

# The impact of cost-of-living changes on Moldovan and refugee populations

January 2023 | Republic of Moldova

## CONTEXT & RATIONALE

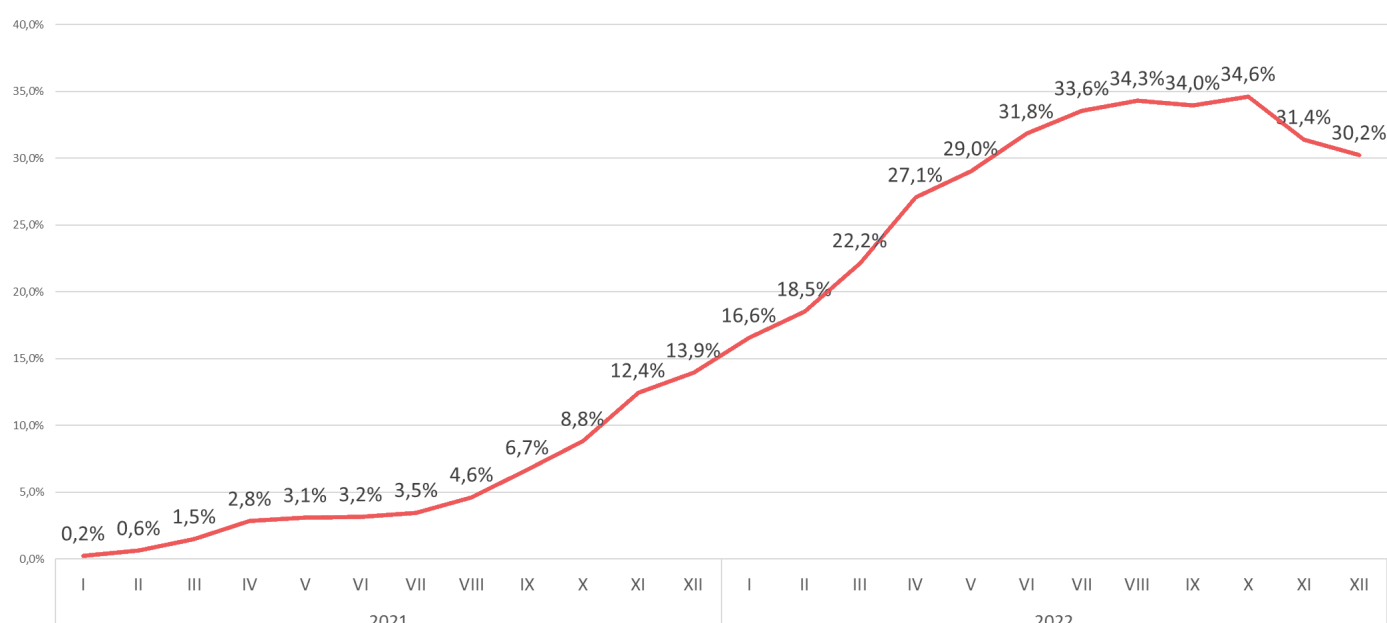
In 2021, the Republic of Moldova was classified by the World Bank as the 4th poorest country in Europe by GDP per capita (5,230.7 USD)<sup>1</sup>. The COVID-19 pandemic and the energy crisis which began in 2021<sup>2</sup> starkly exposed the economic vulnerabilities of the country<sup>3</sup>, the escalation of hostilities in Ukraine since 24 February 2022 engendering a high influx of refugees and having a spillover effect on the country.

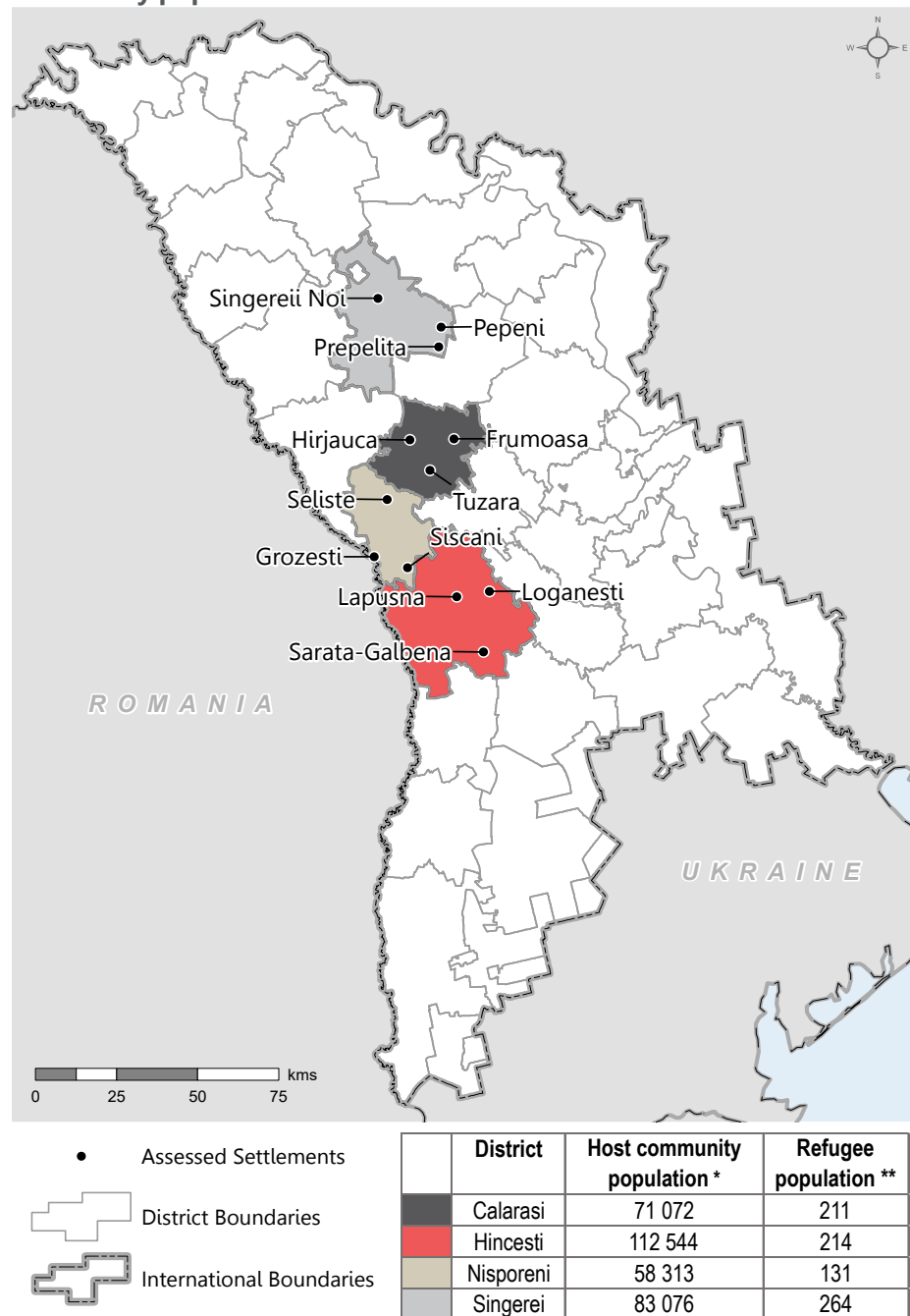
As Moldova relied heavily on imports from Ukraine and Russia for its food and energy needs<sup>3</sup>, the escalation of hostilities threatened to disrupt imports, which in turn led to increased prices and higher economic vulnerability of the local population. The global increase in gas prices after the sudden expansion of international trades following market stagnation during the COVID-19 pandemic<sup>2</sup> did not leave Moldova unhindered. At the beginning of 2022, the country was already paying 647 USD per 1,000 cubic metres of gas, an almost 200 USD increase from December 2021<sup>4</sup>. Following the escalation of hostilities in Ukraine and the disruption of the gas supply chain, gas prices have become increasingly volatile, reaching close to 2,000 USD per 1,000 cubic metres in September 2022 and dropping again to about 820 USD in November, still almost double the price a year before<sup>5</sup> (Annex, Figure 2). The soaring cost of gas has, in turn, triggered an increase in energy prices, since the main energy production source remains to be gas, leading to the highest price increase in the history of the country and, respectively, to a dramatic decrease in the population's accessibility to electricity<sup>6</sup> (Annex, Figure 3). Consequently, prices for basic services such as utilities and consumer products increased, with the country's inflation rate reaching an ultimate high of 34.6% in October 2022, four times higher than in October 2021 (8.8%)<sup>7</sup> (see Figure 1 below).

As of 31 January 2023, the escalation of hostilities since February 2022 led to the displacement of close to 8 million Ukrainian residents, with 755,368 crossing the border into Moldova and 108,824 staying in the country<sup>8</sup>. In addition to the distress felt while forced to leave their homes behind, the thousands of refugees residing in Moldova have likely been facing economic hardships.

To examine the combined effects of the compounded economic and refugee crises, REACH Initiative conducted an assessment to understand the impact of cost-of-living changes on refugees' and host communities' ability to sustain themselves, the coping mechanisms they adopted or planned to implement for the 2022-2023 winter season, and any potential shifts in host communities' attitudes towards and ability to support refugee populations.

**Figure 1. Inflation rates in Moldova, 2021-2022<sup>7</sup>**



**Map 1. Assessed settlements and the size of the refugee and host community populations in each**

Data Sources: Boundaries - UNHCR, \* Alegeri în Moldova (<https://alegeri.md>), \*\* REACH, Area Monitoring

## METHODOLOGY

The purpose of this assessment is to provide detailed information to humanitarian actors about how changes in the cost of living are affecting refugee and host populations.

The assessment adopted a qualitative approach based on semi-structured Key Informant Interviews (KIIs). The AoK (Area-of-Knowledge) methodology was employed, where Moldovan and refugee KIIs were asked questions about their experiences and perspectives as well as those of members of their respective communities in their village/commune of residence. The four districts highlighted on the map were identified based on their high levels of socioeconomic vulnerability prior to the escalation of hostilities in February 2022<sup>9</sup>. In each district, three rural areas that received the highest number of refugees within those districts were assessed<sup>10</sup>.

Host community KIIs were selected through referral from the town mayor, while refugee KIIs were selected through referral from the local social assistant. Both groups were considered as being individuals with sufficient knowledge about the situation in their community. A total of 24 KIIs were conducted from 16 November to 5 December 2022, 12 from each population group (three per population group per district).

Furthermore, given the nature of qualitative data collection, the information obtained through KIIs is not indicative of the situation of either population group.

## ASSESSMENT FINDINGS

### The ability of Moldovans and refugees to sustain their livelihoods in light of the compounded economic and energy crises in the region

Interviews with KIIs from the host community indicated, predominantly, that **the resulting influx of refugees** following the escalation of hostilities in Ukraine since 24 February 2022 **did not exacerbate the energy or economic crises, but rather might have had a financial impact on families hosting them**. One host community KII mentioned that they were not ready for such a sudden arrival of refugees but, since they decided to host them, they had to borrow money to cover the additional expenses.

All host KIIs reported feeling that the economic and energy crises had a considerable impact on the livelihoods of Moldovans. The most often mentioned consequence was the **rising utility costs, particularly in winter**, with some reporting prices doubling or tripling, and people having to spend over half of their monthly salaries on utilities. Due to higher costs, KIIs reported that **the quality of life had reduced**. More than half of the KIIs reported feeling forced to be more economical in their consumption, while some were concerned about the stress caused by the inability to cover expenses, particularly for older or vulnerable people.

*"The village doesn't have a gas pipeline and so we buy gas in cylinders. These used to cost 200-300 MDL [11-16 USD], now we pay 600-700 MDL [32-37 USD]."*

Host community KII - Nisporeni district

**Refugee KIs from the assessed localities corroborated these findings.** Two-thirds of the KIs felt that prices had increased, with a high focus on the cost for utilities and firewood for heating. KIs in the Hincesti and Nisporeni districts were more likely to report an increase in prices.

To face these challenges, **the majority of refugee KIs stated that they relied on external financial support**, with some mentioning community or family members (for returning Moldovans who lived in Ukraine) as primary support sources. **Various international organisations provided assistance**, such as the United Nations High Commissioner for Refugees (UNHCR), which implemented a cash assistance programme for refugees registered in the Republic of Moldova in the amount of 2,200 MDL (116 USD) per month for each member of the families enrolled in the programme<sup>11</sup>. **For some KIs, this assistance was their only source of income.** Others reported savings as additional financial resources, but **multiple KIs expressed that either these savings had been depleted since their arrival in Moldova or their value drastically decreased** due to the highly unfavourable exchange rate. In addition to relying on external support, several KIs clearly stated that they had to be more economical and cut down on expenses in order to cope with the economic and energy crises.

### **Unemployment rates and income-generating activities**

**Overall, the economic crisis appears to have had an impact on the unemployment rates in the assessed districts.** The majority of host community KIs felt that the unemployment rate was higher, while some had not perceived a considerable change. This was also echoed by refugee KIs. However, some of the latter believed villages had not had high employment opportunities even before the escalation of hostilities.

**In general, most KIs from both population groups reported limited to no job availability**, explaining that positions were already filled, were seasonal or event-based. Additionally, KIs highlighted that **available jobs were low-paying**. In some cases, no jobs were reportedly available to the host community, and this could be partially due to age discrimination, where **older people were reportedly less likely to be hired**. As about 56% of the older Moldovan population resides in rural areas<sup>12</sup>, this might be cause for concern about their ability to sustain themselves.

Individual economic activities had also reportedly changed, as **over half of the host community KIs said that they noticed changes related to livelihood activities** among Moldovans in their localities, particularly in the Nisporeni and Singerei districts. These changes reportedly included going to work outside the locality of residence or more people searching for work abroad, people foraging for or growing food, engaging in casual work or in a second job, or registering for unemployment benefits.

*"Because of the crises, people have to leave the village [for work] or they gather nuts, rosehip, plants and sell them to earn an additional income."*

Host community KI - Singerei district

One host KI reported that some of those who worked outside their locality were offered transportation to work by their employer. Others, with no transportation provided through their work, were unable to afford commuting costs and were forced to resign.

**Refugee KIs also reported searching for employment outside of their locality**, such as in more populated areas like Chisinau or abroad. Some KIs emphasised the seasonality of employment opportunities: **jobs in sectors such as agriculture and construction are reportedly more available in the warmer months, but are no longer accessible during winter**. At the time of data collection, **three-quarters of the refugee KIs stated that they were unemployed**, mostly in the Nisporeni and Singerei districts. Reported reasons behind their unemployment included the lack of employment opportunities, having no one to care for their children while they are working, a disability hampering their ability to find a job or work, or the language barrier making it difficult to find or retain employment.

### **Impact on migration patterns for the Moldovan community**

According to the National Bureau of Statistics of the Republic of Moldova, **the 2022 approximate population size is 2.6 million people**<sup>12</sup>, representing a drop of about 1.5 million compared to 1991 numbers. **This significant population decline is mostly due to a low birth rate and to the increased migration of Moldovan citizens abroad**, either temporarily for education or employment opportunities, or to permanently settle in the country of destination<sup>13</sup>.

The latter was highlighted by the majority of host community KIs who said that the level of migration for employment to urban areas, but particularly abroad, increased, especially amongst young people. According to these KIs, **those who leave don't always return, even if they initially planned to, as there continues to be little work back home and the cost of living is too high**. Those who stated that there has not been a change in migration said that people have long left the villages or the country to find better opportunities, most of whom had not returned since. Those in the Calarasi district were more likely to perceive no significant changes in the migration patterns, while those in the Nisporeni district were more likely to note that migration to cities had increased.

### **Changes in consumption patterns and local markets and adopted strategies to cope with cost-of-living changes**

**All host community KIs reported that the compounded energy and economic crises impacted their consumption patterns, while the influx of refugees had no influence.** The commonly mentioned coping strategy was being more economical in their purchasing choices, reducing consumption altogether, or prioritising the bare essentials, which was most frequently reported in the Calarasi and Nisporeni districts. One host KI stated that they chose to prioritise utilities over food. It was also stressed that

**the host population was unable to buy quality food and that making ends meet in the upcoming cold season was of great concern to them.**

**Similar strategies were reported by refugee KIs**, as the majority mentioned changes in consumption patterns, mainly through reduction, most commonly in food products. Dairy and meat products and heating were mentioned as the products or services refugees were most likely to forego, but these were also prioritised for some families with children.

Findings indicate that consumption pattern changes were not due to a change in market functionality. The majority of KIs from both population groups said that **local businesses were operating normally and were accessible**. However, local markets were reportedly missing in some assessed settlements even before the crises, mostly in Nisporeni. Still, host KIs referred to the fact that **even though markets continued to be operational, demand for goods had decreased** and local producers were unable to exhaust their stocks. A third of the KIs reported that **some small businesses were operating at a loss**, and moving their business to the city would have only increased their operational costs. Thus, some business owners reportedly used their own produce for their households or repurposed their supplies, such as by clearing their vineyards for firewood for personal use.

The considerable increase in market prices was reported as a major concern. One refugee KI mentioned, for example, that **the cost of basic food items** such as eggs **had more than doubled** since their arrival in Moldova. Host community KIs underlined that people were willing to travel longer distances than before in order to access cheaper goods, but that might increase their transportation costs. However, for some host KIs, cheaper goods were reportedly associated with lower product quality and lower nutritional value.

Regardless of the reduced consumption, food staple items such as cereals, vegetables (with an emphasis on potatoes), dairy products and pasta were reportedly in higher demand among both population groups, compared to other food products. As regards non-food items, **the majority of KIs reported a continuous need for firewood, as it is the primary heating source in the assessed localities**. However, heating materials were identified by some KIs as unaffordable, along with meat products and hygiene items.

*"People first cover the cost of bills, so as not to be left without these services, without electricity, internet, etc., then they buy the bare necessities, such as food and hygiene products, trying to choose the cheapest ones."*

Host community KI - Hincesti district

## Gendered differences

**Gendered differences in livelihood strategies were predominantly reported by host community KIs, whereas refugee KIs were divided on the matter.** Differences reported by Moldovan KIs were that men went

abroad for work, while women had to stay home to care for children, increasing their financial dependency on the men in the household. Needing childcare was also reported by refugee KIs as a barrier for women to accessing the job market, although there was also a perception that women were more eager to work. Some reported that they felt men had more job opportunities as blue-collar workers, while women had higher chances of being employed in white-collar jobs. **KIs from both population groups reported men are more likely to work in construction, agriculture, or manufacturing, sectors where jobs often require physical strength. On the other hand, women were reported to mostly be employed in retail, in the education sector, or in the beauty industry.**

## Perspectives on the 2022-2023 winter season in light of the compounded crises

**60% of the heating used by Moldovan families comes from gas<sup>14</sup>, most of which continues to be procured from the Russian energy corporation Gazprom and transported through Ukraine<sup>5</sup>**, which renders Moldova exposed to potential supply disruptions. With the availability of gas at risk and the drastic increase in its costs<sup>5</sup>, and subsequently electricity and heating prices, the host population is likely to continue facing high energy vulnerabilities throughout winter, especially the poorest individuals.

In this context, it was not surprising that **the majority of KIs from both population groups said that their biggest concern in regards to the 2022-2023 winter season was the affordability of heating**, which was reported as an issue across all four assessed districts. **The increase in costs, as well as concerns about utility interruptions**, have reportedly translated into stockpiling of firewood or into some Moldovan families cutting down natural vegetation to compensate for lack of heating materials. Because of the above-mentioned lack of jobs in the community, respondents reported intending to be more economical, such as not using electricity unless absolutely necessary or foregoing certain food items. Refugee KIs also reported spending more on winter clothing, as when they fled Ukraine, they came unprepared.

*"Firewood is expensive, it costs about 700 MDL [37 USD] for a cubic metre and another 200-300 MDL [11-16 USD] for transport. A household of up to five people needs around 10 cubic metres for the winter; [so] the three that are given out are not enough even for a month."*

Host community KI - Calarasi district

## Adopted and anticipated coping mechanisms for the winter season

**To face these crises and continue to be able to meet their basic needs in the winter season, the majority of KIs stated that they would attempt to be even more economical and further reduce consumption**, especially of electricity and heating materials, which was mainly reported by refugee KIs in Hincesti and Nisporeni. The KIs from Nisporeni stated that they **rely mostly on external**



**financial aid** and try to save more money or currently live off existing savings. KIs with children mentioned prioritising spending on their children's needs.

Host community KIs also mentioned lessening food consumption, using candles for lighting, or otherwise avoiding the use of electricity to reduce the financial burden caused by expensive goods and services. KIs in Singerei, Calarasi and Hincesti were most likely to reduce overall consumption. Moreover, on the reported increasing financial burden during the winter season, KIs stated that some host community members tried to engage in casual labour when possible, find work outside their locality, temporarily work abroad, or they relied on remittances from family working abroad, particularly from younger family members. Others mentioned stockpiling food such as canned or preserved goods from their own gardens to avoid price hikes, or stocking up on wood to avoid shortages during winter. Other reported coping strategies included borrowing money to cover utility expenses, chopping down trees or grapevines from their own land to use for heating, slaughtering livestock to avoid high farm operating costs, or older people moving in with their children for the cold season to reduce expenses.

### **Government support and requested aid**

The majority of KIs from **both population groups** reported that members of their communities **were aware of the national aid programmes put in place by the government** in partnership with national agencies or international organisations. Vulnerable families were prioritised, including pensioners, families with one or no provider, families with multiple children, or people with disabilities from either population group.<sup>16</sup>

As reported by the majority of host KIs, **financial assistance included 700 MDL (37 USD) per month** for vulnerable families<sup>16</sup> or families hosting one or more refugees, **subsidised prices for firewood, or compensation for electricity**. However, all citizens could submit a request to have their energy vulnerability assessed. Depending on the resulted level of vulnerability, their utility bills could be partially compensated by the state<sup>15</sup>.

Moreover, to enhance equitable distribution of heating materials within the available stock in the country, the Ministry of Environment launched a web portal for submitting requests for the purchase of firewood.<sup>17</sup>

**To benefit from these opportunities and reduce costs, several host community KIs reported switching from gas to wood or coal.** However, Moldovan KIs stated that people were encountering issues with the national distribution of firewood, as several of those who requested it reportedly had not received it. This issue was most commonly mentioned in Hincesti. Moldovan KIs also shared that hosts might have been seeing additional expenses from housing refugees, and **the high utility prices left little for basic needs.**

As reported by host KIs, there were increased requests for help, particularly for firewood, which used to be only

by pensioners, but, in light of the crises, expanded to the wider community. Reportedly, **vulnerable families and families hosting refugees were in most need of support.** In Hincesti, for example, the list of low-income individuals to receive the 700 MDL (37 USD) per month was over 200 people at the time of data collection. One host community KI from Singerei reported that there were 133 applications for firewood and more than 200 applications for cold-season compensation of electricity costs. The psychological impact was also of concern, as host KIs reported that **members of the community were consumed by worry about their ability to meet their heating needs which may have adverse effects on their wellbeing.**

Around half of refugee KIs requested assistance for the winter season, primarily for firewood. This was most common in Hincesti and Singerei, whereas only one KI in Singerei requested financial support from local authorities, and one KI in Hincesti requested assistance from a non-governmental organisation (NGO). Several KIs reported not asking for help, but some did not know where to ask, or intended to change their country of residence and did not need any support.

### **Relationships between refugees and the host community**

Host community KIs reported that overall, **Moldovans had a positive perception of refugees and that they were considered members of the community**, especially since some refugees have family in the area or are originally from Moldova. Other KIs described the relationship as distant, partially because some refugees were reportedly disrespectful to their landlords or hosts or spoke roughly with members of the host community, but it was emphasised that this was not representative of the refugee community as a whole.

Regardless, according to the majority of Moldovan KIs, the positive attitude towards refugees had not changed since their arrival in Moldova. At the time of data collection, **the host community reportedly continued to be willing to offer food, accommodation, and social support.** Only a few KIs felt that the relationship was more neutral in general, pointing out interactions might differ from one person to the other. One host KI underlined that refugees did not need additional support, as they had already been receiving aid from international NGOs or other institutions, so the host community was not getting actively involved anymore.

In contrast to the overall positive attitude reported by the host community, some refugee KIs felt that their community was blamed for the crises or for the increase in utility costs, or that the host community was dissatisfied with aid being provided only to refugees. This negative feeling was reportedly fuelled by Moldovans thinking that humanitarian aid is putting a strain on the national economy and increasing national debts. However, at the time of data collection, the majority of refugee KIs reported feeling an overall improvement in their relationships with the host community, having adapted to living in a foreign country and feeling a sense of belonging.

## CONCLUSION

Findings show that the recent compounded economic and energy crises, as well as the escalation of hostilities in Ukraine since 24 February 2022, had a considerable impact on the livelihoods of both Moldovan nationals and incoming refugees. The volatile and soaring gas prices led to an increase in energy and heating costs, coupled with a staggering inflation rate reaching 34.6% in October 2022<sup>7</sup>.

Assessment findings confirmed that both Moldovan and refugee populations were affected by the compounded crises. KIs from both groups reported that increased prices for food and utility bills left their communities unable to cover expenses for basic needs and drastically lowered their quality of life, an impact reportedly mostly felt by vulnerable people. As the majority of host and refugee KIs reported a perceived lack of job opportunities in their communities, both populations' reliance on external support increased. Findings also indicated that the scarcity of employment opportunities further enhanced the culture of labour migration that has been prevalent in Moldova since 2000<sup>18</sup>. The continuation of this trend could widen labour market gaps and engender a dwindling of the labour force, which, in turn, could further deteriorate the economy of the country.

In light of these crises, the government, in collaboration with several INGOs, made a substantial effort in offering financial support<sup>15</sup>, with additional assistance targeted at vulnerable groups<sup>16</sup>. Still, both host and refugee KIs mentioned growing concerns about being able to afford heating during the 2022-2023 winter season. Some reported coping mechanisms included chopping down trees or grapevines from their own land to use as firewood, or slaughtering livestock to cut down on their farm's operating costs, resources otherwise intended for household income generation. As the crises protract, the exhaustion of these resources could exacerbate the vulnerability of the populations and jeopardise their ability to meet their basic needs.

As regards the interaction between the host community and the refugee population, the majority of KIs from both groups reported good and understanding relationships since the beginning of the arrival of refugees in the country. However, some host KIs stated that although at the start of the refugee crisis Moldovans were more eager and willing to help, efforts reduced over time, as refugees began receiving more aid from the NGO sector. Should external support continue to be primarily targeted at the refugee population, the poor financial situation of vulnerable Moldovans could be further aggravated and could amplify existing tensions between both communities.

### ***Areas for further investigation***

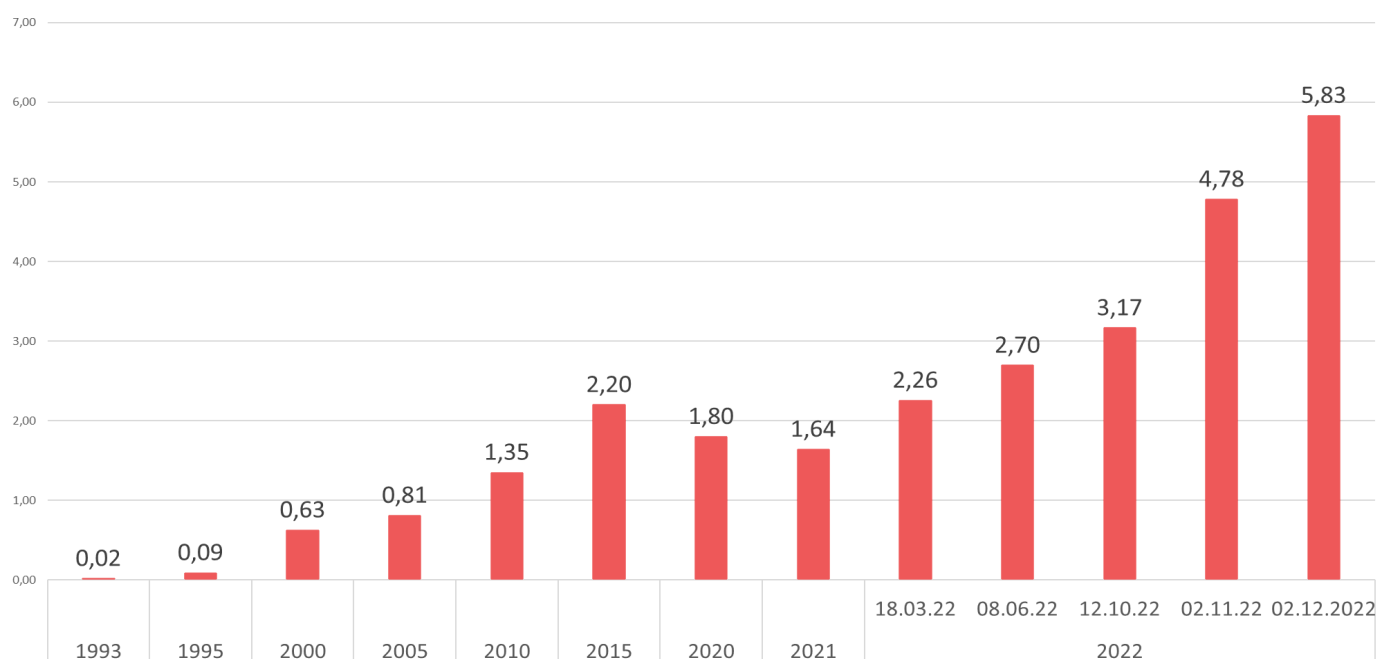
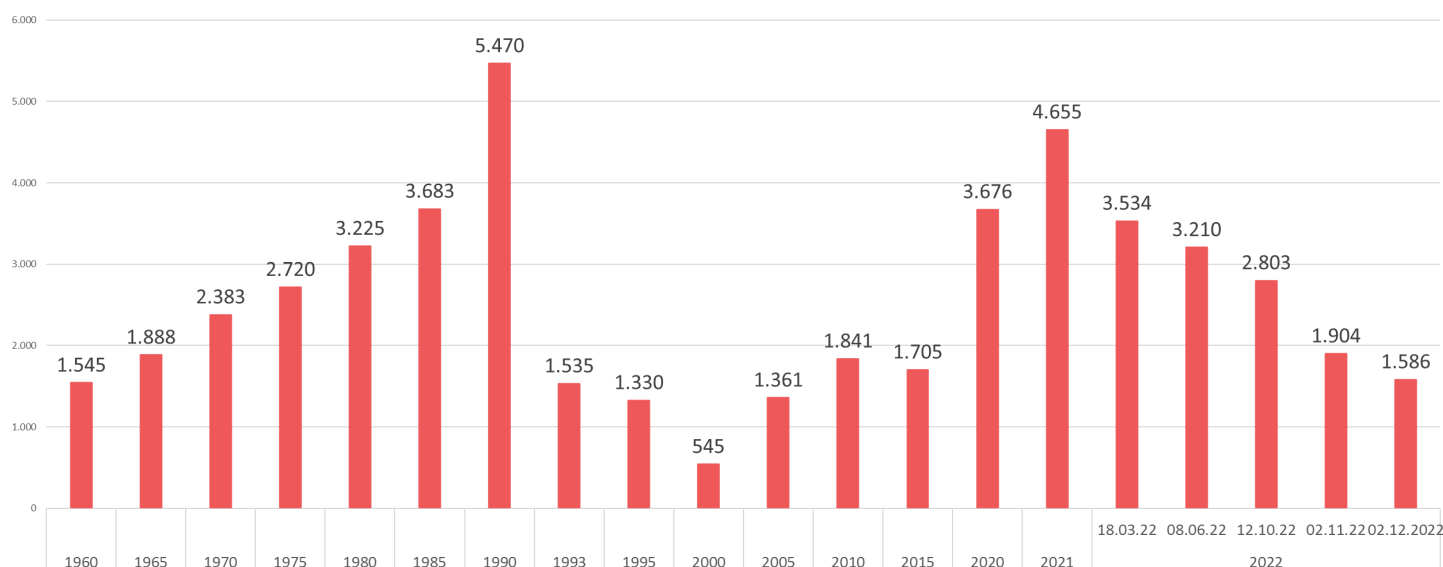
Most KIs from both population groups reported a very limited availability of jobs in their communities, but data from the National Bureau of Statistics shows a decreased national unemployment rate, from 4.3% in the first quarter of 2021 to 2.5% in the third quarter of 2022<sup>19</sup>. Moreover, employers report an employee crisis, complaining of a severe shortage of skilled workers in the country<sup>20</sup>. Further research on the labour market is needed to understand the skill deficiencies of the labour force, labour gaps and how these could potentially be filled by refugees. Additionally, it is important to investigate the discrepancies between supply and demand in the labour market. Of particular interest would be the mismatch between locally available skillsets and locally available jobs, as well as the labour migration patterns of Moldovans and refugees.

As Moldova relied on exports from Ukraine and Russia<sup>2</sup>, and multiple host and refugee KIs reported reduction of food consumption as a coping mechanism for high product costs, the population could be at risk of food shortages or poor nutrition. Therefore, an assessment of the food security in the country and of the food supply chain functionality, availability, and of food prices would be useful to inform evidence-based cash and food distribution programmes implemented by humanitarian actors.

## ABOUT REACH

REACH Initiative facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. The methodologies used by REACH include primary data collection and in-depth analysis, and all activities are conducted through inter-agency aid coordination mechanisms. REACH is a joint initiative of IMPACT Initiatives, ACTED and the United Nations Institute for Training and Research - Operational Satellite Applications Programme (UNITAR-UNOSAT).

## ANNEX

Figure 2. Weighted average cost of electricity, MDL/kWh<sup>6</sup>Figure 3. Electricity volume in kWh purchased on an average monthly net salary<sup>6</sup>

## ENDNOTES

1. [The World Bank. GDP per capita \(current US\\$\) - Europe & Central Asia \(2021\)](#)
2. [DW. De ce se tot scumpește gazul? \(2021\)](#)
3. [The World Bank. The World Bank in Moldova. Country Overview \(2022\)](#)
4. [Moldstreet. De la 1 ianuarie prețul gazelor pentru Moldova a crescut cu 200 de dolari. Riscul unei noi crize \(2022\)](#)
5. [Moldstreet. Prețul gazelor livrate de Gazprom scade cu 205 de dolari \(2022\)](#)
6. [Veaceslav Ioniță. În mai puțin de nouă luni asistăm la a 5-a scumpire a energiei electrice, care cumulativ s-a scumpit de 3,6 ori \(2022\)](#)
7. [Veaceslav Ioniță. Prețurile în Moldova continuă să crească, însă într-un ritm mult mai lent, iar inflația în 2023 va tinde spre 10% \(2023\)](#)
8. [UNHCR Operational Data Portal. Ukraine Refugee Situation \(2023\)](#)
9. [Светлана Фуртуна. Измерение показателей бедности. Опыт Национального бюро статистики Республики Молдова \(2019\)](#)
10. [REACH Initiative. Area Monitoring Assessment \(2022\)](#)
11. [UNHCR. Cash assistance for refugees in Moldova \(2022\)](#)
12. [National Bureau of Statistics. Population \(2022\)](#)
13. [Veaceslav Ioniță. #037 Analize Economice: Populația Moldovei. Ponderea moldovenilor în lume s-a redus de 2 ori din cauza natalității scăzute și de 3 ori din cauza migrației, analiză \(2022\)](#)
14. [Ziarul de Gardă. Cele mai multe familii din Republica Moldova se încălzesc iarna cu lemne sau cărbune – expert \(2022\)](#)
15. ["Ajutor la contor" compensation programme \(2022\)](#)
16. [Ziarul de Gardă. Circa 40 de mii de familii din R. Moldova vor beneficia, timp de șase luni, de un suport lunar suplimentar în valoare de 700 de lei \(2022\)](#)
17. ["Lemne.md" firewood inventory \(2022\)](#)
18. [Radio Europa Liberă Moldova. Veaceslav Ioniță: „Moldova se depopulează și devine o explozie socială” \(2021\)](#)
19. [National Bureau of Statistics. Unemployment rate by Sex, Area, Years and Quarters \(2022\)](#)
20. [TVR Moldova. Lipsa locurilor de muncă nu mai este o problemă. Piața muncii din Republica Moldova se confruntă cu o criză \(2022\)](#)