553 lei) to 75% (975 lei) – 139.6 million lei;

d) strengthening the income of the Population Support Fund by introducing additional sources of income (the application of the portability tax (50%) and the airport tax (50%)), granted in the form of transfers to local public authorities from the mentioned fund;

e) grant of single support in the amount of 900 lei to beneficiaries of state pensions and social allowances whose amount does not exceed 3000 lei - 599.5 million lei.

The social measures are implemented through the state social insurance budget, and the state budget bears the costs by increasing the transfers to the state social insurance budget, in parallel

with the compensation of the lost revenues of this budget, following their reassessment in the conditions of the economic crisis.

In the field of social assistance, the objective is to continue addressing the problems of people from risk groups within the limits of the state's financial capacities, including in terms of social integration and poverty.

The main priorities include:

- the employment policy, whose importance, in the current economic conditions and the expected increase in unemployment, is highlighted again;
- maintaining and expanding measures in the fields of social assistance and combating poverty;
- maintaining the level of support for people with disabilities, who are one of the most vulnerable social groups.

3 Tactical planning of the state social insurance budget

Annually, in accordance with the budget calendar, the central public authority specialized in the field of social protection, prepares the circular regarding the drafting of the state social insurance budget for the following budget year and sends it to the National Social Insurance House and other interested public authorities or institutions.

When preparing this document, the specialized central public authority in the field of social protection is guided by the provisions of the Medium-Term Budgetary Framework, the circular of the Ministry of Finance regarding the preparation of proposals for the draft state budget and the methodology provided in the Methodological Set regarding the preparation, approval and modification of the budget. (*Annex to the order of the Minister of Finance, 2015*)

In terms of content, the circular regarding the drafting of the state social insurance budget includes:

- a) general provisions, which provide reference to the legal and normative framework regarding the process of drawing up the state social insurance budget, as well as the deadlines for making decisions and carrying out the exchange of information between the central public authorities specialized in the field of social protection and other interested public authorities/institutions;
- b) the forecast of the main macroeconomic indicators in the medium term;
- c) fiscal policy objectives regarding mandatory state social insurance contributions;
- d) summary of policy priorities in the field of social protection with impact on the state social insurance budget, based on the spending strategy in the field of social protection;
- e) specific particularities and additional requirements regarding the elaboration and presentation of the state social insurance budget project.

The central public authority specialized in the field of social protection, based on the internal action plan, organizes and ensures the elaboration and presentation of the state social insurance budget draft in the established terms. (*Vişanu, T., 2015*)

In accordance with the annual circular regarding the drafting of the state social insurance budget, the National Social Insurance House prepares and presents to the central public authority specialized in the field of social protection the preliminary draft of the state social insurance budget for the following year. Simultaneously with the state social insurance budget draft, the

National Social Insurance House also presents the draft information note, as well as other information to substantiate the budget draft. (Figure 1)

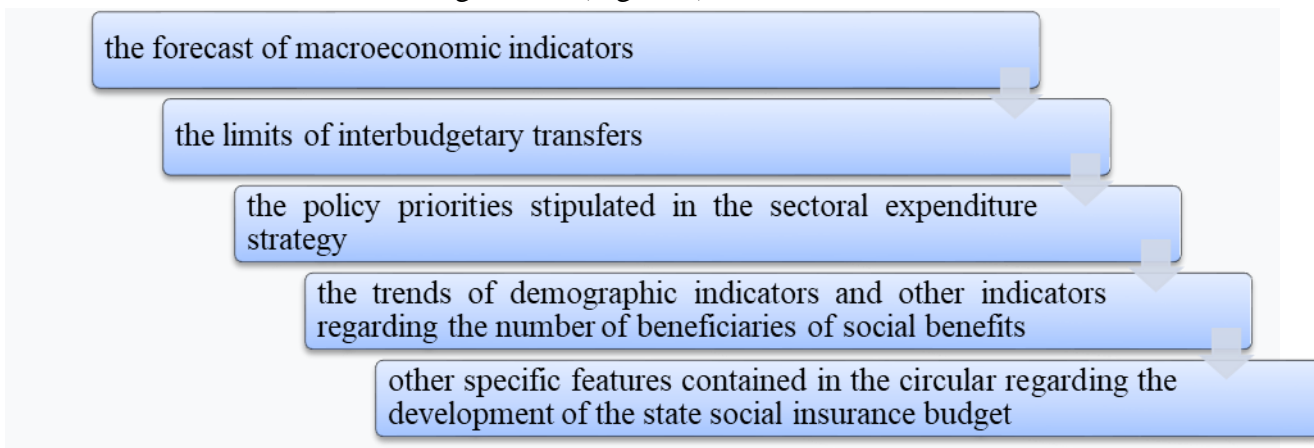


Figure 1. Basic information for the development of the state social insurance budget project

Source: developed by the author on the basis of the Methodological Set regarding the development, approval and modification of the budget (2015)

The actual process of drawing up the state social insurance budget project involves the following activities:

a) the specialized central public authority in the field of social protection analyzes the evolution of the general indicators of the state social insurance budget and the performance of the expenditure programs, determines jointly with the National Social Insurance House the structure of the programs and completes the general information about them (purpose, objectives, identifies list of performance indicators);

b) The National Social Insurance Agency estimates the resources of the state social insurance budget and distributes the expenses by programs, in accordance with the priorities of the sectoral policy and taking into account the limit of intrabudgetary transfers. It will also complement the value of the product and efficiency indicators of the programs;

c) The National Social Insurance House prepares the draft state social insurance budget, which it presents to the Ministry of Labor and Social Protection for coordination;

d) the specialized central public authority in the field of social protection examines the draft of the state social insurance budget from the point of view of consistency with the priorities of the sectoral expenditure strategy, including the performance of the programs, and presents it for examination to the Ministry of Finance in accordance with the established requirements and in compliance the deadlines provided in the budget calendar;

e) The National Social Insurance House ensures the finalization of the state social insurance budget project, taking into account the results of consultations with the Ministry of Labor and Social Protection and the Ministry of Finance;

f) The Ministry of Labor and Social Protection ensures the consultation of the draft state social insurance budget with other interested public authorities and the social partners, after which it presents the draft of the annual state social insurance budget law to the Government.

The Ministry of Finance ensures the integration of the state social insurance budget project in order to strengthen the national public budget. When drawing up the state social insurance budget project, the program budgeting methodology and the guidance on cost estimation, as well as other relevant instructions, are consulted.

The process of elaborating the forecast of the revenues and expenses of the state social insurance budget for the following year will include the analysis of the execution of these budget compartments for a period of at least 2 years prior to the projected budget year, the determination of the priorities in the field of social insurance to be financially supported in the following year and in at least 2 subsequent years and the development of the income and expenditure plan for each item according to the budget classification.

The Ministry of Finance examines the draft state social insurance budget for the following year, taking into account:

a) the analysis of the general indicators of the state social insurance budget in terms of the implications on the medium-term macro-budgetary limits and the financial sustainability of the public social insurance system;

b) the estimates of revenues and expenses of the state social insurance budget and the correlation with the priorities established in the Medium-Term Budget Framework and the sectoral spending strategy;

c) the performance of expenditure programs financed from the state social insurance budget, including from the account of transfers from the state budget.

The relations between the state budget and the state social insurance budget are realized through:

a) transfers with a special destination for granting social benefits and for other expenses, which according to the legislation in force, are borne from the state budget through the state social insurance budget;

b) transfers from the state budget to cover the insufficiency of the revenues of the state social insurance budget, if the resources of the state social insurance budget do not cover its expenses.

The volume of transfers with special purpose is estimated based on the proposals of the administrator of the state social insurance budget in accordance with the legislation in force on types of social benefits, resulting from the established size of social benefits and the number of beneficiaries estimated for the respective period.

The volume of transfers to cover the insufficient income of the state social insurance budget is calculated as the difference between the resources and own expenses of the state social insurance budget from the mandatory state social insurance contributions, the balance of funds in the account of the state social insurance budget at the end of the previous year, as well as transfers from the state budget for compensating the tariff difference of state social insurance contributions in the agricultural sector and compensating the canceled amounts of mandatory state social insurance contributions. (*Law of public finances and budgetary-fiscal responsibility, 2014*)

The own expenses of the state social insurance budget are the expenses of the state social insurance budget, with the exception of special purpose transfers from the state budget.

The formula for calculating the revenue shortfall of the state social insurance budget is:

The revenue shortfall of the state social insurance budget = Own revenues of the state social insurance budget + the balance of funds in the state social insurance budget account at the end of the previous year + Transfers from the state budget for the tariff difference of state social insurance contributions - own expenses of the state social insurance budget.

The divergences related to the state social insurance budget project, including regarding the establishment of interbudgetary relations with the state budget, are resolved within the special consultation organized with the participation of the leadership of the Ministry of Finance, the Ministry of Labor and Social Protection and the National House of Social Insurance.

During the consultation meeting, the representatives of the Ministry of Labor and Social Protection, assisted by the representatives of the National Social Insurance House, present their own arguments to the Ministry of Finance.

The Ministry of Finance analyzes the proposals through the prism of their justifications, makes suggestions or may request the re-evaluation of the draft budget, with the drafting of the respective opinion on the draft law of the state social insurance budget.

The state social insurance budget law contains general provisions regarding the approval of the main indicators of the corresponding budgets and regulations specific to the respective budget year, as well as annexes. The annexes to the state social insurance budget law include:

- a) synthesis of the state social insurance budget;
- b) expenditure programs of the state social insurance budget;
- c) other relevant data.

The Parliament examines and adopts the state social insurance budget law for the respective year within the term provided by the budget calendar.

The Parliament's permanent committee in the field of budget and finance is responsible for examining the draft annual budget laws in the Parliament.

The state social insurance budget law is examined and adopted in two readings:

- a) first reading: the report on the draft budget is heard, the general indicators of the budget are examined and approved (revenues, expenses and budget balance);
- b) second reading: the draft law is examined and voted on by articles or, as the case may be, as a whole.

The amendments proposed by the Parliament to the draft law of the state social insurance budget must be in accordance with the principles and budgetary-fiscal rules established by law.

Table 1. Synthesis of the state social insurance budget approved in 2017-2022, million lei

Indicators	2017	2018	2019	2020	2021	2022
I. Revenue, total	17513,7	19312,5	21427,4	23491,0	27629,1	33042,3
including transfers from the state budget	6105,2	6758,5	8575,3	8560,5	11067,9	14207,1
II. Expenses, total	17513,7	19312,5	21427,4	23491,0	27629,1	33042,3
III. Budget balance	0,0	0,0	0,0	0,0	0,0	0,0
IV. Funding sources	0,0	0,0	0,0	0,0	0,0	0,0

Source: prepared by the author based on the Social Insurance Budget Law for the years 2017-2022

From the data in table 1, for the years 2017-2020, a volume of approved revenues equal to that of approved expenses can be observed, and as a result the approved budget balance is zero. For the year 2017, a budget was approved with expenses in the amount of 17,513.7 million lei, which were equal to the revenues approved in the same amount. The approved funding sources constituted 0.0 million lei for the entire analyzed period.

Table 2. Expenditure subprograms of the state social insurance budget in the period 2021-2022, million lei

Code	Program name	2021			2022		
		Total	The state social insurance budget	The state budget	Total	The state social insurance budget	The state budget
	Expenses, total	27629,1	19474,4	8154,7	33042,3	23958,6	9083,7
90	Social protection	27629,1	19474,4	8154,7	33042,3	23958,6	9083,7
9002	Administration of the public social insurance system	245,1	245,1	x	258,5	258,5	x
9003	Protection in case of temporary incapacity for work	997,4	997,4	x	1009,6	1009,6	x
9004	Protection of the elderly	16852,4	13623,8	3228,6	21848,5	17404,3	4444,2
9005	Loss of maintainer protection	381,5	298,9	82,6	460,2	375,8	84,4
9006	Family and child protection	2870,1	2143,7	726,4	3190,7	2461,3	729,4
9008	Protection of the unemployed	75,1	59,6	15,5	60,7	58,6	2,1
9010	Social protection of people with disabilities	3144,7	2075,9	1068,8	3956,1	2360,5	1595,6
9011	Additional support for some categories of the population	1176,8	x	1176,8	224,7	x	224,7
9012	Social protection in exceptional cases	1360,3	x	1360,3	1378,6	x	1378,6
9019	Social protection of some categories of citizens	525,6	30,0	495,6	654,7	30,0	324,7

Source: prepared by the author based on Annex 2 of the Social Insurance Budget Law in 2021-2022

From the information systematized in table 2, it can be noted that in the 2021-2022 period, out of the 26 existing sub-programs in the nomenclature, 10 sub-programs are financed for the entire period.

4 Public authorities and institutions responsible for the state social insurance budget

In the field of public finances, the central public authority in the field of social protection has the following basic competences and responsibilities:

a) elaborates the policies in the field of state social insurance and social assistance and presents to the Ministry of Finance, based on the proposals of the National Social Insurance House, forecasts of the state social insurance budget and other information necessary for the elaboration of the medium-term budgetary framework;

b) presents and promotes, in the process of consultations with the Ministry of Finance, the Government and the Parliament, the draft law of the state social insurance budget for the respective year and, in case of necessity, draft laws regarding the modification of the budget in question;

c) monitor and analyze the execution of the state social insurance budget, as well as the performance within the programs;

d) submit proposals to the Government in order to ensure the financial stability of the public social insurance system;

e) exercise other powers and responsibilities provided for by legislation.

The National Social Insurance House has the following basic competences and responsibilities:

a) elaborates and presents to the central public authority in the field of social protection forecasts of the state social insurance budget and other information necessary for the elaboration of the medium-term budgetary framework;

b) draws up and submits to the central public authority in the field of social protection the draft of the annual law on the state social insurance budget and, if necessary, proposals for amending the state social insurance budget, as well as providing the necessary information for their substantiation;

c) participate in the process of consultation and promotion of the annual draft law of the state social insurance budget at the Ministry of Finance, Government and Parliament;

d) administers the state social insurance budget and implements the programs in accordance with the assumed objectives and performance indicators;

e) ensures the management of the means of the state social insurance budget and the administration of the public patrimony under management, in accordance with the principles of good governance;

f) presents to the Government, the central public authority in the field of social protection and the Ministry of Finance reports on the execution of the state social insurance budget, including on the performance within the programs, and ensures their publication;

g) exercise other powers and responsibilities provided for by legislation.

The general direction of budget planning within the National Social Insurance House performs the following main functions:

➤ organization and coordination of the drafting process of the annual state social insurance budget law, and, in case of necessity, of proposals to amend the budget law, in accordance with the normative framework and internal regulations;

➤ elaboration and presentation of state social insurance budget forecasts for the elaboration of the medium-term budgetary framework;

➤ participation in the promotion of the draft law of the annual state social insurance budget;

- monitoring, analysis and evaluation of the execution of the state social insurance budget;
- preparing and presenting the annual report on the execution of the state social insurance budget (narrative description) and ensuring its publication, as well as participating in the preparation of periodic reports on the execution of the budget, including the performance of the subprograms of the state social insurance budget;
- maintaining and strengthening the financial and budgetary management of the institution.

5 Conclusion

Some of the main tasks in the process of elaborating multi-year estimates:

- updating the costs of estimates developed in the previous year,
- elaborating the medium-term fiscal framework and expenditure forecasts,
- establishing expenditure ceilings under the projected level of total expenditure, with a view to setting aside a contingency reserve for the first year of the long-term planning period and a policy and contingency reserve for subsequent years,
- identifying savings in ongoing programs
- scheduling and budgeting under the double constraint of spending ceilings and the cost of existing policies.

Two other important issues in designing multi-year estimates concern the size of the long-term planning horizon and the price basis of the estimates. On the one hand, uncertainty makes it difficult to make estimates for too long a period of time. On the other hand, the planning period must be long enough to allow a meaningful assessment of the government's policy priorities. If the processes are disciplined and there is reasonable stability in the macroeconomic position and policy priorities of the government, a period of three or four years is an acceptable compromise.

The strategic planning of the state social insurance budget could be defined as:

- planning process of budget revenues and expenses for a future period which estimates the financial impact of the current policy program, but also of developments possible economic effects on society;
- a new way of managing the state social insurance budget with two basic elements of reform in the field of budget planning: results-oriented planning and planning in the medium term of the budget.

REFERENCES

1. Law of public finances and budgetary-fiscal responsibility no. 181 of July 25, 2014. [online] Available at: https://www.legis.md/cautare/getResults?doc_id=126152&lang=ro#. [Accessed 22 August 2022]
2. Law on the state social insurance budget for the years 2017-2022. [online] Available at: https://www.legis.md/cautare/getResults?doc_id=131290&lang=ro. [Accessed 22 August 2022]
3. Medium-term budgetary framework 2021-2023, Approved by Government Decision no. 776/2020. [online] Available at: <https://www.mf.gov.md/sites/default/files/documente%20relevante/CBTM%202021-2023%20romana%20Aprobat.pdf>
4. The methodological set regarding the development, approval and modification of the budget. Annex to the order of the Minister of Finance no. 209 of 24.12.2015 (amended by MF Order 98 of 20.06.2017). [online] Available at:

- <https://mf.gov.md/sites/default/files/Setul%20metodologic%20ajustat%20cu%20Ordinul%2098%20raport%20de%20perform%20-rom%2015.09.pdf>. [Accessed 05 September 2022]
5. Organisation for Economic Cooperation and Development (OECD). (1997). Budgeting for the Future. OECD Working Paper No. 95. Paris.
 6. Allen. R., Tommasi, D., Administration of public expenses. Reference manual for countries in transition. OECD. Paris 2001.
 7. Mardari, L., *The state social insurance budget in terms of budget classification*. În: Conference Proceedings "30 years of economic reforms in the Republic of Moldova: economic progress via innovation and competitiveness. Chisinau: ASEM, 2022, vol. 33, p. 440-450. ISBN 978-9975-155-66-3. Available at: https://conference.ase.md/files/publicatii/epub/conf_09.21_Vol-3.pdf
 8. Vişanu, T., *Budget planning in the Republic of Moldova: problems and solutions* Conference "Integration through research and innovation" Chisinau, Moldova, 2013, pag. 285-287