

# The design of the social assistance benefit in Moldova

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# The social protection system

Tab. 1 Key elements of the Moldovan social protection system

Social payments		Social services		
<i>Social insurance</i>	<i>Social assistance</i>	<i>Primary</i>	<i>Specialized</i>	<i>Highly specialized</i>
Budget for social insurance	State budget	Local budget	Local budget	State budget
Pensions (17)	Payments (26):	Community social assistance	Day center for the elderly	Residential institutions for the elderly and adults with physical disabilities
Other payments (9)	- Means-tested (2)	Social care at home	Day center for disabled children	Residential social institutions for adults with mental disabilities
	- Old-age, disability, children, Cernobîl, veterans (24)	Social aid canteen	Professional Parental Assistance Service	

# Poverty in Moldova

Tab. 2 Main indicators used for the assessment of poverty

<i>Indicator</i>	<b>2020</b>	<b>2021</b>
<i>Absolute poverty threshold (EUR)</i>	110	109
<b>Rate of absolute poverty (%)</b>	26,8%	24,5%
<i>Extreme poverty threshold sărăciei (EUR)</i>	88	88
<b>Rate of extreme poverty (%)</b>	10,8%	9,5%
Subsistence minimum	104	103

Source: National Bureau of Statistics

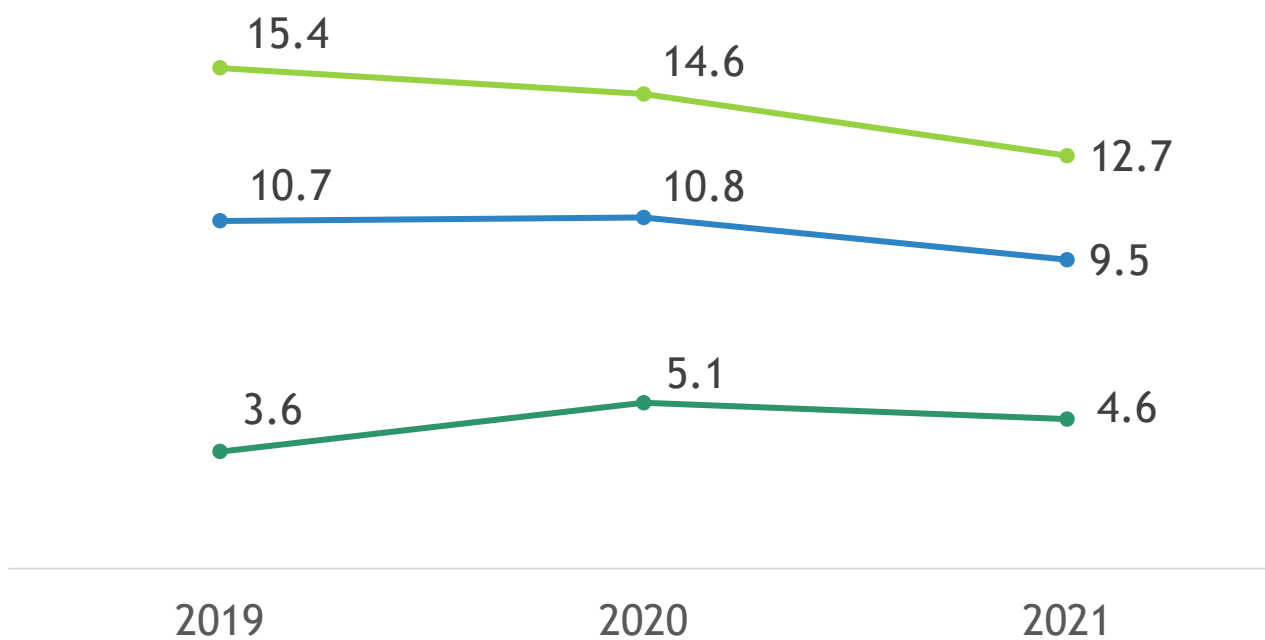
MDL to EUR:

2020, 19.9

2021, 20.8

# Extreme poverty has been falling, but remains particularly high in rural areas

Fig. 1 Evolution of the extreme poverty rate in Moldova, %



# Profile of poor households in Moldova

- ▶ The poverty rate is higher in large households
- ▶ Households with 3 and more children
- ▶ Households with people with disabilities
- ▶ Associated with low educational level
- ▶ Head of household is over 65
- ▶ Main activity of the household head is agriculture
- ▶ Remote location

# Social Assistance Program

## Social Assistance Benefit

*Means-tested program, based on minimum guaranteed income*

## Cold weather assistance

*Additional support program, consisting of additional payments of 35 EUR between Nov-March*

Cumulative fulfillment of these conditions = AS & APRA

### 1. Income test

Income lower than the one guaranteed by the state for this household.

### 2. Occupational status

All adult members must demonstrate an occupational status or inability to work.

### 3. Proxy test

The goods are taken into account, regardless of how they came to be used by the family

## Key statistics describing the program

- ▶ 2021 - Dec 37k recipient households and 111k beneficiaries of AS = 4.3% of the population, 210k - recipients of APRA
- ▶ Total budget for 2021: 32 mln EUR - AS, 25 mln EUR - APRA
- ▶ Share of social assistance program in GPD: 0.2%, share in overall social expenses: 5.5%
- ▶ Average payment per household: approx. 54 EUR, 18 EUR per person

Tab. 3 AS beneficiaries by household type

<i>Type of household</i>	<b>Number</b>	<b>Share</b>
<i>Total, December 2021</i>	37, 322	100%
Families with children	13,945	37%
Families with pensioners	9,661	26%
Families with people with disability	20,507	55%

# Key problems with the current design of the program

1. The coverage of the program is insufficient
2. The average payment of social assistance is too low to combat extreme poverty
3. Although most vulnerable, families with children are underrepresented
4. The share of the unemployed included in the program is high
5. No difference between degrees of disability - all equal occupational status

Only 26% of the extremely poor families were included in the program in Dec 2021. Only 7% of families in the poorest two consumption quintiles receive social assistance.

Out of the 120,000 extremely poor families, 109,000 still remain in this category even after 31,330 of them benefit from social assistance.

52% of families in the first consumption quintile have children. Of the 20% poorest households every second one has children. Meanwhile, the share of families with children in AS represents only 37%.

Every fourth unemployed person in the country is also a beneficiary of social assistance.

There is no significant difference between the employment rate of people without a disability and people with a mild disability which is counterintuitive.

COVERAGE

WORK  
DISINCENTIVES



# Deep dive on existing work incentives and disincentives

## Existing activation mechanisms

### Cooperation agreement

Signed between the Regional social assistance department and the beneficiary. The benefit can be used exclusively for:

- ▶ food;
- ▶ clothing;
- ▶ housing;
- ▶ hygiene;
- ▶ medical services;
- ▶ education;
- ▶ children's education.

### Activities of community interest

- ▶ Unemployed AS beneficiaries
- ▶ Mayor's request
- ▶ Observance of the normal length of working time + occupational safety/health norms

### Obligation to accept work

The beneficiary has to be registered with the Employment Agency and can be excluded if:

- refused a job proposal;
- refused the services of the Employment Agency;
- has missed the monthly visit with the Employment Agency and lost the unemployed status

Still the problem persists.

1. Mayors are reluctant to use ACIs for political reasons
2. Corruption leads to perpetuating unemployed status
3. Objective lack of formal permanent jobs in rural areas
4. Daily work in agriculture not recognized as an occupational status

# Priorities for reforming the Social Assistance Program

## Stimulating employment

- Gradual reduction of the benefit amount - by 20% to 40% after 6 and 9 months of unemployment respectively
- Prohibit repeated applications for those previously unemployed for 12 months or more for a 1 year period
- Maintain the benefits to be paid up to 3 months after the unemployment of the beneficiary
- Increasing the income disregard for the employed by 150%
- Requiring a separate occupational status for the mildly disabled
- *Specifying a minimum amount of land to be owned to qualify for occupational status*

- Allow for daily worker in agriculture to qualify as an occupational status for 60 days worked over a 12 months period

## Increasing coverage

- Increasing by 40% the minimum guaranteed income for children
- Increasing the minimum guaranteed income for the severely disabled



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Thank you!