

## THE IMPACT OF GOVERNMENT GRANTS AND SUBSIDIES IN THE REPUBLIC OF MOLDOVA ON STIMULATING ECONOMIC DEVELOPMENT

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### Introduction

In the context of modern economic challenges, grant and subsidy financing plays an increasingly important role in public interventions aimed at supporting productive sectors, increasing competitiveness, and attracting investments—especially in a landscape shaped by issues such as migration, limited opportunities for small and medium-sized enterprises, and the need to align with European standards. Grants and subsidies have become essential tools for stimulating sustainable development, supporting the business environment, and reducing regional disparities.

In the Republic of Moldova, the efficient use of public funds is crucial to the process of European integration and strengthening economic resilience, thus justifying an in-depth analysis of how these resources are managed and capitalized upon.

### Material and Methods

From a theoretical and scientific perspective, this research was conducted using various qualitative research methods, such as comparison, analysis and synthesis, induction and deduction. Additionally, the observation method and the study of statistical data were applied.

### Results

Grants are non-refundable funds allocated for activities of public interest, while subsidies represent a form of non-refundable resource transfer from the state budget to a particular beneficiary—mainly small and medium-sized enterprises—in exchange for meeting specific conditions. These transfers are intended to reduce production costs and stimulate competitiveness. Both instruments require transparency and monitoring to prevent inefficient use of public money.

This analysis is grounded in the theory of public goods, agency theory, and allocative efficiency theory, which justify state intervention and the need for rigorous impact evaluation.

The research findings show that grants and subsidies are essential instruments for modernizing small and medium-sized enterprises, developing the agricultural sector, and supporting innovation in every country, including the Republic of Moldova.

During the period 2020–2024 in the Republic of Moldova, programs managed by AIPA (Agency for Intervention and Payments in Agriculture) and ODA (Organization for Entrepreneurship Development) financed over 6,000 projects, attracted investments of approximately 3 billion lei, and generated more than 10,000 jobs.

The analysis demonstrates a positive economic impact, with beneficiaries experiencing a 15–20% increase in productivity and strengthened capacity to compete on both domestic and international markets. Case studies, such as the "PARE 1+1" program, confirm a significant multiplier effect on private investment.

Success depends on transparency, monitoring, and managerial capacity, while the main challenges include bureaucracy, corruption, lack of coordination, and difficulties in measuring real impact.

### Conclusions

State grants and subsidies substantially contribute to the economic development of the Republic of Moldova; however, their effectiveness depends on process transparency, beneficiaries' managerial capacity, and institutional coordination. To maximize impact, it is necessary to reduce bureaucracy, improve project monitoring, and strengthen the strategic framework. Implementing modern public management practices will ensure optimal use of financial resources and support sustainable national economic development.

**Keywords:** *economic development, public funds, grants, subsidies, etc*

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