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# Study on indebtedness of the most vulnerable households in Moldova, in the context of energy crisis

Chisinau, 2022





# **Study on indebtedness of the most vulnerable households in Moldova, in the context of energy crisis**

Chisinau, 2022

Research conducted by **Veaceslav Ioniță**, economic policy expert at the Institute for Development and Social Initiatives (IDIS) "Viitorul".

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# Content

Impact of the energy crisis estimated on the basis of open data .....	7
Opportunity and risks of lending individuals in overcoming the 2022 energy shock. ...	14
Measures of the Moldovan Government to mitigate the negative effects of the energy crisis .....	18
Summary of qualitative measurements (structural interviews on the impact of the energy crisis with people from vulnerable groups, Annex 1) .....	20
Conclusions .....	21
Recommendations .....	23
Annex 1 .....	24
Annex 2 .....	38
Annex 3 .....	39
References .....	42

## Research goal:

Study and assess the factors affecting the growth of loans taken by population, caused by the effects of the 2022 energy crisis and how these factors affect the medium- and long-term financial sustainability of individual households in the Republic of Moldova. The indebtedness of the most vulnerable households in the Republic of Moldova is a considerable social pressure that affects the population of the Republic of Moldova unequally, depending on the residential environment, age, access to income and well-paid jobs and other circumstances.

## Preliminary data of the research:

Records of the National Bureau of Statistics (NBS) show 1.319 million registered dwellings. However, due to migration flows, many of these dwellings are not inhabited. The cost estimation for general heating depends on the number of inhabited dwellings. To assess the degree of state intervention in this area, we calculated the actual number of inhabited households. For this purpose, we used 2 types of data: (1) the number of population currently located in the territory of the Republic of Moldova, as of 1 January 2022, representing 2.6 million inhabitants, (2) NBS provides us data on the average size of Moldovan households – 2.3 people. Thus, the number of households is 1.130 million, of which 200,000 are uninhabited for various reasons. In this study, we operate with the actual number of households, excluding uninhabited households and adding more precision to the upcoming calculations<sup>1</sup>. Note that the estimates used in this study were drawn on the basis of the energy consumption of the population taken from the National Bureau of Statistics reports: Energy balance of the Republic of Moldova for 2007–2021, Statistic Yearbooks, ANRE<sup>2</sup> annual and quarterly reports on gas and thermal agent<sup>3</sup>, data from 'Moldosilva' Agency<sup>4</sup>. Note that the estimates drawn for the cost of gas were made exclusively for gas for domestic heating (in households). Additionally, households consume about 7 million m<sup>3</sup> of gas for cooking. The data include both the volumes of energy source consumed and the prices per resource. For 2022/2023, our estimates were drawn in line with general trends within the energy resources market. Gas costs, which have the highest share, have been estimated based on the current tariff of MDL 23/m<sup>3</sup>, even though Moldova Gas already requests a price of MDL 29 m<sup>3</sup>, and their estimates for gas are MDL 36/m<sup>3</sup>. As regards wood, we operated with the price regulated by the Government for wood from forests, plus costs of removal from the forest and transporting, which amount to 70% of the cost for wood. In addition, we also considered the cost of wood material at commercial price, on average by 20-30% higher. The price for heat was calculated on the basis of existing tariffs, even though we are aware that the price will be increased until the heating season.

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1 The costs were established on the basis of: annual reports 'Aspects of people's standard of living of the population for 2007-2022' as well as ' "Moldovagaz" presentation on the structure of gas consumption by population categories'.

2 Source: Volume of gas consumed by consumers (including households) annually and quarterly on the territory of the Republic of Moldova. <https://www.anre.md/rapoarte-de-monitorizare-3-272>

3 Source: Volume of thermal agent delivered to consumers, including households. <https://www.anre.md/rapoarte-de-monitorizare-3-95>

4 Source: Volume of wood material traded annually by 'Moldosilva' Agency – <http://www.moldosilva.gov.md/pageview.php?l=ro&idc=192&t=/Activitati/Valorificarea-padurii/Produce-lemnose&>

# 1. Impact of the energy crisis estimated on the basis of open data

The first task of the study was to estimate the energy source that individual households will use during the winter season. This can be done on the basis of the annual NBS reports ('Aspects of the Moldovan population's standard of living in 2020', and the most relevant information can be found in the 'living conditions' chapter. Based on these data and the data on average gas consumption by households, we estimated that the vast majority of households in the Republic of Moldova, during the heating season, use wood and coal as their primary source of heat; households heated by individual gas central heating plants, and central heating is mainly found in large cities (Chişinău and Bălţi), to which 165,000 households are connected, according to Figure 1. At the same time, there are 630,000 individual households connected to gas, of which 345,000 use gas only for cooking or heating water.

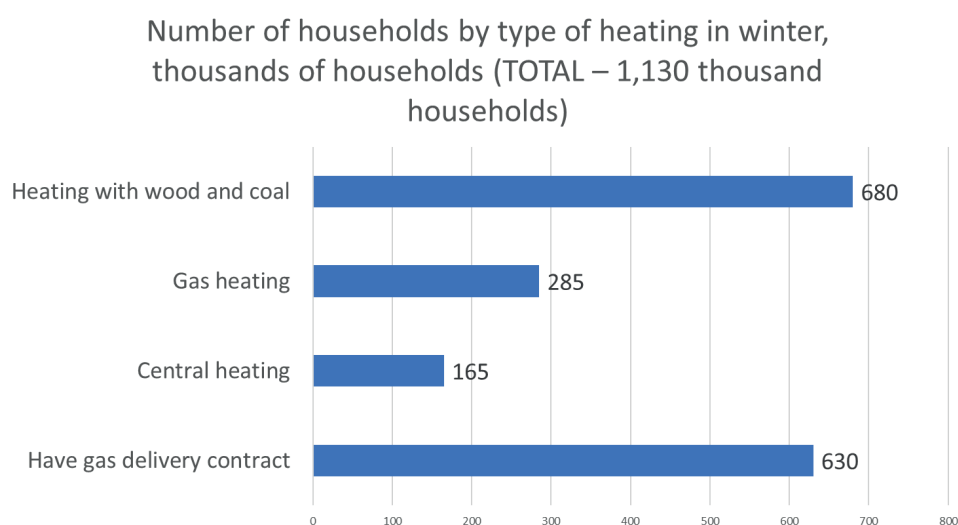


Figure N.1

The study aims to identify the profile of the most vulnerable (poor) social groups that require emergency interventions from the state, in order to survive under the energy pressure. Analysing NBS data on the type of resources used for heating depending on the type of locality (rural-urban) and income categories, we concluded that in the Republic of Moldova there is a severe segregation of the population according to the above mentioned criteria. Thus, income variables keep the poorest 10% groups of the population more than 90% dependent on heating with firewood and, to a lesser extent, coal. Gas heating is accessible to only 5% of the poorest members of society. Only 4% of the poorest have access to central heating. Government will provide wood to socially vulnerable families at subsidised price<sup>5</sup>. Thus, citizens will be able to purchase hard wood at the cost of MDL 550-875/1 m<sup>3</sup> and soft wood at MDL 350-475/1 m<sup>3</sup>. An action plan for the winter of 2022-2023 was adopted to ease the situation for about 658,000 households. About MDL 64 million subsidies, offered by Moldsilva, will be spent on this measure. Agency would provide subsidised wood only to households and educational institutions – each person in the vulnerable group will be able to buy up to 3 m<sup>3</sup> of wood at a capped price. It is also prohibited to purchase wood through intermediaries for marketing.

<sup>5</sup> <https://tv8.md/2022/04/08/familiiile-social-vulnerabile-vor-putea-achizitiona-pana-la-trei-metri-steri-de-lemn-preturile-anuntate-de-guvern/207109>

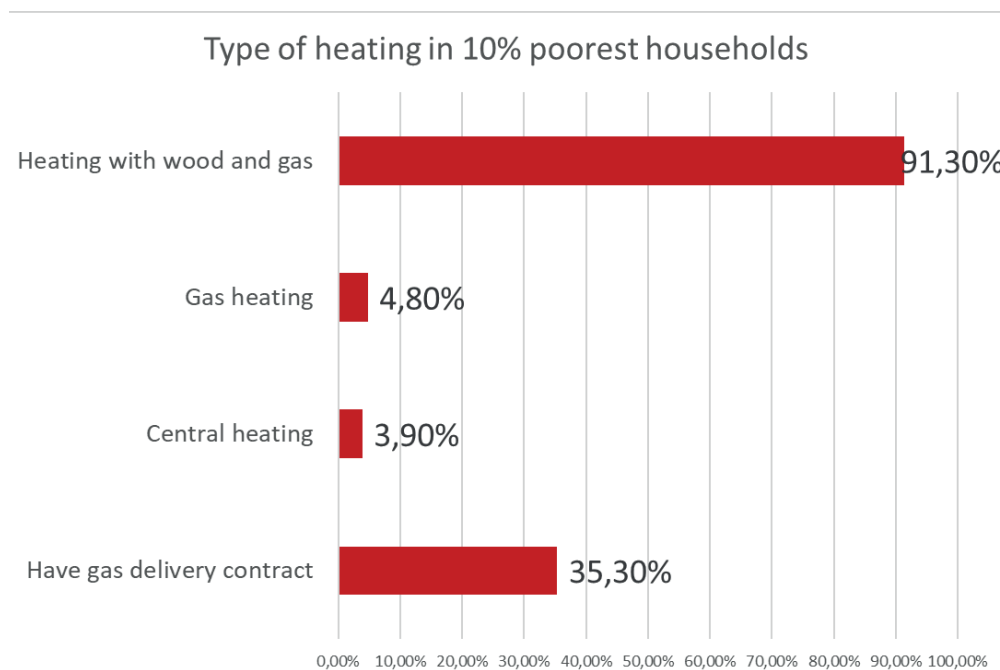


Figure N.2

The phenomenon of segregation of the poor according to the type of heating by their area of residence is most clearly observed. Thus, 90% of the rural population is dependent on wood and coal, only 10% of them have access to gas heating systems. Given that the rural population in the Republic of Moldova amounts to about 1.5 million (as per data of 2022, population of habitual residence, at the beginning of the year by years, average, sex) or 58% of the total population, vast majority of the rural population is in a situation of **extreme energy poverty**. Only 19% of urban population from small towns warm themselves with wood and coal. Central or gas based heating of the urban environment is characteristic for Chişinău and Bălţi municipalities and district centers (as a rule).

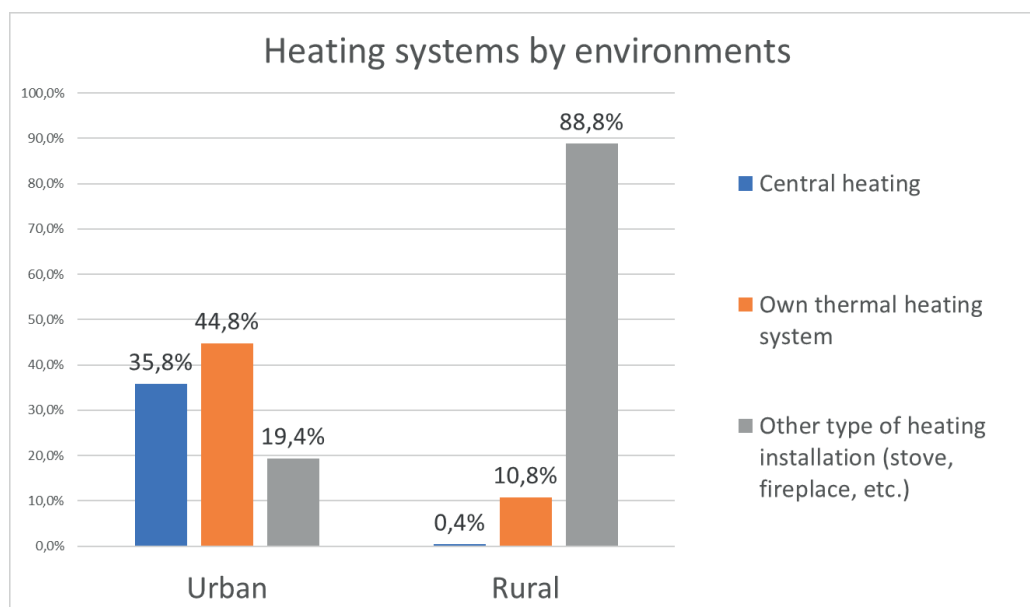
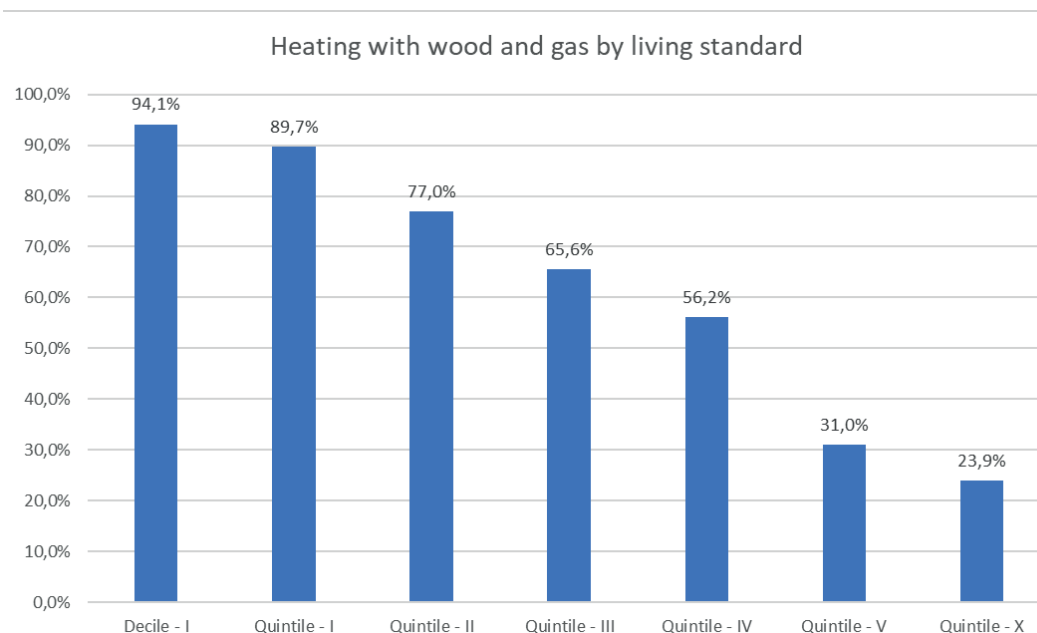


Figure N.3

The study led us to the following observation. There is a strong correlation between people's standard of living and their source of heat during winter. Thus, 94% of the poorest (10%) warm themselves with wood or coal, while the top 40% of the poorest, who should be the target group of



compensation policies, are 85% dependent on heating with wood and coal. In reality, the poorest 380,000 households lacked and are not connected to centralised sources of gas or thermal agent supply and are dependent on traditional forms of heating during winter.



**Figure N.4**

To determine immediate needs for the heating season, we decided to estimate the average fuel consumption in the Republic of Moldova over an average of (last) 5 years. By heating season, authors of the study mean 6 months, comprising the months of October to March. During this heating period of individual households, 280 million m<sup>3</sup> of natural gas are consumed for heating; additionally, during the same period, these households consume about 50 million m<sup>3</sup> for cooking and hot water. According to the data from ANRE annual report, the centralised thermal agent used in the Republic of Moldova is estimated at 1.2 million Gcal. Based on information from 'Moldsilva' reports, we note that in Moldova, 500,000 m<sup>3</sup> of wood are sold to households annually. According to our estimates, the unobserved consumption of wood in the Republic of Moldova (unofficial sales, poaching, taking of brushwood, private logging for own consumption on private land) represents another volume of about 500,000 m<sup>3</sup>. According to NBS data, the population purchases about 65,000 tons of coal annually.

**Table N.1**

### Consumption of main household energy resources for heating purposes

Energy source, In order of share in heat generation	Quantity
Gas, million m <sup>3</sup>	280
Thermal agent, thousand Gcal	1.200
Wood (official), thousand m <sup>3</sup>	500
Wood (unofficial), thousand m <sup>3</sup>	500
Coal, thousand tons	65

To understand the contribution of each energy source to the population's heating needs during the cold season, we found it necessary to convert all the above mentioned energy types into kWh.

Thus, we could observe the following regularities:

Annually, Moldovan population obtains about 6.8 million kWh of heat from various energy sources. The main source of heat is gas (2.8 million or 41% of total consumption). The second source of heat is the thermal agent, estimated at about 1.4 million kWh or 20% of total consumption. We note that gas provides more than 60% of all heat obtained by the population during the cold season, either by converting gas into thermal agent or by private consumption at the individual household (at the place of residence). Wood generates 2 million kWh or 30% of consumption, but note that in this context only 50% of this source is procured officially, while the rest comes from obscure sources. Coal accounts for 0.6 million kWh or 9% of consumption.

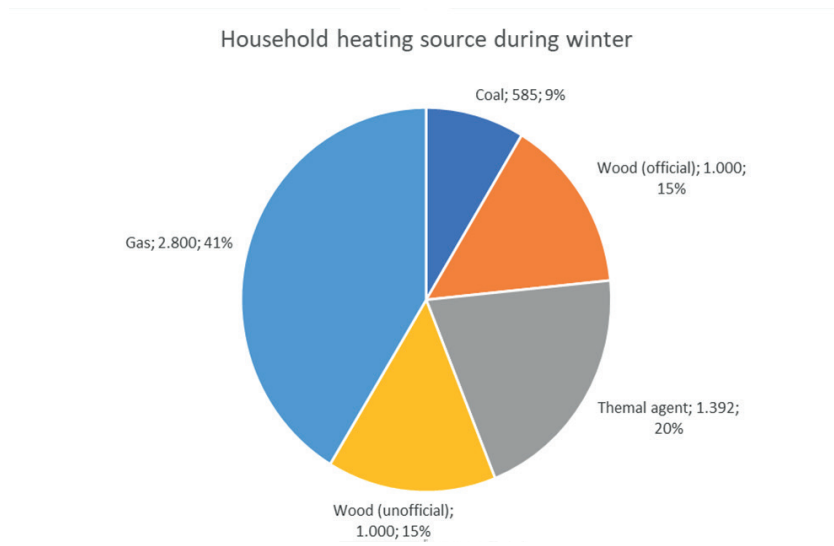


Figure N.5

The first point is that although most of the population warms themselves with wood, this source is not the majority element within the national energy balance. In order to observe the discrepancies within the current energy consumption market, we calculated the average amount of heat obtained by 1 household depending on the heat source used. Households connected to gas systems get about 9.8 thousand Kw heat per season (6 months), while households dependent on wood or coal get on average 3.8 Kw heat per season. The existing gap to accessible heat volume amounts to 2.6 times. We may conclude that the rural population, lacking financial means, heats themselves worse in winter and experiences severe energy poverty.

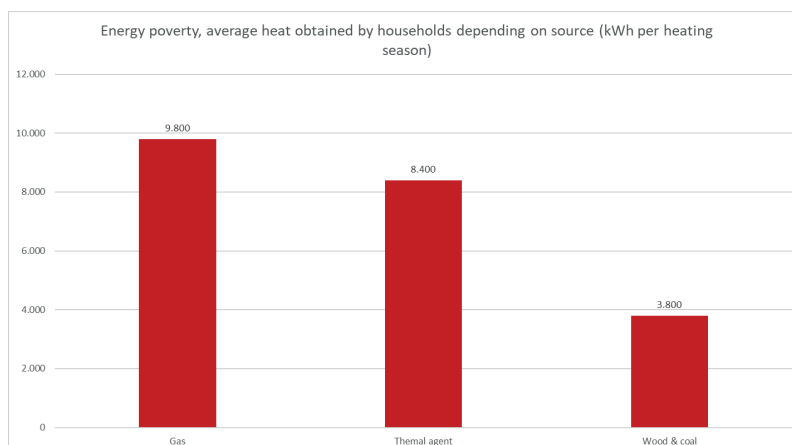
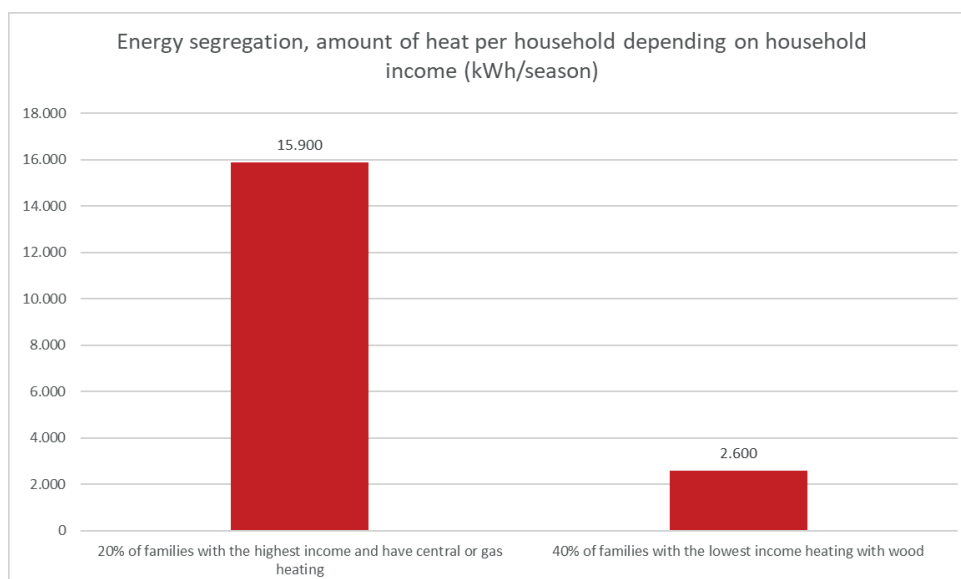


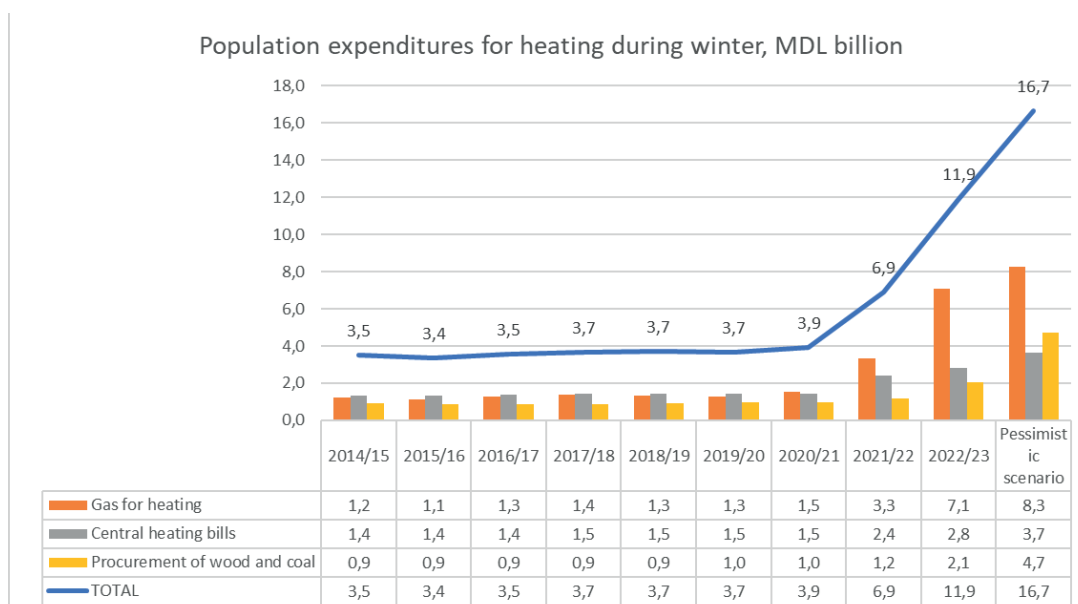
Figure N.6

To determine the segregation of the population according to access to heat sources during winter, we found it useful to analyse the amount of heat obtained by individual households, choosing 2 types of households: 20% of the richest citizens (connected to gas) and 40% of the poorest citizens (dependent on wood supply). In the first case we speak about 500,000 urban residents, who obtain 15,900 kWh of heat during the cold period of the year, while about 1 million rural residents (in villages), who obtain no more than 2,600 kWh of heat during the same period of the year. The segregation of the population according to access and quality of heating is 6 times, being a ratio estimated averagely, because inequalities within these 2 groups are even deeper. We believe that vulnerable groups compensation policy, implying state aid for the purchase of wood at special prices is very necessary, but the overall effects will allow poor people to receive the same level of heating as in previous years, but will not address structural energy poverty they live in for a number of years.



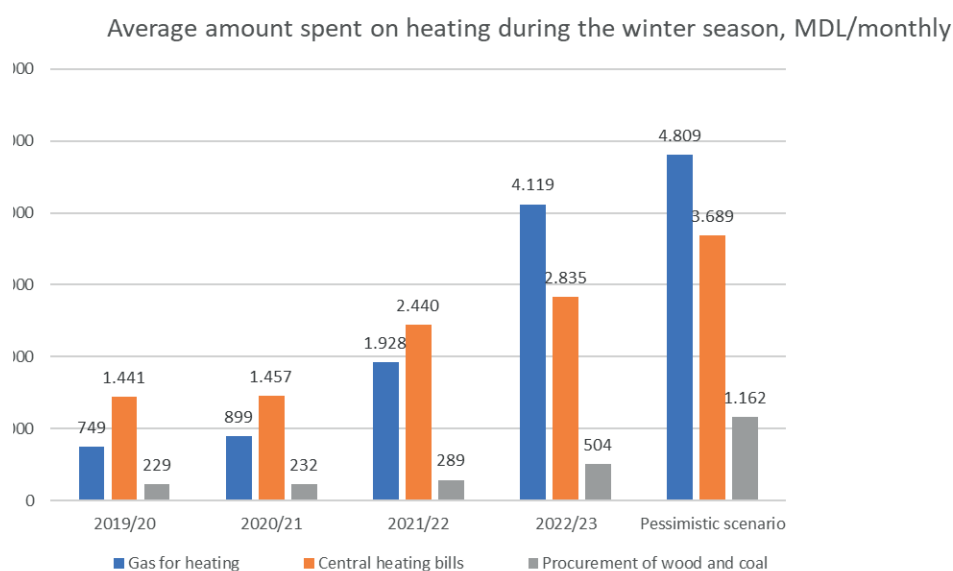
**Figure N.7**

Following the logic of the research and to understand the mechanics of the unprecedented 2022 energy crisis, we found it necessary to estimate annual heating expenses for the last 7 years. During this period of time, Moldovan population allocated about MDL 3.5-4 billion for the cold season. In 2021-2022, these expenses increased by 75% to MDL 7 billion. Population did not feel the shock, the central government had a policy of compensating gas and thermal agent price growth. In the next cold season (2022-2023), the most optimistic projection sees an increase in heating costs up to MDL 12 billion. Our estimates show that these costs will not be less than MDL 17 billion – an increase of 3 times higher than in the previous season or 4-5 times higher than usual. The dramatic rise in heating costs is primarily due to the explosion in natural gas prices; tariffs have increased fivefold during one year – from MDL 4.57 in 2021 to MDL 23. In our view, this tariff is not final, and by early winter we anticipate another tariff increase. Our estimate is based on the fact that the current tariff does not cover the gas purchase cost, the company that supplies most consumers with gas will default, and the problem of unsettled historical debts (USD 700 million) of consumers from the right bank of the Nistru river (Republic of Moldova) remains unresolved. The cost of the thermal agent per Gcal has already doubled: from MDL 1,200 (excluding VAT) to MDL 2,170 at present. The last tariff does not take into account increases in the price of gas purchased currently. At present, 'Termoelectrica' procures gas at a tariff twice higher than included in bills for consumers. Thus, we estimate that centralised thermal agent will also require an increase of at least 50% in the next 2-3 months.



**Figure N.8**

If until 2021 citizens paid on average MDL 500 per month, in 2022 the bill will increase to MDL 4,100, in the pessimistic scenario, the bill could reach on average MDL 4,800 per month. If until 2021, citizens paid for thermal agent more than for gas, in 2022 central heating will be much cheaper than individual heating. In the cold season, there will be a five-fold increase in the commercial price of wood, but poor population will have access to 2.5 m<sup>3</sup> (3 stere) wood at a final price of MDL 1,200/m<sup>3</sup>. The special price will cover maximum 50% of the needs of the poor population, the rest being dependent on real market developments (not regulated by the state).



**Figure N.9**

The population with access to gas also differs by volume of consumption. The first 40% of the population with the lowest gas consumption paid an average of MDL 370 per month during winter. Due to the crisis their monthly bill will rise to at least MDL 1,700. In turn, monthly bill of 20% population with the highest consumption of gas will increase from MDL 2,000 to 11,200. Curiously, the most vulnerable population group is the urban consumer, who has no alternative to gas, cannot connect to the thermal agent – this category includes about 70,000 urban households or over 160,000 inhabitants of large cities (Chişinău and Bălţi). They live in new houses, they represent the

middle class, their monthly bills will increase from MDL 1,500 to MDL 8,500-9,000 per month. Statistically, they will be the direct and ignored losers of the energy crisis. The rural population was and remains in deep, structural energy poverty. The significant discrepancy between MDL 2,000 – 2,300 lei does not make a big difference in the quality of their day-to-day life, but we note that the representatives of the urban middle class will experience the biggest shock in the coming months – their monthly bills will increase significantly by MDL 7,500 per month, equivalent to a net salary per economy. Note that no compensation policy perceives this group as a target/vulnerable group, and the occurrence of this problem has never been reported.

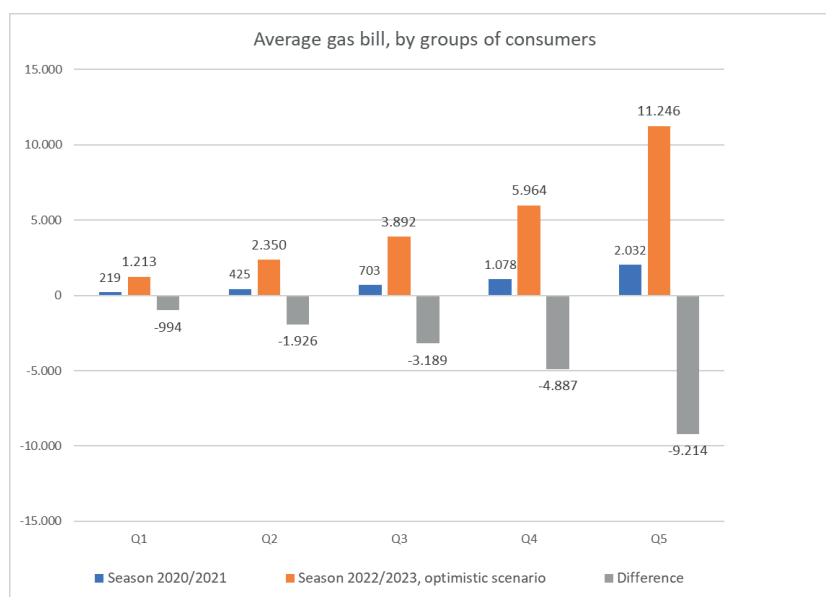


Figure N.10

As mentioned above, the average monthly bill during the 2022/2023 cold season for the most vulnerable consumers (40% or 115,000 households) will amount to MDL 1,770. Objectively, monthly costs will vary from month to month, starting from the lowest consumption in October – starting with MDL 1,390 and rising to MDL 1,930 in November, MDL 2,040 in December and MDL 2,250 in January, meaning that the highest energy burden will be in January.

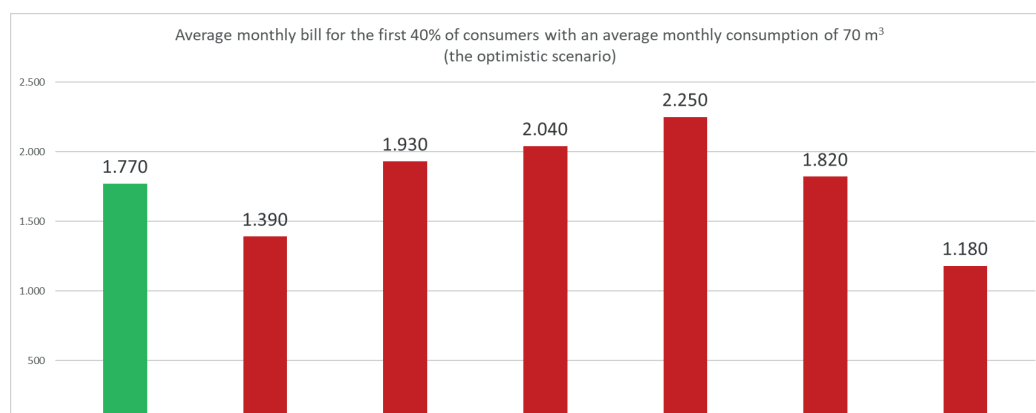


Figure N.11

Unprecedented increase in gas prices creates a systemic problem in the Republic of Moldova. What is the optimal energy source for the population? What should we focus on in the coming years and how should we adjust the national energy balance in order not to be so vulnerable to external shocks? Currently, the most expensive heat leakage is related to gas, where 1 Kwh of heat costs MDL 2.3. Note that we talk about a price non-adjusted to real market prices. Considering the

fluctuations on the energy markets, the price of 1 Kwh of natural gas reaches MDL 3. Thermal agent is the 2<sup>nd</sup> source by price. Today, 1 Kwh of thermal agent costs MDL 2, but, probably, we head rapidly towards an inevitable price increase of up to MDL 3 in the coming weeks. Commercial wood and coal cost from MDL 1.2 to 1.4 per 1 Kwh. We estimate a possible increase in the cost of wood and coal, but we insist that currently we are in a speculative period for gas, its cost has always been in a relative correlation with other substitute energy resources, while currently gas is twice expensive than any other alternative source. Currently, acacia wood and heat pumps are the cheapest energy resources, 4-5 times cheaper than heat supplied centrally.

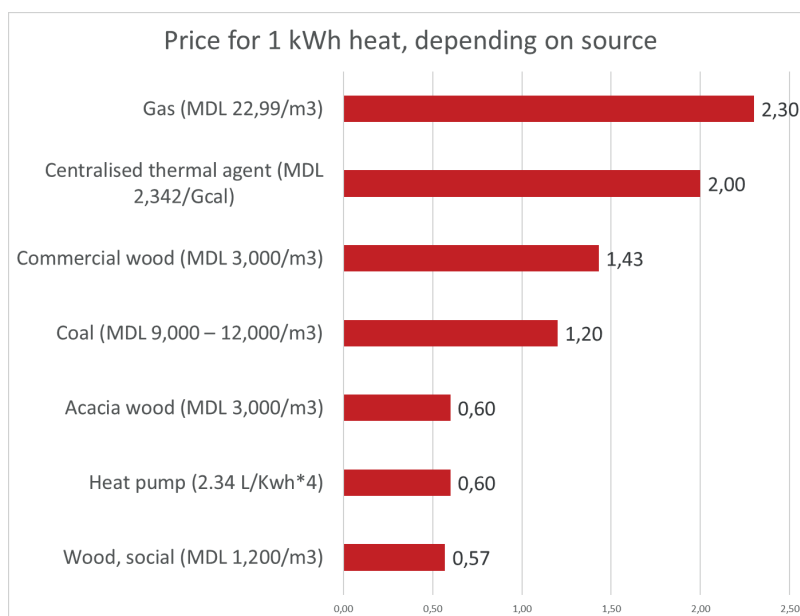


Figure N.12

The policy of encouraging the installation of photovoltaic systems, complemented by installing the heat pumps, is the first and quickest response to the energy crisis that Republic of Moldova faces. We estimate that currently, in the Republic of Moldova, there are at least 120,000 families (households) who have sufficient financial resources to invest in new alternative energy generation systems, and their decision would reduce the import of energy resources from external sources by at least 30%. To provide superior thermal comfort (17,000 Kwh heat per season) these families would need a system with a nominal output of 10 Kwh and to connect their house to the heat pump, which would imply an investment effort of EUR 15,000. The private effort of these families would mean EUR 1.8 billion investments, which would generate 1.2 Mw electricity or 30% of the total consumption on the right bank of the Nistru river (the Republic of Moldova). For comparison, note that these investments would exceed the total capacity of locally generated electricity.

## 2. Opportunity and risks of lending individuals in overcoming the 2022 energy shock

Given the lack of financial resources and reduced savings, people will look for alternative resources. As practice shows, citizens get loans (in the last 10 years) much more actively than before. Ten years ago, personal loans reported to the percentage of GDP were 4.5%, in 2022, official loans reached 13.1% of GDP, being a historical maximum. This level of lending to the population by the financial sector lags behind the regional average (15%), but is much lower than the European average,

estimated at 55-60% of GDP. If 7 years ago the indebtedness of individuals from the banking and non-banking sector increased by 7% per month, in 2021 the maximum historical record was reached, with 700 million per month (14 times higher than in 2015). Today, the population's debt to the banking and non-banking sector reaches MDL 34 billion, of which MDL 24.2 billion are owed to banks and MDL 9.8 billion to the non-banking sector. Compared to 2012, citizens' loans increased by MDL 29 billion or by 6.5 times in a single decade. Note that in addition to officially reported loans, Moldovan citizens also borrow money unofficially, either from relatives and friends or from moneylenders (people who specialise in non-bank transactions at discretionary rates).

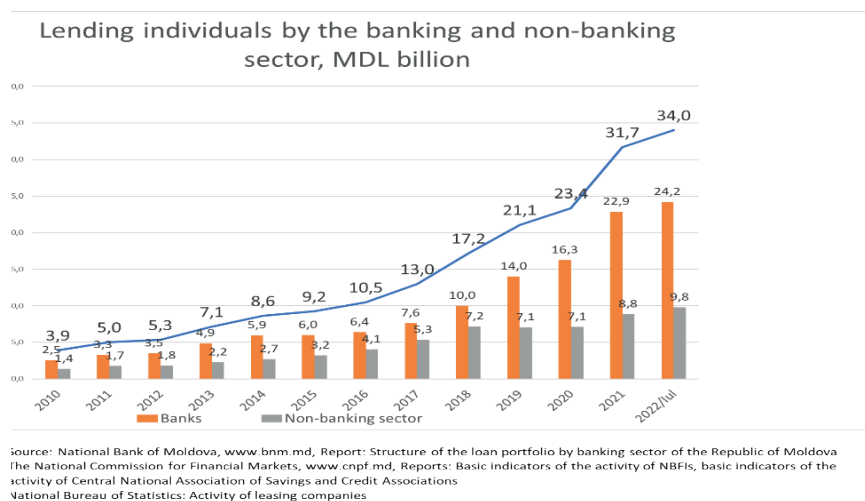


Figure N.13

To measure the depth of this phenomenon, in 2021 IDIS 'Viitorul' Institute conducted a specialised research. Based on this, we established that every third person in Moldova has taken at least one loan, either officially from banks and non-banking financial institutions or from individuals. Banks are the institutions with the largest volume of money borrowed and number of customers, but the informal economy of lending individuals (loans from relatives and friends) accounts for 8.2%, and moneylenders are the players who apply the most aggressive lending decisions. About 1.4% of citizens acknowledge that they have loans to pay back to moneylenders. Around 2.9% of citizens say they owe money to at least 3 sources: banks, non-banking companies, relatives/friends and moneylenders. Their financial situation is extremely precarious. At present, the 2.9% of seriously indebted citizens represent 35,000 Moldovan families.

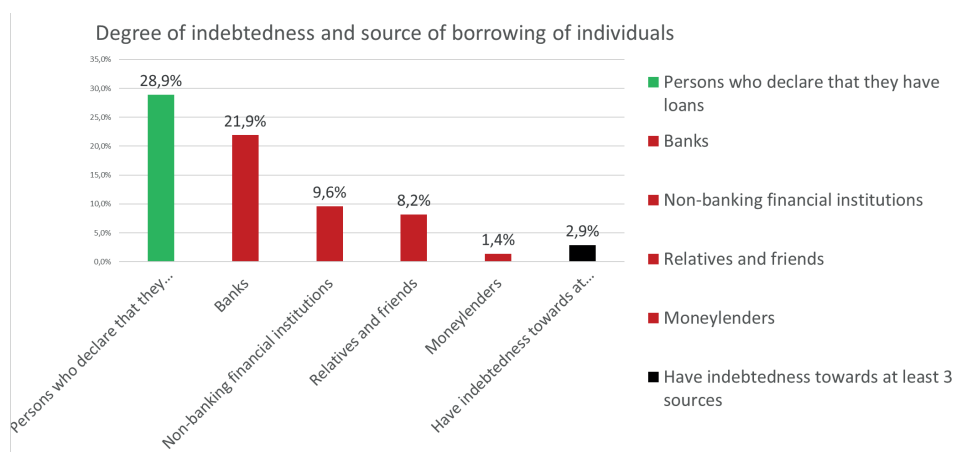


Figure N.14

Based on official data provided by the NBM, NCFM and on IDIS research, we estimate that at present, total indebtedness of individuals reached MDL 43.3 billion, of which MDL 34 billion belong to the banking and non-banking sector, and MDL 9.4 billion are funds borrowed from friends/relatives, moneylenders and other persons.

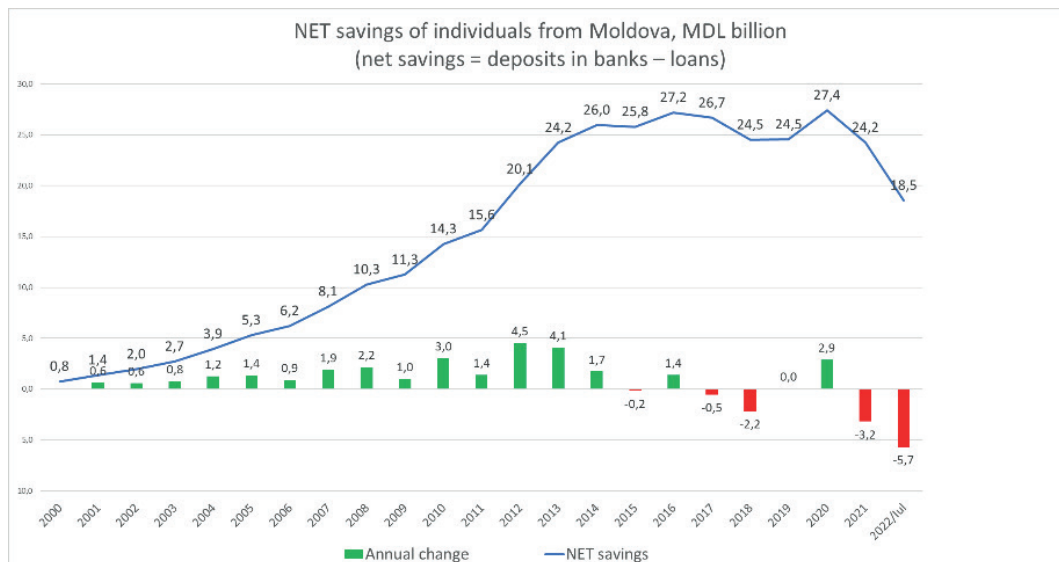


Figure N.15

A disturbing trend in recent years in the Republic of Moldova is the significant reduction in the population’s net savings, i.e. individuals borrow much more than they save. Note that in the history of the Republic of Moldova, this phenomenon did not occur until 2015. It was manifesting latently during 2015-2018 and in 2022 net savings decreased by MDL 5.8 billion only in the first 6 months of the year. This amount is higher than the amounts received in all previous years taken together. In 2015, this phenomenon was caused by excessive consumption of the population, covered by easily accessible loans (cheap credits) and in 2022 the population, scared by the war in Ukraine, withdrew their money from banks and used it either to buy foreign currency or to purchase goods in anticipation of a deep crisis. Unprecedented loans in 2021 contributed to the growth of the inflation to 34% a year (NBS data), forcing the National Bank of Moldova (NBM) to tighten monetary policy and discourage lending.

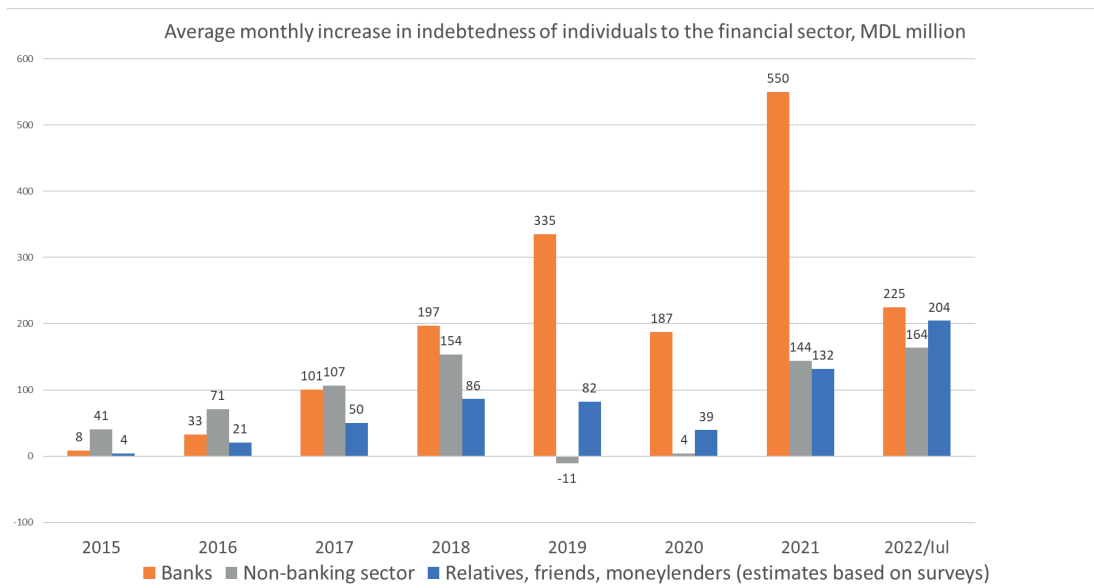
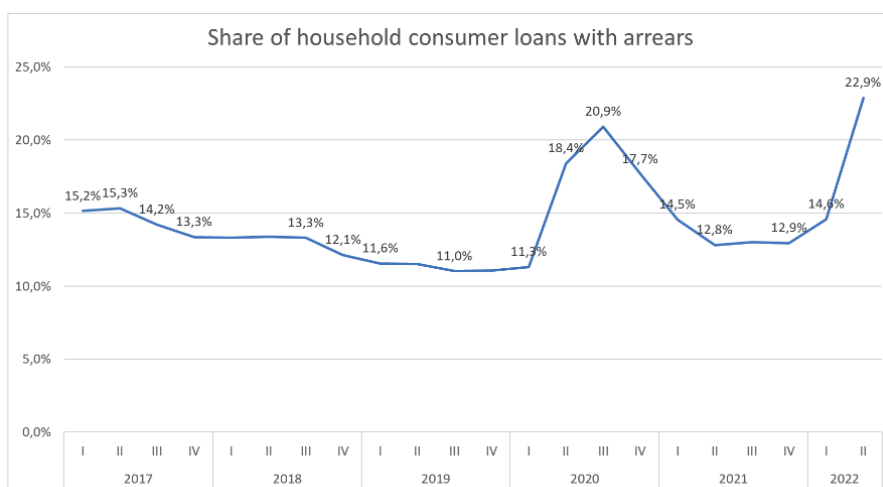


Figure N.16



The NBM's restrictive policy allowed to achieve the proposed goal partially. Thus, loans from banks decreased by 2.4 times, but we have also registered other effects on population consumption. The first is that people started to borrow more actively from non-banking institutions and individuals. In case of individuals and relatives the immediate effects are insignificant, but we are deeply concerned about the transition of population lending from banks to the non-banking sector and private moneylenders, which have much more stringent conditions for their clients. Equally worrying, the second effect is related to increased toxic indebtedness, where borrowers are unable to repay their loans on time, falling into a trap of middlemen. Thus, official data collected from the banking sector show us the following:



Source: National Bank of Moldova, Report: Breakdown of the loan portfolio by branches

Figure N.17

According to official NBM data, in 2022 consumer loans with overdue payments increased exponentially and alarmingly. While in the fourth quarter of 2021, these overdue loans accounted for 12.9%, currently (2022) their share has doubled, reaching 22.9%. No official data are available for other types of loans. That is why we used data collected in a current research conducted by IDIS Viitorul this year. Based on this survey data, we established that loans are most easily refunded to banks, while every third loan borrowed from the non-banking sector, as well as the non-registered banking sector, is not refunded timely. The situation of people who borrowed funds from moneylenders is more serious – 63.4% of borrowers state they cannot pay back the money they borrowed on time.

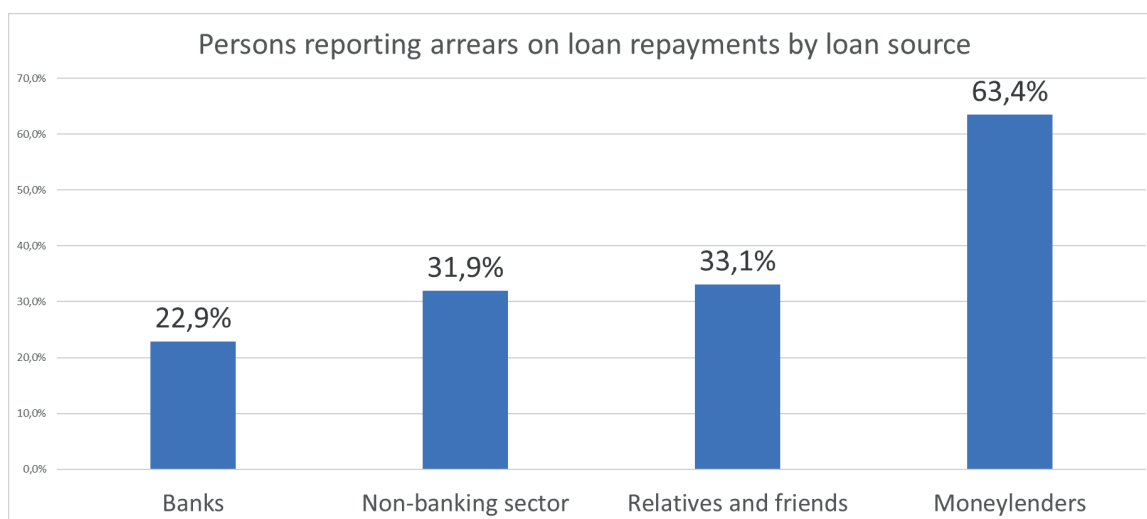
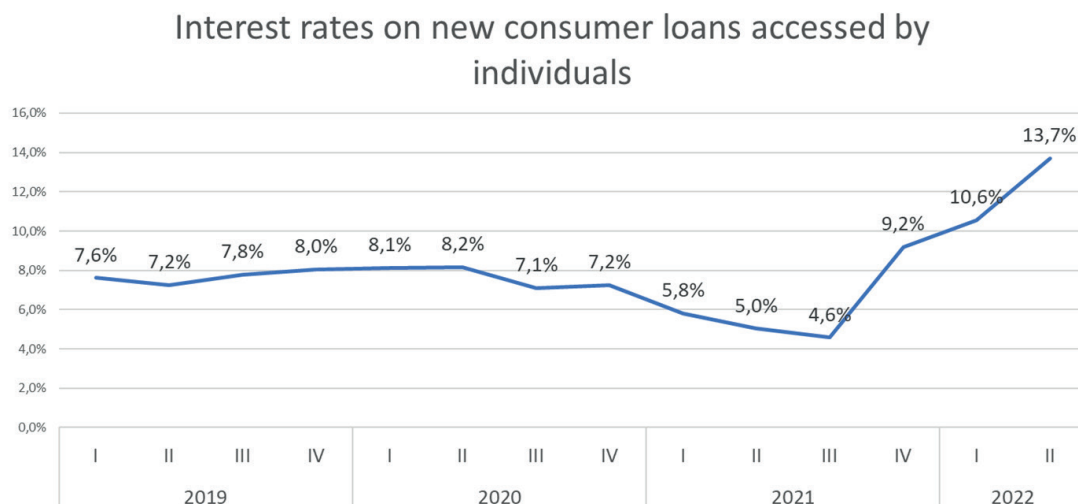


Figure N.18

Note that older people face the greatest difficulties in repaying loans to moneylenders, while young people do it most easily. NBM data leads us to the conclusion that money for current consumption increased at least 3 times: from 4.6% in 2021 to 13.7% in 2022, to which the cost of fees and other additional payments that double the final amount paid (with interest rates). In the case of non-banking institutions, in most cases, the interest rate is at least 3-4 times higher than in banks, but there are also annual interest rates of 400-500% per year.



**Figure N.19**

### **3. Measures of the Moldovan Government to mitigate the negative effects of the energy crisis**

Until 8 September 2022, Government had announced only 2 energy crisis response measures for the benefit of the population: capped price of wood and targeted financial support. We believe that these measures adequately address the problem of the low-income rural population that uses wood and coal to heat their homes, given that the wood and coal distribution mechanism proposed by the Government will be functional and will work smoothly.

The price of wood sold to the population was capped at the level of 2021 and ranged depending on the type of wood and the region (from MDL 650 to MDL 800 per one stere of wood). However, this price does not include the cost of transporting the wood, logging it, removing wood from the forest and preparing it for heating homes. The additional costs increase up to 70% of the cost of the wood, which means that the final cost of the wood offered to the vulnerable population will amount to MDL 1,200 – 1,400/stere. Note that so far, 'Moldsilva' Agency's capacity to place wood on the market amounted to only 500,000 m<sup>3</sup> (or 620 stere). In 2022, the Government of the Republic of Moldova estimated a significant increase in the capacity of the agency – up to 1 million m<sup>3</sup>. Under these circumstances, we estimate the following problems. On the one hand, population's demand will be at least 2 million m<sup>3</sup>, but, given the rising gas prices, demand for wood could increase up to 3 million m<sup>3</sup>.

Government's financial support measures, made public on 8 September 2022, comprise 3 basic directions:

- 1) providing financial support to socially vulnerable groups. Thus, according to the measures program, all pensioners with pensions below MDL 5,000, will benefit from a one-off payment of MDL 1,500 and monthly allowances of MDL 1,000 for families with small children (under 2 years of age). The aim of this measure is the targeted assistance for very vulnerable social groups.
- 2) Raising the income of employees from the budgetary sector. Given the budgetary austerity, Government lacks sufficient resources to raise the salaries of all budgetary sector employees, that is why Government decided to increase salaries by 5.5% for all budgetary sector employees, within the health sector this increase will amount to 10%. This measure itself does not solve definitively the problems related to the energy crisis. On these grounds, all budgetary sector employees with gross salaries below MDL 15,000 will receive an additional one-off payment of MDL 3,000, in 2 tranches of MDL 1,500 each.
- 3) Increasing the gas and heating bills compensation fund. In this regard, the Moldovan government allotted MDL 500 million (as of 8 September 2022).

Our assessment states that capping the price of wood and the first 2 targeted population support measures are sufficient for 700,000 households, mainly in rural areas, for whom state support will be effective and efficient. These households use wood and coal as their primary source of heat. At the same time, measures 1-3 only partially address the problem of vulnerable groups from urban areas, which are connected to centralised heating (about 160,000 households). Government's measures will cover at most 25% of the increase in the price of thermal agent, according to the bills. Thus, note that to date, Government's intervention measures do not solve the problem of the 250,000 households connected to gas and lacking the possibility of connecting to other heating sources (the thermal agent). Another decision of the Moldovan Government on providing bill subsidies for 6 categories of beneficiaries (vulnerable groups) is expected to be adopted in the next 2-3 weeks. After voting the framework law No 241, adopted on 14.07.2022, the Energy Vulnerability Reduction Fund, the Government of the Republic of Moldova is obliged to develop mechanisms for allocating financial support directly for the bill and to determine the socially vulnerable groups and the amount of aid set for each group. The Energy Vulnerability Reduction Fund entered into force on 1 September 2022<sup>6</sup>.

At the meeting of mayors from the Republic of Moldova, on 7 September 2022, under the auspices of the Congress of Local and Regional Authorities, in partnership with experts from the Institute for Development and Social Initiatives (IDIS), in the presence of the Minister of Finance and the Minister of Ecology, it was noted that there are major problems in the implementation of government proposals. Mayors noted that until September 2022, the cantons of the Moldsilva Agency did not carry out the planned logging, there are no reserves of ready (dry) wood for immediate delivery to consumers. The vast majority of mayors mentioned that the lists mayoralities fill in were not processed properly. It creates tensions and conflicts between the citizens and mayoralities.

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<sup>6</sup> <https://multimedia.parlament.md/proiectul-pentru-crearea-fondului-de-reducere-a-vulnerabilitatii-energetice-votat-in-lectura-a-doua/>

## 4. Summary of qualitative measurements (structural interviews on the impact of the energy crisis with people from vulnerable groups, Annex 1)

### Observations and conclusions drawn from 6 in-depth interviews:

1. The transition of households connected to gas to wood and coal heating systems is costly and meets certain population's resistance. Some prefer to borrow funds rather than return to a heavier lifestyle. People who installed wood-burning stoves do not feel threatened by the energy crisis, but admit that it is harder to access wood and coal (due to prohibitive prices). People who do not want to switch from gas to wood heating argue that there are additional costs besides wood procurement costs, or that switching to heating with wood would mean a lower living status/conditions and, in their opinion, a loss of the prestige. There are many households that claim they will keep their gas heating system because they invested in the boiler and the connection to the gas network, which would otherwise degrade or be lost. Households dependent on wood have modest incomes, that is why they were not previously connected to the gas. Very few people can afford to buy coal. It is particularly accessible to people who depend heavily on remittances or large families with above-average incomes.

2. The information provided by the mayoralties to the population is incomplete and unsatisfactory. Neither mayors are comfortable with the role required by the Government to provide wood for the population, nor the relationships with the 'Moldsilva' Agency are excellent. Although mayoralties drawn up lists, they did not announce that lists were not processed, everything occurs late and dry wood reserves lack. People have high expectations towards the state and are angry that they do not receive satisfactory answers. Wood prices on the informal market suddenly increased and people already feel the influence of the restrictions. Many are pessimistic about the aid they receive from the mayoralties. The extremely poor people say they will continue to heat themselves with vegetable scraps and whatever else they can burn. In many regions it was impossible to find wood even before the crisis, and now it is virtually impossible to get wood under conditions of uncertainty and restrictions. Even though gas is currently purchased at a prohibitive price, some of the respondents regret they did not connect in time (because of money and bureaucracy). The avalanche of prices is the subject that terrifies the people interviewed.

3. The energy crisis already has a significant impact on family budgets. Many will give up medicines and food consumption will be limited. High prices will force people to emigrate. Quality of life will be severely affected as citizens are forced to give up any less necessary purchases. Their salaries do not even cover the required minimum. Many people perceive the economic crisis as an injustice: they have struggled to pay their bills on time, not to have backlogs, and the price shock demoralises them. Many people state they have to change their accommodation, move to smaller houses or move with other families to survive winter. The crisis prompts people to think about how to install rooftop photovoltaic systems, seeking information about existing projects. Another trends become popular among the population: investments in renewable energy production, switching to autonomous alternative energy capture plants and decreasing dependence on a single source.

4. Population borrows money quite often to cope with livelihood shortages. Note that people avoid borrowing officially from banks, preferring to borrow from relatives and moneylenders. Most

people are not sure they could pay back the loans because they lack the security of well-paid jobs, especially in rural areas. They think that the consumer credit offered by banks is a scam. However, people continue to borrow money, on the payday paying back funds they borrowed from close people, neighbours or relatives. People are prepared to look for more jobs to make ends meet. Everyone waits for the Government's response (compensations), then, people will decide how they will secure their means for heating. There are also many people who have no one to borrow funds from, not even relatives, and lack security completely. Everyone spends more than he or she produces, and this feeling is very popular within the environment surveyed. People whose relatives live abroad feel best: their relatives bring them the feeling of protection and optimism, compared to their peers in the villages.

5. Seeking alternatives to current heating systems is a priority. People plan to isolate their homes, limit the living space in their houses, demand more money from their relatives abroad. There is still a lack of knowledge about how the state can help people make their heating costs more efficient. People count on state support, but would like to see simpler, clearer application procedures to reach those most in need. Previously, many of them have not had a good previous experience with social workers and do not seem to be satisfied with the information they receive from their mayoralities about the state crisis response measures. However, there are also people who believe that spending external funds for energy compensation is wasteful and does not help the country's economic development. They argue that the viable solution to the crisis lies not only in compensation policy, but in solving structural problems – increasing salaries and the purchasing power of the population. The heating crisis situation is dominated solely by the risks of insecurity and the idea of war in Moldova's neighbourhood, Ukraine. It determines interviewees to show a form of 'declared resilience'.

## 5. Conclusions

1. The population support measures, publicly announced by the Government and adopted as law by the Parliament of the Republic of Moldova, offer feasible solutions for most of the vulnerable population from rural areas, who heat themselves during the cold season with wood and coal. These measures also offer partially satisfactory solutions for vulnerable population groups with central heating from urban areas, but have an insignificant impact on urban and rural households connected exclusively to gas, without the possibility to access energy alternatives. We believe that the next 2 months (September – October) are critical for: a) identifying new solutions for households not covered by the government program, and b) seeking additional resources to ensure the estimated payments in the Energy Vulnerability Reduction Fund, c) guaranteeing the implementation of the programs announced to the population. At present, the energy crisis in the Republic of Moldova is complicated by the fact that for the first time in 30 years, the Government will not borrow funds from the domestic market. This decision comes in the context of a 4-fold increase in the cost of money attracted from the local capital market (increase in interest from 5.5% to 22%). At the same time, in August 2022, Government of the Republic of Moldova received the largest external financial support (USD 319 million), the largest part of this money was attracted to overcome the consequences of the energy crisis. According to our estimates, these funds cover only 30% of the needs of the 2023 national public budget.

**2. The energy crisis will force the population to borrow funds to overcome the difficulties of the cold season.** This objective trend occurs against the backdrop of restrictive monetary policies of the National Bank (NBM), that have already led to the rise in the price of money for loans and the tightening banks' lending conditions. Citizens are forced to migrate from banks to non-banking institutions and moneylenders, which are more expensive, stiffer and it is more difficult to comply with the terms they impose. At least 35,000 families have already got into a financial trap, lacking prospects of being able to repay the money they borrowed. Recent trends show an exponential increase in difficulties with repaying loans and credit, leading us to believe that the number of people in deep difficulty will increase. The most vulnerable of credit/loan consumers are older people who have taken the risk of borrowing funds.

**3. There is noticeable discrimination between vulnerable groups of rural people, who are the most marginalised because they receive less heat during the cold season each year than the urban population.** There is also a segregation between households connected to gas and households limited to wood and coal only. There is a strong differentiation of the population according to income. 40% of the poorest people in the Republic of Moldova (480,000 households) heat themselves exclusively with wood. More expensive gas does not change the deep energy poverty of their life. According to our estimates, the most vulnerable are people with medium and high income from urban areas, who have gas heating. In this regard we note that during the last 10 years only (2012-2022), more than 70,000 families bought new apartments connected only to gas, in cities, and this group can be qualified as middle class group, which is not the subject to any social policy of the current Government. For people from this group, the monthly gas bill will reach (in the optimistic scenario) about MDL 9,000 per month, compared to 1,500 they paid until 2021. These families have no energy alternatives - they cannot heat their apartments with wood/coal, they cannot connect to alternative sources (central heating). Their only (alternative) solution would be to switch to electric heating systems, but this very expensive option (immediate investment of EUR 2,000) is not possible due to the fact that the electricity grids in the Republic of Moldova would not withstand it.

**4. In 2022, gas suddenly became the most expensive energy solution in the Republic of Moldova.** Compared to wood or coal, gas is twice as expensive for consumers. Note that in case of the state policy on providing vulnerable people with 'social wood' (the cheapest wood as an immediate product), Moldsilva's potential does not cover even  $\frac{1}{4}$  of the real needs of the population. If other stable consumers will migrate to wood, the increase in consumption cannot be covered from local sources. Annually, Moldsilva sells about 500,000 m<sup>3</sup> of wood, and in 2022 demand will be at least 3 million m<sup>3</sup>. At the same time, interviewees told us that the final cost of wood is twice as high as announced officially. In reality, costs rise due to transport, logging and storage costs, which are not included in state policy and often make wood procurement prohibitively expensive for lonely older people. In addition, the lack of a mechanism to ensure equitable access to the 'social wood' product creates favourable conditions for abuse and corruption. The amount of incentives managed by Moldsilva will amount to about MDL 2 billion, which will be distributed in the absence of a legal framework comprising the possibility of strict verification.

## 6. Recommendations

1. Government's support policy in the context of the energy crisis must be based on 2 dimensions - (a) support for the socially vulnerable population according to their income and (b) differentiated support for certain categories of the population according to the source of energy consumed. These policies materialise through: capping the price of energy resources up to a certain level of consumption with compensation of differences to the supplier (5 m<sup>3</sup>/stere of wood for the heating season monthly per household and 150 m<sup>3</sup> of gas monthly per family) and additional financial support for certain vulnerable categories of citizens. At present, the first support measure is partially implemented by capping wood prices. It will be extended to other categories of consumers by capping the price of thermal agent, following the Romanian model where Government capped the price of gas at RON 13/m<sup>3</sup>. The difference between the actual price and the capped price is compensated directly to the supplier from the national public budget. Capping prices for vulnerable groups of the population will maintain an unaffordable financial burden, and for this reason Government will apply the second support mechanism by providing financial support to certain groups of the population. This targeted financial support should be seen from 2 different perspectives: a) the financial support provided by the government to vulnerable groups, and b) the financial support provided to the budgetary sector employees, as the government is the largest employer in the economy (38%). Socially vulnerable groups are supported by identifying 6 categories of citizens, according to their income, who will receive differentiated financial support. At the same time, pensioners with incomes below MDL 15,000/month will receive a one-off allowance of MDL 1,500 and families with young children (up to 2 years of age) will receive monthly allowances of MDL 1,000/month. As an employer, the state cannot offer a salary increase to compensate the inflation rate (38%) and the shock of excessive energy prices. Given that the private sector will increase salaries by at least 15-20%, the Government will increase salaries for budgetary sector employees by only 5.5%. As a compensatory measure, the Government will offer budgetary sector employees a single salary of MDL 3,000 (in 2 instalments). This measure has a differentiated impact on budgetary employees, because this one-off payment represents about 50-100% of the salary of employees with low salaries (MDL 3,000) and 20-30% of basic salary of those with high salaries (MDL 10,000 – 15,000). The Moldovan Government may effectively help to overcome the negative effects of 2022 energy crisis only by effectively applying the two instruments mentioned above.

2. Current policies of government intervention through compensatory measures leave much room for interpretation. Thus, according to the policies proposed by the Government, wood at the capped price is distributed not per family but per person, so that the most affected segments of the vulnerable population (lonely older people) will receive less wood than other vulnerable categories with higher incomes (families – couple). Capping the thermal agent price is granted per household, not per person (at the final point of consumption). In our view, the price cap policy should target families and the financial compensations – individuals. We believe that the cumulative impact of these instruments will create a differentiated impact on the population: all consumers will benefit from tariff caps, and the poorest (vulnerable) will also receive financial support to cope even with capped tariffs.

## Annex 1

### Summary of Qualitative Measurements (in-depth interviews to assess the perception of vulnerable groups of the population on the impact of the energy crisis)

**A1. Although they do not represent the majority of households, modest-income families who installed gas heating units do not want to switch back to wood, but rather to face prices as they will be, but subsequently implementing elements of rationalised consumption. Households prefer to tightly close rooms they don't need to reduce energy consumption or move to their children's homes. It is how they coped last winter (2021-2022), avoiding to borrow funds. They don't find it necessary to change the way they heat themselves during winter (from gas to wood or vice versa).**

*'Only gas-powered, because I don't have a stove, I had a stove that heated all 4 rooms, but when we connected the house to gas, we took the stove out because it wasn't cost effective.'* **Pensioner, 69 years of age, Individual heating**

*'I don't know what I could do, firstly, it's clean in the house with gas, it's more comfortable. If we have to use stove with dried manure, wood or other fuel... But I don't really imagine and I wouldn't want to return to this. I had a stove when I lived at home with my parents, daddy always managed to buy wood and coal in advance. In the winter they went to the woods to cut wood and they were given some wood for heating. At summer, a good master always prepares for winter.'* **Pensioner, 68 years old, Chisinau, independent heating, lives alone.**

Others, however, have no regrets about the current energy crisis because they have always depended on wood heating in their homes.

*'We use only wood. Occasionally I light the fireplace if it's very cold. The fireplace consumes much fuel and you have to pay a lot. The village is not connected to gas. We use only a gas cylinder for the cooker.'* **Woman, pensioner, 69 years of age, rural, wood used for heating.**

The solutions for people whose houses can only be heated with wood are well known, as well as prices and the effort they have to make to keep warm in their homes. We asked how they plan to procure wood, their answer is simple:

*'From forest. There are people who have their own tractors. We talk to them, we pay more, but we don't go to the forest. They load wood up and bring it home, we don't go to the forest. I paid MDL 950, but currently it's MDL 1,200 per cubic meter of wood. This year, in the spring, in May, we paid MDL 950. At present, it became more expensive. We go to the forest with our people and it costs MDL 350 – it's cheaper. Tractor driver sends his men to load it, there are diesel costs. There are people who work in the forest. They talk to the forester and pay money for people's work, for the diesel. There's no one to deal with this and to receive this money – they earn some funds. I heard they apply to Molsilva, paying MDL 650, but we go with the tractor and our men to load wood. I understand that it's hard to get the wood out there (from the forest, because there is a dump).'* **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

There are families where heating can be alternated between different sources: gas or wood, depending on the cost and consumption.

*'Wood or gas (we use). Regarding gas, we have a temperature controller in the house and it stabilises consumption. Last year we used gas and sometimes wood most of the winter. It depends*



on availability. I've noticed that if we heat house with gas, it doesn't heat so well and moisture appears. If we heat it with wood, the air is much drier and the humidity is not felt'. **Woman, aged 33, mother in an extended family, 3 children, lives in a village.**

People who do not want to switch from gas to wood heating argue that there are additional costs besides wood procurement costs, or that switching to heating with wood would mean a lower living status/conditions and, in their opinion, a loss of the prestige.

'So we wait to see the price of gas. If the gas supply ceases, then, we just light the fireplace to keep warm in the winter and I'll find how to cook food. At the moment you have to build not only the stove, but also the wood-burning oven, like in rural areas'. **Pensioner, 68 years of age, Chişinău, autonomous heating, lonely.**

Households dependent on wood and coal have modest incomes, that is why they were not previously connected to the natural gas.

'We don't have gas heating, at the moment the house is equipped with an autonomous heating system with a wood and coal boiler, and the heat circulates in the house through pipes and radiators. This heating system was installed about 5 years ago, when we built the house and moved in. We installed the boiler temporarily, thinking that we would be able to connect the house to the gas, last year we tried gasification, the gas plant is at 500 meters distance from our household. We found out that gasification is very complicated in our locality at the moment'.

**Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman. Heating – with wood and coal.**

Few can afford to buy coal, which seems to be accessible only for people with above-average incomes. 'If we had more money, I would get coal. Coal holds heat better than wood'.

The cost of modifying the heating system is prohibitive and people consider it unprofitable.

'My point is that if you save a little bit on gas, then for you wood is not cheaper than gas. This is because the wood should be brought with a paid transport, the person who loads and unloads it from the car should be paid, then someone should cut the wood with a chainsaw strip with an axe – this person should also be paid. If we have to bring them home, we carry a little bit of wood, maybe, our grandchild helps us. That's why I've decided that this winter I'm going to heat my house with gas as before, because I'm already old and I can't find anyone to help me, but I don't have the money to pay people to bring me those 3-5 cubic meters of wood home'. **Pensioner, 69 years of age, Individual heating**

There are many households that cannot be easily adapted to alternative energy sources.

'I can't change anything in the house, the heating is installed here so I can't build a stove or turn off the heat in some rooms and heat only one room, it's impossible here. Our system is designed in such a way so that if the heat shuts off somewhere it isn't distributed further. If I will sell the house and buy a smaller apartment, but it is not so easy to sell a house nowadays. Or you have to leave everything and go abroad to work where salaries are higher'. **Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman. Heating – with wood and coal.**

'I heat my house with gas, I have the autonomous heating, but it makes me wonder how we will cope this winter, because last winter it was also expensive. During the 6 months of the heating period I paid MDL 15,000 for gas. I live at the house on the ground, where I have 2 bedrooms, kitchen and living room', **Pensioner, 68 years old, Chisinau, independent heating, lives alone.**

Another argument for maintaining natural gas consumption is that the installation of systems in individual homes (heating radiators, boilers) was a costly investment, and stopping these systems would mean their eventual degradation and loss of money. However, there are many older people who think they would not be able to cope on their own, switching to heating with firewood, especially single people without children.

*'From my experience, I cannot accept solutions other than gas heating at my age of 70, I cannot chop wood, make a fire with wood, carry it from outside to the house in winter, prepare it for winter and pay a lot of money for it, because a cubic meter of wood costs MDL 500-600. Together with other expenses that appear after buying the wood, the total cost amounts to MDL 900 per cubic meter. You have to pay an additional charge for the transport to bring 3 cubic metres of wood home, and then there are the costs of chopping it, and then you light a fire and by the morning you freeze in the house. Using gas you can save a bit of money and the temperature is constant. In addition, you have to add the cost of coal, because you can't just make a fire in the stove with wood, you also have to add coal, and a ton of coal costs MDL 10,500.'*

**Pensioner, 69 years of age, Individual heating**

Switching from natural gas to wood creates various greenhouse effects, mould and other inconveniences in households, that relatives who help each other know.

*'My grandmother, even though her aunt sends her money every month, didn't heat her bathroom, so the mold appeared. Previously, she used mostly gas, currently she uses wood. Being older, she goes out and brings wood, it's inconvenient. We usually go and put them closer to the door to make it comfortable for her. She fell once, when it was icy. Grandmother tries to make savings, even if someone helps her. The older people have gone through this and are already prepared. People say there are big expenses but no one talked about sacrifices. **Woman, aged 33, mother in an extended family, 3 children, lives in a village.***

**A2. At time of the interview (11-20 August), people who contacted mayoralities to get information on state support (wood) did not get satisfactory answers. People appreciated the help they received last winter and expect to receive it again, but face contradictory information.**

*I have also applied this year, firstly they promised to provide us 5 cubic meters of wood, but subsequently they said they could only give us 3 cubic meters. We wait for it. **Pensioner, 69 years of age, Individual heating***

*'Here, in the northern part of the country, our municipality doesn't provide any help concerning gas, maybe wood... We applied for wood several times, and we did not receive anything. I am very satisfied with the actions of the state taken last year, because they helped us very much, particularly for me, who has a small pension and have to work. Last winter I succeeded thanks to the help from the state.'*

For some reasons, some of the respondents are not aware of the policy of the promised state aid on wood or think they will succeed with the wood they have in their household.

*'I didn't inquire about the price of a cubic meter, because I don't have an installation to use wood, At home I collected a few cubic meters of wood of fruit trees cut near the house.'*

So far, when it comes to state aid, the information provided by the mayoralities is contradictory.

*'At the mayoralty they said they would give wood, I wrote an application and they said they would give 3 cubic meters of wood to vulnerable families with children and pensioners for MDL 700 per*

cubic meter of wood. Nobody knows if we will get it, of course, for people, it is better to pay less for the wood. Many people have applied at the mayoralty, but nobody received wood yet. I, my mother and my grandfather also applied, they also have gas, but they anyway think about using wood in a stove. I and my mother wrote the application for wood, to have more chances to receive it. We didn't receive an answer yet. Last year we didn't need wood. My father as a former veteran of the war in Transnistria receives MDL 300 or MDL 500 – the gas allowance have increased a bit'. **Woman, aged 33, mother in an extended family, 3 children, lives in a village.**

Respondents' opinions regarding the aid provided by municipalities are rather pessimistic.

'No. Where should you turn to? The mayoralty is the only place. There are people suffering from cancer and they don't get help'.

**Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

'That's what I know: one should write to Moldsilva and get the wood for MDL 650, but one should have own transport and own aides. I didn't find people in the village to cut wood with a chainsaw and split it. One should just go there and take it, but I understand there is a ravine and the tractor can't go there'. **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

'The expectations are negative and not realistic. Everything is at the declarative level, I did not feel and will not feel any practical developments. I am very sceptical about this help. I did not feel it, on the contrary, I paid more'. **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

There are many people who had unpleasant experiences with the authorities responsible for social aid.

'I did not apply, because, as I know, in case of pensioners and other categories, documentation is registered in the name of parents, to pay less. I don't have real estate, I rent a house, because my salary exceeds the minimum level, I live with a child, but, nevertheless, it seemed utopian to me to apply for help. Ultimately, all the requests end up with pointless trips and wasted energy, at the end, there is nothing palpable. That's why I didn't apply. When you bring your salary home and put it on the table, you look at your income and no one cares – whether you own a property or not, whether you have a salary of MDL 8,000 or not, whether you have an apartment or not, and aid is the same for everyone. Then, you are automatically included in the same category. The method of granting aid is not objective. Some people received aid. I didn't apply. I didn't even know where to turn, to the mayoralty or not'. **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

Based on the experience of past winters, people claim that when they lacked wood, they switched to vegetable scraps and anything that could burn.

'We took less (wood) and set fire with corncobs and that's how we cope. People cope as they can. People bring wood if they can afford it and if they have their own transport'. **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

Some of the respondents were dissatisfied with the quality of gas delivered to their homes.

'I hope that this year the gas will be of better quality, because last year I could see the meter spinning but the house was not heated. I asked 'Moldovagaz' to check the meter, because everything depends on it, it was spinning but the heat was not coming, no matter what temperature I set in the boiler. They told me that the meter check deadline is 2 years away'. **Pensioner, 68 years old, Chisinau, independent heating, lives alone.**

Firewood supply is very complicated this year, says a lonely woman with dependent children.

*'At the moment it's very hard to find wood and I found it with the help of acquaintances or someone else, who has an old orchard, they cut it down and we bought the trees with all the roots. But it's very expensive and people can't even save enough money for wood from their salary. We hired a person to cut trees down for money. At present, we wait for coal, but it can't be found in the country. Someone said there was little coal, but it was sold and currently we wait to buy it, at the price of MDL 10,500 per ton, but we can't find it anywhere. We also approached the mayoralty and they promised to give us 3 cubic metres of wood, but we don't know if we will receive it.*

*Basically, I can say I am not ready for the coming winter yet.'* **Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman. Heating – with wood and coal.**

*This woman (the respondent above) also claims that she paid MDL 1,200/m<sup>3</sup> for wood to heat her house.*

*'We purchased almost 11 cubic meters of wood and spent MDL 11,000. Together with cutting the wood, I spent about MDL 1,200 per cubic meter'. She also adds that 'Wood from forests is more expensive, MDL 1,200 – 1,400 per cubic meter. We called someone who wanted to sell wood at the price MDL 1,400, but they didn't have any wood available. They promised to call me, but they never called me back and I found the wood in another place.*

Other people say that under the restrictions imposed by the 'Moldsilva' Agency, it is difficult to buy wood before the completion of the lists of needy people at the mayoralties, which creates a certain state of panic.

*'I understand that 'Moldsilva' does not sell wood until these lists are accepted, this is what my mother-in-law, who lives in another village, also told me. I understand that they are not allowed to sell wood until those lists are accepted.'* **Woman, aged 33, mother in an extended family, 3 children, lives in a village.**

The opinion shared by many people interviewed in this research is that wood will be found on the market (official or unofficial one), but not everyone can afford to pay for it.

*'We buy it from whoever we find in our region, Chişinău-Criuleni, there are cars with wood in Ciorescu commune, at the intersection, we go and ask directly. We also have some plots of land from the grandmother and we let the acacia trees grow like a forest. One year, we chopped some wood from there. We bought wood this year and we want to buy more, but we'll also go and chop it from there. The seller brings the wood home. The problem is that whether you want it or not, sellers cheat you, giving half of a cubic meter of wood less. It happens with the majority of people, I've seen a lot of people experiencing this.'* **Woman, 33, extended family, mother of 3 children, lives in a village.**

### **A3. The increased cost of energy resources directly impacts the basic needs of the population.**

**The respondents said they would have to give up their medicines, and that their daily meals have become more meagre.**

*'(The crisis) affected us a lot, because this winter we ate badly, we only partially heated our house to use less gas and to pay less. It affected us a lot, we couldn't afford many medicines anymore. At this age arthritis gets worse, and so do other diseases that are typical of older people.'*

#### **Pensioner, 69 years of age, Individual heating**

Some of the respondents said they were ready to emigrate because of the new price shock.

*'(The crisis) knocked me out. I'm disheartened and pessimistic, and I don't have confidence that I can cope and because of this I'm seriously thinking of leaving Moldova. (The crisis) brought*

about everything. In addition to inflation and spiralling prices, I do not expect anything from the government, as it is unrealistic to believe it can provide the help other governments do.

**Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

*'Of course we are affected. We need gas to cook! Not having electricity affects us too. We bake bread in the oven. I am concerned. What will we do without gas? It will be hard for us, and it will be hard for those living in towns too. I am worried about my daughter – what will she do without gas and electricity? We don't know what to believe about the end of this war either. We're worried about everything.'* **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

Many respondents to this research said they would definitely give up their usual menu.

*'Obviously, one can't afford even fish or other products. We have to cut down on food expenses to be able to keep ourselves warm in winter. I used to go to Orhei, but not anymore. I had to pay for firewood and splitting, all with my pension of 2200 lei. The prices are very big. You go to Orhei to do shopping, but you realise that although you spent a lot of money, your shopping bag is nearly empty. You tighten your belt so you don't pay too much for water and electricity so you can make ends meet. For instance, though you bought firewood now, you must also keep in mind next year's spring. So you have to put aside a small amount from your pension for that purpose.'* **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

#### **A4. The shortage of money forced households into borrowing to keep up with high energy bills.**

**Note that the respondents refrained from taking bank, opting instead for relatives.**

*'We usually borrow from in-laws, relatives, but more from our godmother' (relatives by affinity). We've had a hard time and I thank God that we're not in debt and that there's peace in the country...'* Pensioner, 69 years old, individual heating.

*'I borrow money from my mother most frequently, but also from some of my friends till payday.'* **Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman.**

*'Usually I borrow from my family, but now I try to borrow from my closest friends because I don't have to explain anything and I know they will understand and won't ask any questions. Psychological comfort matters. You can't borrow from just about anyone, because if you do – this makes the crisis feel worse, not only in economic terms, but in psychological terms too. But there were times when I had no one to borrow money from. I remembered now of times, years ago, when I needed to borrow money to buy bread and milk and I was wondering who to even borrow it from. I've had my share of crises, the energy crisis is just one of them that brings other crises along. I need to find a place to live now.'* **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

Some people don't even want to hear about consumer loans.

*'How am I supposed to be able to pay it back? If I take a loan, I must be able to pay it back. I am the breadwinner in my household. What if I get sick? I already borrow from my mother or from friends to make it to the payday. I don't want to take a loan because of the big interest rates. I don't even want to think about it.'*

*'I never borrowed from banks. I don't trust banks in Moldova. As far as I am concerned, I would rather find a second job, work 20 out of 24 hours, rather than borrow from banks. I am sceptical about bank loans. So far, I have only gone to friends for help.'*

**Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

To keep their heads above water, people try to work in multiple places; they seem to be prepared to work more in order to manage to cope with current difficulties. People's expectations are linked to the size of state aid. The respondents said they would decide how to keep themselves warm this winter depending on the government's response in the form of financial aid or firewood at reduced prices for socially vulnerable groups.

*'Well, of course we wait, because we can't cope at all, we're freezing inside our homes. If gas prices go up to 20-25 lei for cubic meter, then this will make it very hard for us to find ways to pay the gas bill. We are overwhelmed with anxiety over what awaits us in winter. Sometimes it keeps us awake at night. How will we manage to go through winter? What will we eat? Will we afford medicines?'*

**Pensioner, 69 years old, individual heating.**

Some of the respondents dislike greatly the idea of borrowing from banks to pay for increased heating costs.

*'I think one should not bite more than one can chew. We must not take loans. Though I think pensioners are not even eligible for loans, unless they are commercial. What I mean is that I must not go too far if I can't take care of it. A loan entails responsibility. You must pay it back in due time.'*

There is a certain group of people who simply have no-one to borrow from, not even from relatives or local moneylenders. Their insecurity and estrangement from others is obvious.

*'Who could I borrow from? If you can't stretch your budget so that it is enough – who can you ask for help? I would rather save up money and buy something only when I have enough to afford it. This way, I don't have to turn to anyone for help. Every person here takes care of their own budget. They save money and buy firewood early. Those who own a car don't even buy wood but go around to collect twigs themselves. God forbid borrowing from banks! I admit one might borrow from their children, but from nobody else! Though I don't want to borrow from my children because they have a hard time too. What can you give the bank? Let them take everything you've got? I don't trust them. I told my daughter to get a home of her own, but she didn't make her mind up. The apartments are more expensive now.'*

**A5. Bank loans are unpopular in the rural area, where people prefer to rather borrow from their biological and non-biological family. When asked about whether the borrowers manage to pay the debt back, the respondents tried to shirk away from a clear-cut answer.**

*'I don't know. When we meet occasionally in the village, we try not to bring it up. But nobody takes loans from banks, because the amount you must return is bigger'. **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.***

Those who have relatives abroad feel even in the current crisis quite protected, which is why they are more optimistic and reassured compared to other people.

*'My husband works abroad, and his salary is different than what he would have earned here. So far, we didn't feel significantly affected, but I can't imagine how families with 3000 lei monthly income make ends meet. We live in the countryside, where we have firewood, for instance, so it's different. One can save some money like this. We live in a detached house in Hrușova.'* **Woman, 33, extended family, mother of 3, lives in a village.**

People also realise that the population is not managing even their extremely modest income well, spending more than they can afford, and borrowing when they shouldn't be. This remark came from

a person who has relatives abroad and seems to be less concerned about the current crises issues. *'The pay is very small in out country. So it is very typical of us, as a country, to spend more than we earn. I think this is mostly due to small salaries. Borrowers don't have enough to pay their debts back. However, there are cases when one can manage to save some money even earning a salary of 3000 lei, while others can't despite earning 10000 lei, all because of financial illiteracy. Financial literacy is not harnessed in families. Not even our parents know what it is. We either save too much and then lose it, or we save nothing at all.'* **Woman, 33, extended family, mother of 3, lives in a village.**

#### **A6. The energy crisis strikes harshly by affecting in multiple ways the quality of life.**

*'It is very hard. We were promised to be given a pension of 2000 lei, but my pension was raised only to 1700. Most of the households in Edineț use gas, so I wonder how people are getting by especially if there are young children, students in the household. I think they have a very hard time. Food products have all become more expensive. You can find everything you want at the store, but you can't afford to buy anything at all. You just swallow hard and go home.'*

##### **Pensioner, 69 years of age, Individual heating**

Increased heating costs make people give up spending money on things they can live without.

*'Being a pensioner, of course I didn't buy myself any new clothes for this time of the year. I was thinking to do it in summer, but I never did, because the prices started to go up for food products too. Everybody is keenly aware of it. It is important that at least families with young children have a better life. We, the older people, should keep quiet, be more resilient. We should stop complaining, because we don't need anything anymore and we won't take anything with us to afterlife.'*

##### **Pensioner, 68 years old, Chisinau, independent heating, lives alone.**

*'I realised that I have to be more economical when it comes to buying food and other products. I stopped affording buying things so long ago that I can't even remember when exactly it happened. This would be luxury for me. I haven't purchased any manufactured item at all. Not even a year ago. Last year I gave up on buying a particular item because I thought I could do without. I have always afforded to cover essentials only.'* **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

*'I am worried about the higher prices for food and medicines. Heating, medicines, food – these are important for us, older people. I really can't explain myself why the prices skyrocketed like this — by 50-70%! And knowing that one should eat meat at least once a week or once a month... How can one afford meat if it costs 200 lei per kg?'* **Pensioner, 69 years of age, Individual heating**

According to respondents, the salaries are not enough to cover even basic necessities.

*'It's almost as if there's been no salary at all. The prices increased terribly. We used to get ready for school well in advance, but now when I think about it – if they resume online education, buying new clothes is not even worth it. On the other hand though, I wonder how will we make it through winter? I used to build a fire in the wood stove once a day – in the morning, then we'd all be out for the day and we didn't need to keep the house heated. But if the children will have to study online, I will have to heat the house with firewood twice. Which means we will need more firewood and more coal. I cannot support 4 people with only one salary. Therefore, we have to tighten the belt a lot. There are many food products we can't afford. We can't afford buying clothes.'*

On the other hand, households in which at least one person works abroad, enjoy a sort of material 'autonomy', which protects them from deprivation, including in terms of energy.

*'With my husband working abroad and receiving a different salary, we didn't really feel the blow*

these last months. We were ok. We'll see how it goes next winter. We didn't have to give up anything so far.' **Woman, 33, extended family, mother of 3, lives in a village.**

Still, many respondents said they felt they were being penalised for not having had any debt before, for making an effort to pay the bills on time, even at the cost of drastically reducing consumption.

*'I have been paying all my bills every month. Never have I ever had an outstanding bill. I have been saving money, spending less on food, on medicines. I haven't bought clothes for while now. The current situation is not happening by the will of the leadership or of the government. They don't want us to be in this position. We have to think for ourselves, we must not resent those in leadership positions, because if there was somebody else up there, they wouldn't have been any better.'*

**Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman. Heating – with wood and coal.**

The bills for electricity, used as an alternative to gas and firewood, make a big difference for many of the respondents.

*'Half of the salary will have to go for electricity or gas bills, for heating. For instance, half of the money we needed to buy firewood was borrowed from my mother. She retired, but she has been saving money, which she gave to me to buy firewood. The electricity bill is 2000 lei a month. We have a boiler and an electric stove in the kitchen. I spend one third of my salary for electricity alone. But I also need to provide for my children, to get them ready for school. Now that the prices for gas and for electricity increased, I find it impossible to get by with 6000 lei a month, having to pay the bills and provide for 3 children.'*

Low-income earners said they lived more on borrowed money to support their family members and that they had to repay their debts at payday.

*'I cannot set aside any money at all. I have 3 children, one of them is a student in Romania. Transportation alone is 1000 lei. But they also need some spending money, not to mention that I have these two other children who need food, clothes, etc. I get by the entire month thanks to money I borrow, then – on payday, I pay everyone back. This is not right! For this reasons, I have also been considering going abroad to work because I can hardly support my children. It is very hard.'*

The energy crisis intensified the perception that social relations have been crumbling down. Some of the respondents said they were strongly affected by it.

*'It feels like you are out on your own. Every one is trying to find a way out of their own hardships. People aren't always open and sincere. Some people complain that they are going through a very hard time, while they are actually getting by quite well. Nevertheless, they seek aid though they don't need it as much as others do, like I do. I don't think I will end up begging, I would try to work for as long and as much as I can. I look at loans with skepticism. I would refrain from generalising though. Every person is looking for a solution for themselves. Some will endure the cold. In some cases, when both the parents and the children live in the same town, they can move in together in one single apartment to cut down on expenses. This is not a bad thing. I have been giving it a lot of thought. If I could work online, then rather than renting an apartment, I'd go back home to my village and work remotely, at least during winter. This sounds like a realistic solution for me. But I am not sure that institutional leadership or the government will let us do what we feel is best if the prices keep increasing. They'll demand that children be in school 1 day, and 3 days – at home, which messes up your own agenda. Because of this, you can't go to your house in the village where you don't need to pay rent and could thus save some money. I think it would make sense if they let us go online for a winter month. I would take my child to the village, and we'd save money by cutting down*



heating expenses. But I am looking at things realistically, and I know it won't be the way I think it makes sense, but a mess as usual. There are other strategies and criteria, but none of them seem to be for the best people like me.' **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

**A7. Though the preparations for the cold season are not taking place in the best possible way, everyone is thinking in advance about better ways to overwinter. The energy crisis is forcing households into looking for alternatives.**

'If gas supply is cut off, I will move with my child to the village where my mother bought firewood with her own money. I'll take my child and move to countryside. What about my work and his school though!? I will ask that I be let work online. One can't freeze in the cold and still continue working. I'd be able to work online, and my son would attend classes online, albeit the yield of online education is null. This is a hard blow for the poor. Not every person will be equally affected. Some population groups will do just fine.' **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

'I didn't do anything about it yet. I just can't set some money aside. I, for instance, prefer to be able to pay for some treatment. In stead of saving money to pay for gas, I need to save money for medicines so as to be able to afford good treatment at least in summer. Money is spent very quickly. I can hardly manage without medicines because I have high blood pressure, arthrosis and a heart condition, so I constantly need money, money, money, because the medicines are very expensive. That's why I can't save any money for winter'. **Pensioner, 69 years of age, Individual heating**

People are trying hard to figure out what is the best to do during the cold season of the year. Some of the solutions older people have is moving in with their children or insulating their homes in such a way as to heat no more than the space they will live in.

'I didn't do anything about it yet. As I said, if paying for gas will be hard, I will move in with my children. I know gas will be expensive, so I think it is best that I insulate the bedrooms. This way, I'll need less gas to keep the place warm. That is, I won't need 350 cubic meters of gas, but because of the higher prices I will have to pay the same amount as last year, despite reducing the volume of gas used.'

People who heat their homes with firewood, think with horror about the money that their relatives who use gas for heating will have to pay.

'The fact that the electricity and gas bills are bigger affected my daughter obviously. I wonder how will she manage. How will she get by, considering the price increase. They say gas will cost as much as 30 lei per cubic meter. How much will she even have to earn to pay the bills and support her child, especially considering that she doesn't own a house! Life became more difficult after the increase in prices.' **Woman, retired, 69 years old, Orhei, rural, wood used for heating.**

'Yes, many people who live in detached houses do not want to use gas for heating anymore, as it is expensive. So they buy boilers and build stoves, they've started buying firewood'.

When asked about the measures they will take to reduce expenditures, some will turn to relatives working abroad (remittances) or will move to smaller houses to save on heating.

'I'm planning to call my sister, who is abroad, and ask her to lend me some money, if she can. If not, I'll have to use the limited resources I have. I also thought about moving to another house for the winter time. We could live in one room and we would pay less for heating. We cannot turn off the heating in the house we're living in. I don't even know what to tell you because I'm afraid, I hope something will change for the better'.

Some of the respondents feel abandoned and do not know who might help them.

*'I don't know, I don't want to say anything bad, but since I was left alone with three children, I can't think of any help. I don't see smaller prices, I don't hear anyone from the municipality saying that they will help in any way. I would agree to buy, if they ensure supplies of firewood or coal, which currently are not sold anywhere, or if they can ensure access to gas for my household. But this is not happening and I consider we don't benefit from a lot of help from the State.*

*People don't really have solutions for this situation. The wages are small, there are not a lot jobs available and many decide to go abroad. Only the strong ones are staying, it's very difficult... it's terrifying because cold weather is coming and we don't have firewood, coal, and I don't even know how we will manage, it's very complicated'. **Woman, 47 years old, divorced, has 2 minor children aged 11 and 13 and a student in her care, shop assistant. Heating – with wood and coal.***

*'(It seems that) we will freeze in the house, and in exceptional situations we will need to use electricity to heat one room so that we don't freeze. Many who are using gas heating will switch to electric heating (rather than firewood). They'll turn on an electric heater in a room 24/7 and will use electricity for heating if there's not enough gas. I know this is not an advantageous solution either, even if electricity is cheaper. We are also very afraid that we will be cut off from the gas and from electricity. What do we do if we are cut off and we won't even have lighting in the house. **Pensioner, 69 years of age, Individual heating.***

#### **A8. What are other households in the locality doing to prepare for the cold season?**

We asked the respondents if they were aware of the social assistance offered by the State for heating, in particular the purchase of firewood at preferential prices.

*'We haven't heard about it. I didn't look into this aspect. Firewood is like the cosmos for me. I realize that I don't have the possibility to use firewood for heating. My parents bought firewood, but not at preferential prices. Maybe a certain category benefited from this. These prices are for certain categories of people, for their supporters. But in reality you are faced with bureaucracy and you need to make a lot of trips. I don't see it as applicable, realistic. This is the same for gas exemption. What's the logic behind offering an exemption and increasing the price several times, when in fact it's better if you don't help at all and it's all realistic. I don't need anyone's help. What's important is that the cost for energy consumption doesn't exceed my income, my threshold. But this shows the incapacity of the government to really help, it's like a bone thrown in the ideological plan, propaganda. I'm not buying it at all'. **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.***

Other persons know about the obligation of municipalities to solve the firewood issue, but there are dozens of aspects and nuances that make it difficult to reach a satisfactory solution for the problem related to the cold season.

*'Many people registered at the municipalities to receive firewood, the queues are long. But tell me what can you do with 3 m<sup>3</sup> of firewood, it is barely enough for 2-3 weeks, as for heating you need to light the fire two times a day, in the morning and in the evening. But we also need coal. How can we buy it if one ton costs almost 11000 lei. It is available for sale, but who can buy it if people don't have money'. **Pensioner, 69 years of age, Individual heating***

*'I heard that it will cost up to 875 lei and that socially vulnerable families will benefit from this help initially, and that a certain quantity will be sold at this price. I understood that it is for everyone who is in that list from the municipality, but I don't know anyone who has already purchased it. I don't*

have any other details'. **Woman, 33, extended family, mother of 3, lives in a village.**

We also notice a strong dose of hopelessness in people's answers. The market from which they could buy firewood in the previous years is under great pressure, and where there are restrictions, there is abuse.

*'Now everyone is panicking, everyone wants to buy, to make stocks of firewood. The bills would be pretty high if they used electricity or gas for heating. Every time we meet someone we know we discuss about the fact that it is difficult to find firewood. Everyone is asking: Where did you buy the firewood from? At what price? Maybe you can also help me buy it? It's difficult for everyone.'*

The energy crisis reinforces not only the immediate threats but also a state of anxiety/instability, which affects the way people make plans for the next years, and this fuels a propensity to emigrate.

*'At the moment, as my husband says, we're making preserves, because we'll have money but there will be nothing to buy following this year's drought. We're more afraid of a potential shortage of firewood, that we won't be able to buy it or that there won't be gas, than of the lack of money. When you have small children you are afraid that you won't be able to even heat the water, because even hot water depends on gas. Or, if necessary, we will switch to electricity, but if that won't be available either, I don't know what we'll do. I'm mostly afraid that there will be a lack of resources. You no longer have the same living conditions, the psychological and physical comfort. Maybe you will be able to do the laundry or make a tea, but if there will be no gas, the winter will be very difficult.'*

**Woman, 33, extended family, mother of 3, lives in a village.**

#### **A9. The population has high expectations from the State given the exceptional energy situation in the country.**

*'Clearly, if there hadn't been that exemption last winter, the amount would have been more than 20000 lei given the gas price. I am quite satisfied with the help and believe that this support will be provided again this year. Consider my age, I also went through the 90s, when it was very difficult. Indeed, we were younger then, but we still had some support from the State. Now it is more difficult, I'm older, I have other opinions, other possibilities, we hope that the Government and the leadership of the country will not leave us at the mercy of fate. I don't know why I have a feeling they will not abandon the people who stayed in Moldova''.*

**Pensioner, 68 years old, Chişinău, individual heating, accountant, living alone.**

*'We can say a lot sitting at home, but we have representatives in the Government who need to get together and look for solutions to get out of this situation, especially in winter. If it's chilly or cold inside, you start feeling pain in the bones and joints. So you stay at home and cry because you're cold and hungry'. **Pensioner, 69 years of age, Individual heating***

Respondents consider necessary that the assistance provided by the State reaches the most vulnerable, but argue that procedures need to be simpler, that it should be easier for those who need assistance to prove this.

*'I can't say, because a vulnerable person is in this situation because they don't have anything, but they don't even want to have anything. Be it that they didn't learn anything or that they didn't go to any classes, they aren't doing anything to provide for their family. There are indeed vulnerable families which need to be supported, but the Government isn't consistent in its assistance. I don't know how much, but they receive something every year. But when they hear that they need to submit some kind of documents, most of them don't do this, as if the Government should come and knock on their door'.*

*'I work in an agricultural enterprise and I can say that people from the villages don't want to work, to*

harvest the fields. They would rather just sit and complain that the State isn't helping them, that the State won't give them things. They would probably want the State to hand them everything on a silver plate'.

The perception of people regarding the social assistance offered by the State indicates a relationship paved by personal experience.

*'I didn't receive any assistance for electricity, but I submitted a request for gas and it was approved. I received an allowance of 700 lei per month and now I am receiving it again. They're not giving us allowances for gas because we're not connected to the gas network, we are using gas cylinders. But I don't know about electricity, we'll see if they will help us. I think there will be something for electricity, if the expenses are higher or for those with children. I don't use the boiler to heat water, I don't have heating in the bathroom. I heat water on the stove. My grandson is staying with me for the holiday, but he uses cold water to shower. He seldom uses hot water. The allowance from the municipality, from the social assistance in Orhei. There is where I submitted the request, the mayor signed it. I filled in the request and mentioned that we have a washing machine, a boiler, whether they are functional or not, in case the commission comes to check what we have. The commission never came to me. Before I didn't even mention the washing machine. I will mention it now, because from what I understood, in case the commission comes, I need to take it out of there if I'm not using it, which I don't want to do. And why would I break it and move it (from the place where the washing machine is installed). I said I have a washing machine, but I don't use it often because I live alone. I use it once I gather more laundry, you don't just use the washing machine for two pieces of clothing'.* **Woman, retired, 69 years old, Orhei, rural, wood used for heating.**

Not everyone is satisfied with the assistance received from the State during the current crisis.

*'I paid three times more for heating than in previous years. Even considering the exemptions from the Government, it wasn't noticeable, it was all just statements'.*

*'I think it (the State) shouldn't offer money, but the firewood itself. This is because money is spent on other necessary things. There is no money for house insulation (in the Republic of Moldova). If we are talking about socially vulnerable people, then the State needs to implement alternative policies in order to take care of the elderly. I don't know whether they did this, but we did. I know that, in our district, there is a nursing home where the elderly go during the winter and use their pension to pay. My mother-in-law wished she could find such a nursing home for her father when he was alive. He was from Strășeni and she couldn't find any there. This is for people who are alone or who do not have the support of their relatives'.* **Woman, 33, extended family, mother of 3, lives in a village.**

Although we are facing a deep crisis, some respondents find the spending of foreign aid funds on energy compensation policies flawed and wasteful.

*'From one perspective, I don't think gas compensations are indeed assistance if we are taking large loans from the EU. You offer funds to pay for something. I don't consider it's normal. I think it's helping us, but as a country we are becoming more indebted. The prices for everything will keep rising. We already have a large debt. In the end, whole generations will account for this. I find the plan to have the kindergartens and schools switch to online learning strange. For example, my child is starting first grade, and there are 29 pupils in his class. There will be 29 heated homes, not a class. I don't see the logic in it. I'm on maternity leave and I'm staying at home, but I also have a 4-year-old who goes to kindergarten and an infant. I won't manage to take care of all three of them at the same time and I don't think it's normal to have online classes in the first grade'.*

**Woman, 33, extended family, mother of 3, lives in a village.**

Discontent turns into arrows aimed at the government.

*'I'm upset with the current government. I understand there are certain factors contributing to the fact that the crisis is seriously affecting us, as we are the poorest country in Europe. It's just that you're pulled down. Anyway, under these conditions, things could have really been managed differently, but we didn't see this. I felt that I need to work a lot, but from their side I only see plans and shining faces, and this only in the mass-media. I have neither positive expectations, nor hope. This is the worst, when people no longer have dreams and hopes. They should think and ask, but they have their own area, their people. They are trying to use incentives and offer things, but otherwise we are exposed, just like we were until now'.* **Woman, aged 47, son aged 14, higher education, teacher, Strășeni, single mother. House heated by gas, autonomous heating.**

*'The Government needs to think about the people. On one side, I think they will solve this, but on the other side I feel there's no hope. We see that because of the war, everything is more expensive. The price for gasoline rose to 32 lei and then decreased to 25 lei. I can't explain these increases in prices. They went down then, but are rising again. It would help if they increased the pension, maybe this way we could cope. There are rumours that they will be increased, but we'll see when this happens. All applications submitted with the social assistance service in Orhei need to be discussed and analysed to decide who will receive assistance and who won't. This applies for everything they do, all the assistance they offer, for example to women with cancer. They also have councils. We don't have a municipality, our municipality is joint with that from Morozeni'.*

**Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

#### **A10. Other issues which those worried about the energy crisis consider should be raised.**

The energy crisis is prompting people to think about ways to reduce their energy consumption for the future, inclusively by using materials that protect house walls.

*'Maybe external wall insulation is more efficient, but I have the impression that what I used doesn't retain heat. I understood from the TV that there is something that you apply inside to retain heat. I insulated the house two years ago, but I don't feel any difference. Maybe it should have been thicker. I used it to fill the cracks and to serve as a facade'.* **Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

Another trends become popular among the population: investments in renewable energy production, switching to autonomous alternative energy capture plants and decreasing dependence on a single source.

*'My husband has long wanted to use solar energy in the house we are living in. We intend to invest in solar panels. My husband studied engineering and would like this for our house. At this parents' place they have been using this for many years, they don't use hot water during the summer. They have a pipe where they pour water from the well and they have water for showering all summer. They don't use gas to heat water. This is why he would like to have alternative sources of energy. It might not give you a lot, but it offers energy autonomy'.* **Woman, 33, extended family, mother of 3, lives in a village.**

The avalanche of rising prices is a topic that terrifies people surveyed.

*'I'm mostly worried by the fact that, as the price for gas is increasing, everything around is getting more expensive. If the price for gas continues to rise, so will the prices for other services and products. I don't know how much a bottle of milk, sour cream or bread should cost. Is anyone taking into consideration the fact that, if the price for gas rises, so will the other prices? At the moment everything is private, we only have the Franzeluța public bread factory, but even they are increasing*

*the prices. I'm worried about what will happen with food items. Because we keep discussing about the gas, but nobody is saying what will happen with the price for food items, will there be a cap established by the Government or what will happen?'*

Even though gas is currently purchased at a prohibitive price, some of the respondents regret they did not connect in time (because of money and bureaucracy).

*'We contacted the municipality, we gathered applications from all neighbours, we went to Moldova gaz. They replied that they are a private company which ensures connection to the gas network, but that we need to pay for this. We formed a group of approximately 20 households which would like to be connected to gas, but it is very complicated. Out of these, about 2-3 households paid a certain amount of money, but in order for the company to allow us to get connected to the network from these persons, we each need to pay the persons 40000 lei'. **Woman, 47, divorced, has 2 minor children aged 11 and 13 and a dependant student, works as a saleswoman. Heating – with wood and coal.***

The respondents claim that the viable solution to the crisis doesn't only depend on the heating compensation policy, but also on solving structural problems – increasing wages and the population's purchasing power.

*'The State needs to help people by offering higher wages or firewood at smaller prices. It's very difficult, people can't buy firewood at these prices, the money is not enough, the wages are small, there are no jobs. The State needs to create more jobs. People are not saying they don't want to work, there are no jobs.'*

The insecurity related to gas or electricity supply is also frightening the population through the risk of destabilising social systems (education). This scares many people.

*'I think I'm very worried about hot water and preparing meals. I have a small child and you need to wash them and cook all the time. At the moment, these are good living conditions. If there will be shutoffs, it will be difficult for me, I will need to buy an electric burner. The fear that children will switch to online learning, that the prices for many products will rise. I can't imagine how things would evolve if there were a shutoff.'*

**Woman, 33, extended family, mother of 3, lives in a village.**

The extraordinary situation related to heating is dominated by insecurity risks and the idea that a war is undergoing in Moldova's neighbouring country, Ukraine. This is why the respondents show a form of declared resilience.

*'We need heating and lighting, not war. We don't know what will happen, if the war reaches us or not. Everyone in the village is afraid of this. We don't want it to start here also and to destroy everything, so that people have nowhere to live. I'm satisfied with the 700 lei allowance, but they could add something given the price increases. We'll see when we'll receive it. The allowance for heating is granted starting with November. In December we'll receive the payment for November.'*

**Woman, pensioner, 69 years of age, Orhei, rural, wood for heating.**

## Annex 2

### Structured questionnaire used for the interviews (qualitative research):

- 1) How did the effects of the current energy crisis affect your family budget?
- 2) What did you, as a family (or individual) have to give up as a result of price increases?
- 3) Did you have enough money to pay in time the bill for the energy used at home? How are your

relatives, your neighbours coping?

- 4) Do you usually borrow money when you don't have enough? Who do you usually borrow money from?
- 5) For what period do you borrow money and what are the conditions to access the credits?
- 6) Do you prefer borrowing money from your relatives/neighbours/acquaintances or from banking or non-banking institutions?
- 7) What made you look for a loan? Didn't you have difficulties in returning the owed amount?
- 8) Have you heard about cases when people with debts to individuals or banking or non-banking institutions have had major problems with the lending institutions?

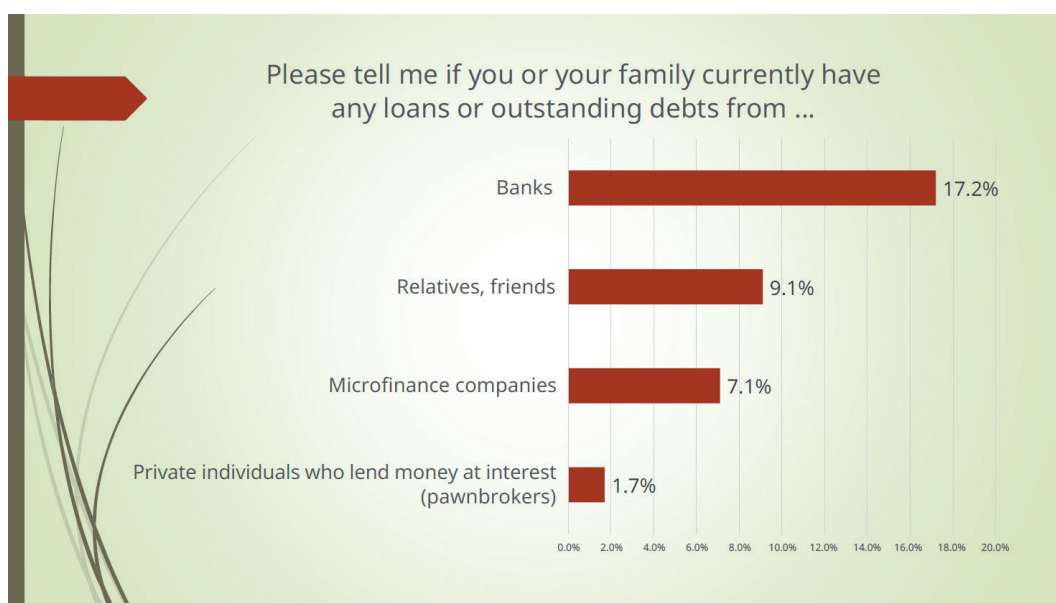
### Annex 3

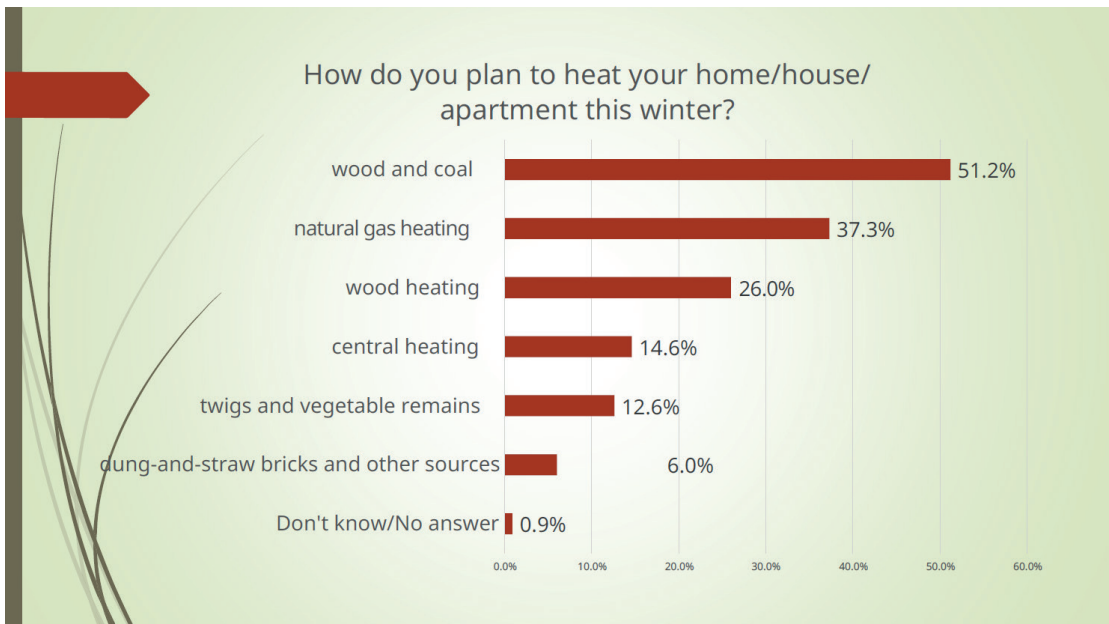
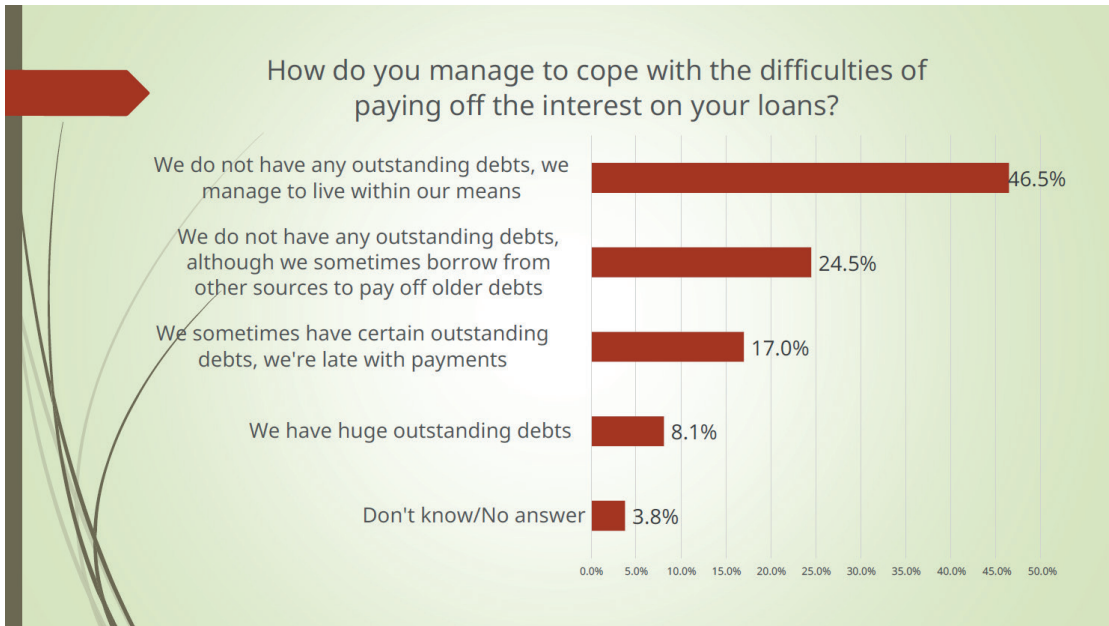
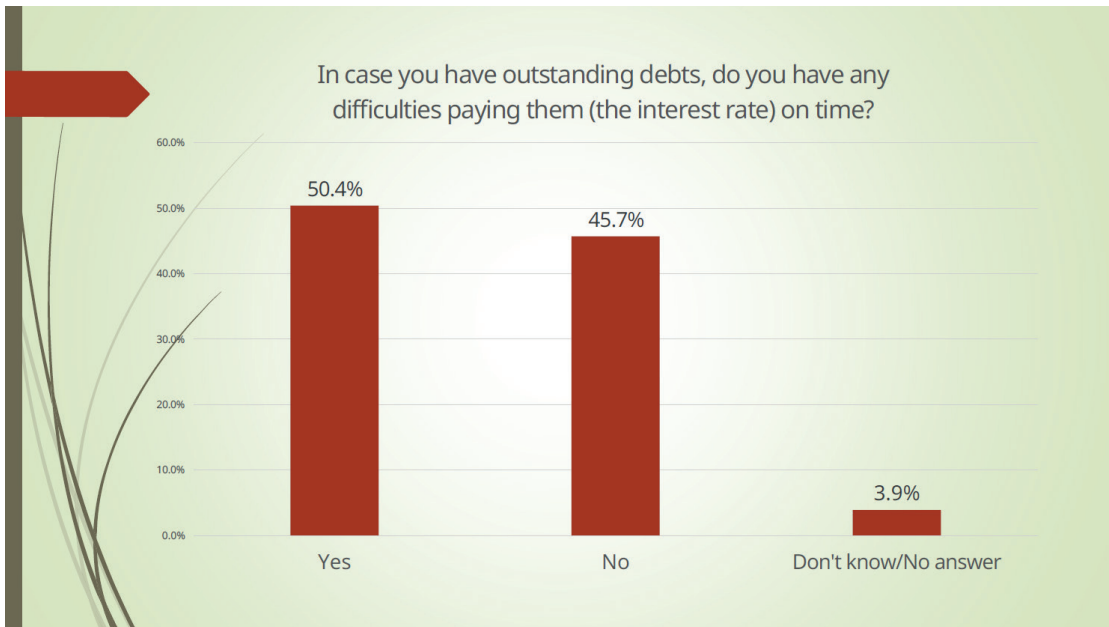
## Primary survey data

The presentation contains primary survey data

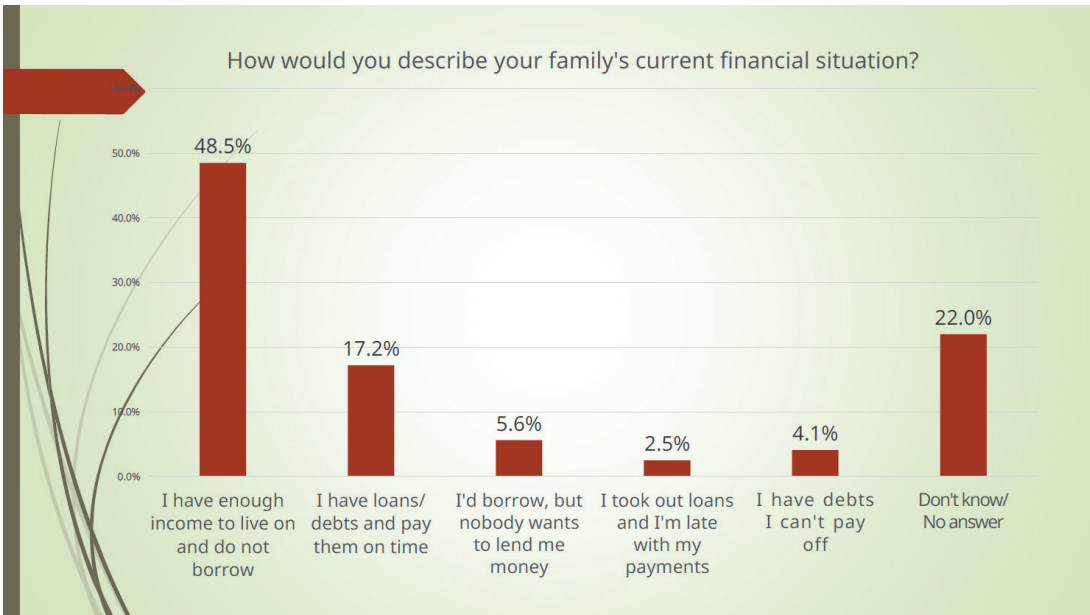
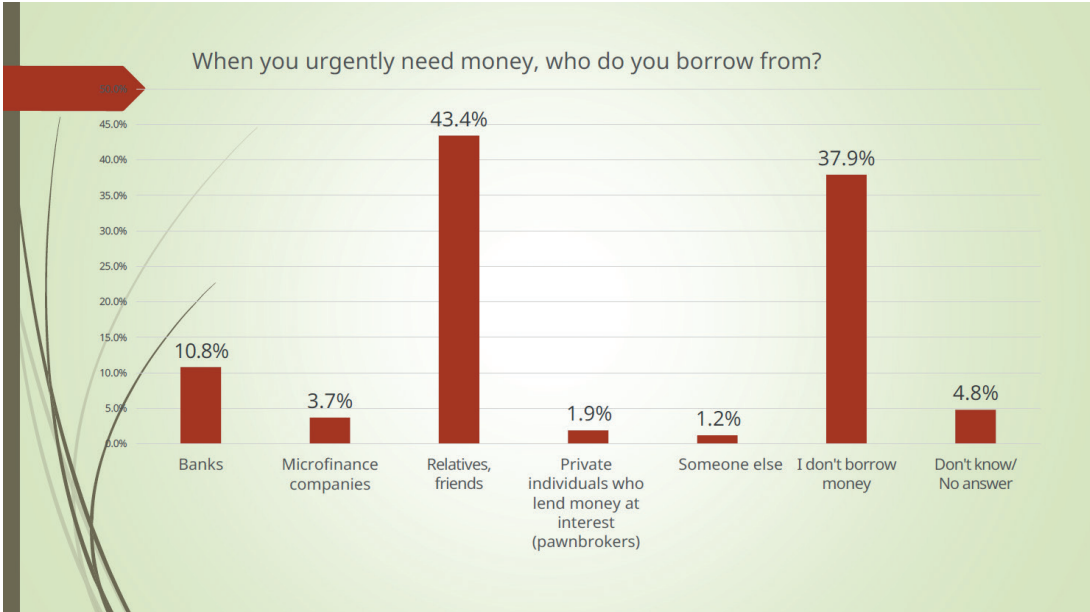
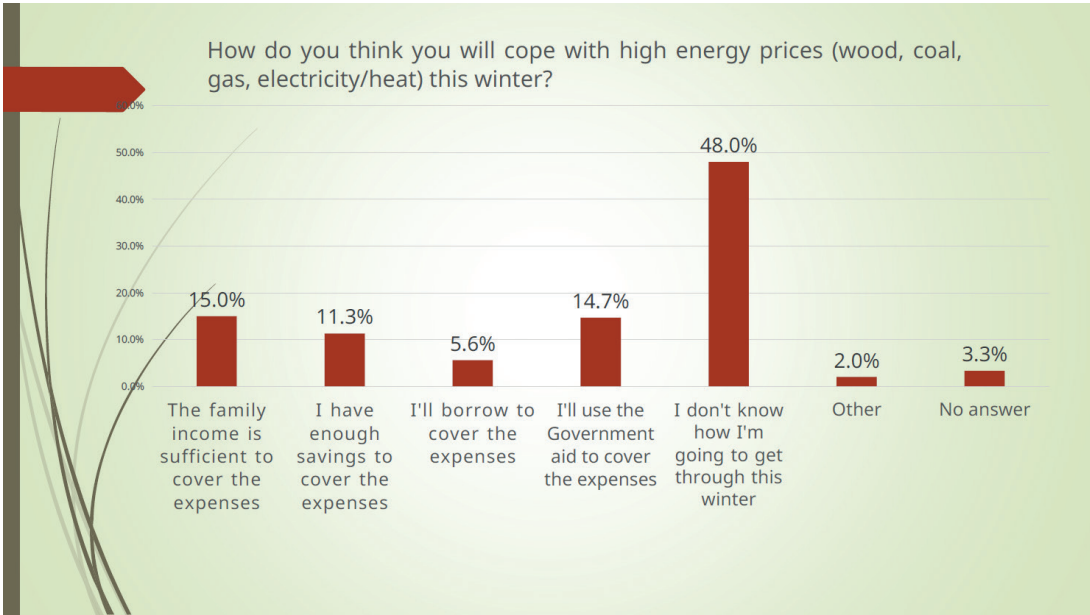
# How Moldovans will cope with the 2022/23 heating season

Based on the National Survey, CBX Research commissioned by IDIS Viitorul conducted in October 2022









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