

Statement to the Panel
Ministry of Finance, Republic of Moldova

The pension system reform was initiated in the Republic of Moldova in 1999 with the adoption of the Pension System Reform Strategy. The Law on the public social insurance system as well as the new pension legislation were developed. These laws establish the principles and the ways of organizing the social insurance system, in general and the pension system, in particular.

The pension policy in Moldova is the responsibility of the Ministry of Social Protection, Family and Child, but the expenses for pensions are managed by the National Social Insurance Agency within the state social insurance budget which is a part of the national public budget. That's why the pension reform is considered a part of the fiscal system. The decisions on the social insurance contributions tariffs are examined as fiscal pressure on both the employer and the employee. Annually at the stage of preparing MTEF the impact of modifying the medium term social contributions shares is estimated. At the same time, according to the legislation in force, the State Social Insurance Budget deficit is covered from the state budget. Therefore, the State Social Insurance Budget financial durability is the objective of the Ministry of Finance.

The main approaches used within the reform are:

- The provision of the conformity between the insured risks, contributions and benefits, envisaging the observance of the social equity principle by a close correlation between the pension quantum and the volume of allotted contributions. In this regard it was decided to introduce the accounting of social insurance contributions and the corresponding Register. Starting from 2004 the process of redistributing the social insurance share between the employee and the employer was initiated, by increasing gradually the share paid by the employee.
- Elimination of benefits and privileged conditions and the unification of the pension system by integrating the pensions of some categories of employees as the public prosecutors, judges, the military of the law enforcement bodies in the public social insurance system. Up to now, the legislation on the payment of the pensions of the parliament members, members of the Government, civil servants was revised, as well as the responsibilities of the state social insurance budget and the state budget were determined. The way to establish the pensions for the agricultural sector workers was revised. A part of the contribution was covered from the state budget. The military of the law enforcement bodies, being outside the public pension insurance system, are fully insured by the state.
- Creation of a legal basis for private Pension Funds functioning on the basis of voluntary contributions providing for an additional pension to the pensioner. This element in Moldova is just at the beginning.

The pension reform should be seen as policies promoted on the financial and labor market. At present the number of the active population or the working one is decreasing. At the same time, the cessation of the retirement age growth, at the age of 57 for women and 62 for men, implies a tendency to increase the number of newly established pensions which will grow further on as a result of the demographic situation. Respectively, the ratio between the active population or the working one and the number of pensioners is decreasing meaning that the employees' workload will increase. This phenomenon could be stopped by stimulating the creation of new working places and reducing the migration of labor forces abroad. The Ministry of Finance supports this by promoting fiscal policy measures aiming at stimulating investments in the economy. On the other hand, starting

from 2004, annually, in the month of April, the pension indexation is performed depending on the level of inflation and the raise of the average salary in national economy with the purpose of not admitting the decrease of pensions in real terms.

Institutional arrangements. Taking into consideration the complexity of the pension reform as well as the current fragmented pension management system, the most effective unit for making institutional arrangements is considered the inter-ministerial working group including representatives of different public authorities (Ministry of Social Protection, Family and Child , National Social Insurance Agency, Ministry of Finance, Ministry of Economy and Commerce, Statistics Bureau, Ministry of Defense, Ministry of Internal Affairs, etc.) The key role is played by the Ministry of Social Protection, Family and Child. The experience in Moldova shows that a close and constructive cooperation is needed between the Ministry of Social Protection, Family and Child formulating the policy in the field of pension insurance and the National Social Insurance Agency managing the state social insurance budget.