

EFFECTIVENESS OF GOVERNMENT PROGRAMS TO SUPPORT FINANCIALLY VULNERABLE GROUPS

Scientific researcher, Iulia BEJENARU

National Institute of Economic Research, Academy
of Economic Studies of Moldova
Email: iuliabejenaru90@gmail.com

Scientific researcher, PhD in World Economy, Svetlana RUSU

National Institute of Economic Research, Academy
of Economic Studies of Moldova
Email: rusu.svetlana@ase.md

Abstract: *In the Republic of Moldova, financial vulnerability of the population is one of the key problems of socio-economic development. Economic crises, reduction of incomes and growth of poverty intensify this problem. To address this situation, the government has developed state programs to support low-income groups of the population, focused on financial inclusion. The article analyzes the effectiveness of these programs, evaluates the mechanisms of financial inclusion and identifies the main barriers to their successful implementation. International practices that can be adapted to improve the situation in Moldova are considered. Special attention is paid to administrative barriers, insufficient funding and low awareness of target groups. The study uses official statistical data, materials of state bodies and international organizations, as well as legislative acts regulating social assistance. The results of the study show that despite achievements, programs often fail to reach their goals due to various constraints. One of the most important findings is the role of digital financial tools in improving the accessibility and effectiveness of programs.*

Keywords: *financial vulnerability, state support, financial inclusion, social policy, administrative barriers, digital financial instruments.*

JEL Classification: *I32, H53, D63.*

1. Introduction

In the Republic of Moldova, as in most transition economies, one of the most urgent problems is the financial vulnerability of the population. This phenomenon is a consequence of various economic factors, such as economic crises, decrease in income, decrease in employment and increase in poverty. In conditions of economic instability, low social mobility and limited opportunities for quality education, a significant part of the population finds itself in the zone of social vulnerability. This has serious consequences for the stability and development of the country's economy, as the increase in the number of poor and vulnerable people contributes to further deepening of social inequality and instability.

In response to these challenges, the Government of the Republic of Moldova has developed and implemented a number of state programs aimed at supporting socially vulnerable groups in order to improve their living standards, access to financial services and inclusion of these groups in the economic life of the country. A key element of such programs is to ensure financial inclusion - a process whereby all citizens, including those from the poorest and most vulnerable groups, have access to financial services such as bank accounts, loans, insurance and other financial instruments.

However, despite the adoption of a number of measures, the effectiveness of these programs remains a matter of debate. One of the main problems is the low awareness of the target groups about the available opportunities, as well as administrative and financial barriers that hinder the full utilization of these programs. Therefore, it is an important task to evaluate their impact and effectiveness in order to identify weak links and suggest ways to improve them.

The purpose of this article is to analyze the effectiveness of state programs aimed at financial inclusion in the Republic of Moldova. The article discusses key aspects of the implementation of these programs, their impact on the living standards of vulnerable groups, as well as barriers that limit their success. Also, special attention is paid to the international experience in the field of financial inclusion and the possibility of its adaptation to improve the situation in the Republic of Moldova.

This work is based on official statistical data, materials of government agencies and international organizations, as well as on the results of scientific research in the field of social policy and financial inclusion. It is expected that the results of the study will allow to offer recommendations to improve the effectiveness of existing programs, which in turn will contribute to the improvement of the financial situation of low-income population and increase the overall level of financial inclusion in the country.

2. Financial inclusion

In the context of growing economic inequality, access to financial services plays a key role in poverty reduction, entrepreneurship development and household stability. Limited access to financial instruments significantly reduces opportunities for the poor, hindering their economic activity and social inclusion. One of the mechanisms to mitigate these problems is the social assistance system aimed at supporting the most vulnerable groups.

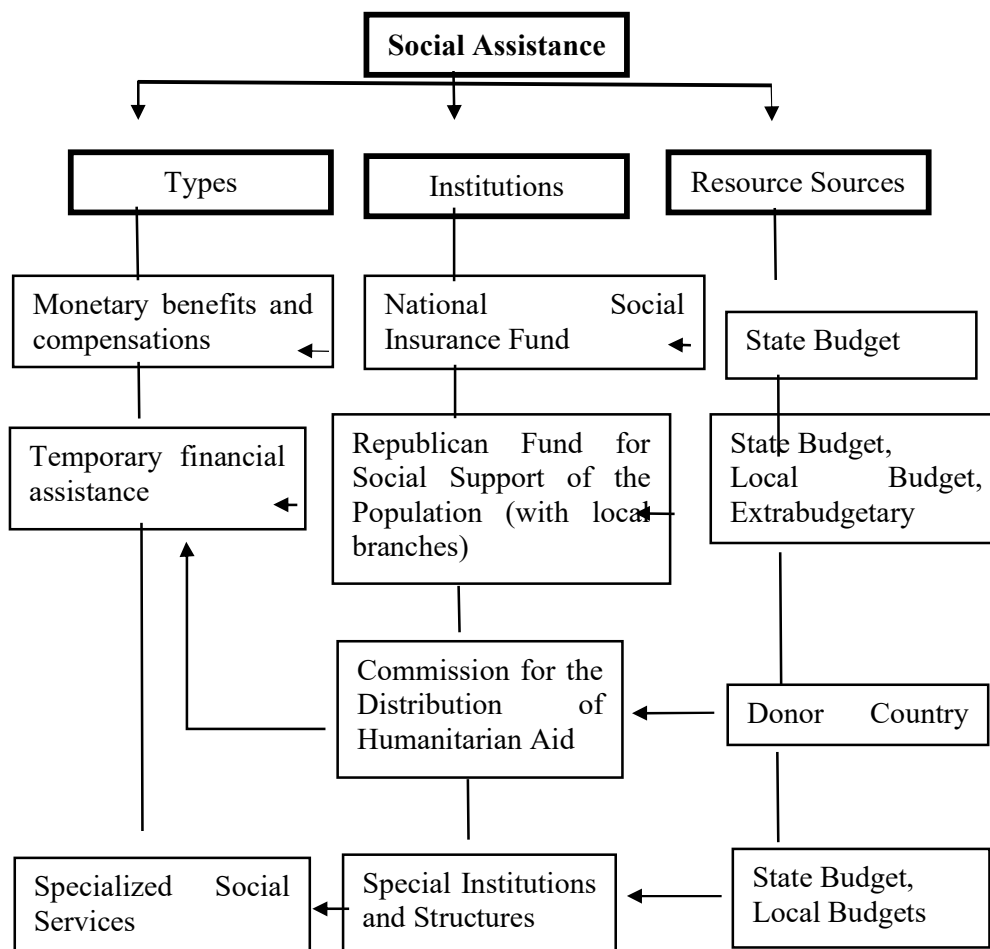
In the Republic of Moldova, social assistance is provided in several forms:

1. Cash benefits and compensations - payments aimed at supporting low-income families, pensioners and persons with disabilities.
2. Material assistance - temporary support in the form of food, clothing, medicines and other necessary resources.
3. Specialized social services - provision of assistance through special institutions and structures, including rehabilitation centers, social services and other organizations.

These measures are aimed at improving the living standards of vulnerable groups and facilitating their integration into the economic and social environment.

The Government of the Republic of Moldova has developed a number of programs aimed at supporting low-income and vulnerable segments of the population in order to increase their financial inclusion. The system of social assistance to the population of the Republic of Moldova consists of the following measures (Figure 1):

Figure No.1 Social assistance system of the Republic of Moldova.



Source: Scientific research «Assessment of the effectiveness of social assistance to some categories of population through the program of targeted compensations», Chisinau

The scheme reflects only those elements of social assistance that are managed and regulated by the state. Various foundations, charitable organizations, economic agents allocating funds for social assistance are also involved in this area, but the information on their activities is not generalized, so it is still difficult to assess their contribution to the formation of the national system of social assistance.

3. Evaluation of the effectiveness of state programs

The example of additional support measures presented by the Minister of Labor and Social Protection Alexei Buzu on December 6, 2023 demonstrates the practical implementation of state programs aimed at reducing the financial vulnerability of the population. Under this initiative, 67,711 beneficiaries from four vulnerable categories will

receive lump-sum payments of MDL 3,000 or 5,000, and the total budget of support measures will amount to MDL 226 million.

When analyzing the effectiveness of this program, it is important to assess several key aspects. First of all, it is necessary to determine whether the coverage of this initiative corresponds to the real number of people in need and whether the support actually reaches the target groups. There is also the question of the adequacy of the provided payments: whether the sums of 3,000-5,000 lei compensate for the additional expenses during the cold season, or whether additional measures are needed.

Equally important is the distribution of the allocated 226 million lei: how transparently and efficiently these funds are directed to those in need, and whether there are no administrative barriers that hinder access to assistance. In addition, the long-term impact of the program must be considered. One-off payments may temporarily alleviate the financial burden, but do not address systemic problems such as low income or limited access to financial services.

Program “Addressing the Impact of the Energy Crisis”: Implemented by the United Nations Development Program (UNDP) with the support of the European Union, this program aims to support vulnerable households, including Ukrainian refugees, through the provision of financial compensation to mitigate the impact of the energy crisis, especially during the cold season. In 2023, the program's budget was increased by €3 million to expand beneficiary outreach and introduce energy saving initiatives.

Socio-Economic Development Program (2021-2025): This program plans to gradually increase the minimum pension to the level of the pensioner's subsistence minimum by 2025, improve pension indexation mechanisms, increase wages for public sector workers with priority for low-paid categories, and introduce the Law on Maternity Capital to strengthen support for families with children.

State programs to support vulnerable populations, such as lump-sum payments and energy crisis compensation, provide temporary relief, but their effectiveness depends on the coverage of real needs and the adequacy of the amounts provided. Payments of MDL 3,000-5,000 may not fully cover additional costs during the cold season, and one-off assistance does not address underlying problems such as low incomes and limited access to financial services. It is important to ensure transparency and efficiency in the distribution of funds, and to develop long-term measures to improve the economic situation of the population.

4. International experience and possibilities of adaptation for Moldova

Many countries successfully apply different approaches to support financially vulnerable groups of population, which can be adapted for the Republic of Moldova. For example, the UK has introduced social bonds that attract private investment to finance social programs. Kazakhstan implements measures to improve accessibility of financial services for persons with disabilities, including adaptation of banking services. The US and a number of African countries actively use direct cash transfers, which, thanks to digital technologies, reduce administrative costs and increase the targeting of support. Germany supports social entrepreneurship by creating favorable conditions for businesses that solve social problems. Special attention is paid to migrants and refugees: international organizations, such as UNHCR, develop special financial programs for the integration of these groups. Australia has a national strategy of financial inclusion, including educational initiatives and digital tools.

Adapting these practices in Moldova can help improve the effectiveness of state support, reduce poverty and increase access to financial resources for vulnerable groups.

5. Integration of support measures for vulnerable populations

In the cold period of 2025, the Minister of Labor and Social Protection Alexei Buzu presented a new package of support measures for vulnerable citizens. A total of 67,711 beneficiaries will receive lump-sum payments ranging from 3,000 to 5,000 lei, depending on the category, for a total amount of 226 million lei. These measures are aimed at helping those who are particularly in need of support during the winter period.

Launched in 2022, the cash assistance program for vulnerable citizens of the Republic of Moldova continues to operate with the support of the United Nations World Food Program (WFP), the United Nations Population Fund (UNFPA) and the International Organization for Migration (IOM), in cooperation with the Ministry of Labor and Social Protection. The program aims to reduce the impact of high energy and gas prices on the most vulnerable groups of the population and to provide for their basic needs.

The main beneficiaries of the program are pensioners, families with children with disabilities, and pregnant and breastfeeding women. Specifically 56,236 pensioners, 3,019 families with children with severe disabilities, 7,195 families with persons with disabilities and 1,261 pregnant or lactating women will receive lump sum payments. These measures significantly improve the living standards of vulnerable citizens in conditions of economic instability.

As part of its efforts to strengthen the social protection system, UNFPA is focused on supporting the Government of the Republic of Moldova, with particular attention to the needs of pregnant women who have given birth to children under 13 months of age, as well as older persons facing special challenges. IOM continues to support the reform of the national social protection system under the RESTART reform agenda, providing financial assistance to vulnerable Moldovan citizens, including families with children with special needs.

In March 2025, a workshop was held where representatives of public institutions, international development partners and social service providers discussed the implementation of an innovative social support model “Cash Plus”. This model, which includes both financial assistance and social inclusion services, aims to facilitate access to the labor market for vulnerable individuals and families seeking employment.

The Cash Plus model implemented under the Social Assistance Program includes case management, which helps social workers identify problems, propose solutions, and monitor the effectiveness of social assistance delivery. This model strengthens beneficiaries' ability to overcome difficulties and build a more stable future through sustainable solutions.

In addition, WFP conducts training workshops for trainers and representatives of national social protection institutions, and UNICEF, with financial support from the Governments of the United Kingdom and France, provides assistance to the Ministry of Labor and Social Protection to strengthen the capacity of social service providers. These measures will help improve the quality of social services and increase access to needed assistance.

The program continues to operate thanks to the support of a number of UN agencies in Moldova, such as UNICEF, IOM, WFP, UNHCR and other partners. These initiatives play a key role in improving access to quality social services and ensuring a better life for the most vulnerable groups.

6. Conclusions

Financial vulnerability remains an acute problem in the Republic of Moldova, significantly affecting the economic stability and social well-being of the population. Despite various government efforts and international support, challenges remain in ensuring effective financial inclusion of vulnerable groups.

The analysis of state programs aimed at financial inclusion in Moldova shows that although financial assistance measures provide necessary support to low-income citizens, pensioners and families with disabilities, their effectiveness is limited by administrative barriers, low awareness of beneficiaries and short-term nature of some initiatives. Programs such as lump-sum payments, targeted social assistance, and cooperation with international organizations help alleviate current financial difficulties, but do not yet address the systemic problems contributing to financial vulnerability.

International experience shows that sustainable financial inclusion requires an integrated approach that includes financial education, access to digital banking services and support for social entrepreneurship. Countries such as the UK, Germany and Australia have successfully implemented long-term strategies that integrate social and financial support mechanisms, which can serve as an example for Moldova.

The introduction of the Cash Plus model, which combines financial assistance with social services and employment support, represents a promising step towards a more integrated and sustainable approach. Improving social programs by introducing case management and capacity building initiatives will increase the efficiency of resource allocation and contribute to the long-term economic sustainability of vulnerable groups.

To increase the effectiveness of financial inclusion policies, it is necessary to improve information campaigns, simplify administrative processes and increase cooperation with international and private organizations. The development of digital financial tools and the promotion of financial literacy will also help to empower vulnerable populations, providing not only short-term support but also long-term economic stability.

Overall, while progress has been made in ensuring financial inclusion through various social assistance programs, Moldova needs to continue to work on removing existing barriers and implementing sustainable financial support mechanisms. Adapting successful international practices and strengthening the financial infrastructure will significantly improve the financial situation of the most vulnerable citizens, contributing to social stability and economic development of the country.

References

1. Center for Strategic Research and Reforms, 2003. *Evaluation of the Social Assistance System in the Republic of Moldova*. [pdf] Available at: <<https://www.cisr.md.org/pdf/0301%20Evaluation%20of%20the%20Social%20Assistance%20RUS.pdf>> [Accessed 1st of March 2025].
2. Impact Invest, 2025. *Social Impact Bonds*. [online] Available at: <https://www.impactinvest.org.uk/case-study/social-impact-bonds/> [Accessed 1st of March 2025].
3. Moldova Liberă, 2025. *The Ministry of Social Protection, in partnership with foreign partners, launched a program to help vulnerable Moldovan and refugee families*. [online] Available at: <<https://moldovalibera.md/minsoczzashhity-v-partnerstve-s>>

- inostrannymi-partnerami-zapustilo-programmu-pomoshhi-uyazvimym-semyam-moldavan-i-bezhenczev/> [Accesed 1st of March 2025].
4. UNDP Kazakhstan, 2025. *Ratification of the Optional Protocol by Kazakhstan: An Important Step Towards Protecting the Rights of Persons with Disabilities*. [online] Available at: <<https://www.undp.org/kazakhstan/news/ratification-optional-protocol-kazakhstan-important-step-towards-protecting-rights-persons-disabilities/>> [Accesed 1st of March 2025].
 5. UNICEF Moldova, 2023. *Additional Support Measures During Cold Season for Vulnerable Moldovans*. [online] Available at: <<https://www.unicef.org/moldova/en/press-releases/additional-support-measures-during-cold-season-vulnerable-moldovans>> [Accesed 1st of March 2025].
 6. UNICEF Moldova, 2023. *Implementation of the "Cash Plus" Model in the Social Assistance Program: A New Approach to Social Protection*. [online] Available at: <<https://www.unicef.org/moldova/en/press-releases/implementation-cash-plus-model-social-assistance-program-new-approach-social>> [Accesed 1st of March 2025].