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## Contribution to the Republic of Moldova's Energy Vulnerability Reduction Fund

**FINAL REPORT**

**12 December 2022 – 31 December 2023**



Chişinău, 2024

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## Project Information

<b>Project title</b>	Contribution to the Republic of Moldova's Energy Vulnerability Reduction Fund
<b>Country</b>	Republic of Moldova
<b>Project number</b>	00134246
<b>Implementing agency</b>	United Nations Development Programme in Moldova (UNDP)
<b>Project duration</b>	12.12.2022 – 31.12.2023
<b>Project budget</b>	USD 16,666,667
<b>Overall objective</b>	To further support the implementation of the Energy Vulnerability Reduction Fund (EVRF), develop and implement specific additional interventions to compensate most vulnerable households and alleviate the pressure on the public budget.
<b>Outcomes</b>	Moldovan and refugee households benefit from reduction of poverty and energy vulnerability
<b>Reporting period</b>	12.12.2022 – 31.12.2023
<b>Total expenditures</b>	USD 16,666,667
<b>Main national partners</b>	<ul style="list-style-type: none"><li>▪ Ministry of Labour and Social Protection</li><li>▪ Ministry of Finance</li><li>▪ Ministry of Energy</li><li>▪ Parliament of Moldova</li></ul>
<b>Project Manager</b>	Serghei Botezatu <a href="mailto:serghei.botezatu@undp.org">serghei.botezatu@undp.org</a>

## List of abbreviations

**ANAS** – National Agency of Social Assistance

**ASP** – Public Services Agency

**CNAS** – National Agency of Social Insurance

**EGA** – Electronic Government Agency

**EVRF** – Energy Vulnerability Reduction Fund

**EVIS** – Energy Vulnerability Information System

**MF** – Ministry of Finance

**MLSP** – Ministry of Labour and Social Protection

**SDC** – Swiss Agency for Development and Cooperation

**UNDP** – United Nations Development Programme

# Apply for energy compensation

The "Help at the meter" programme was launched in October 2022 to mitigate the impact of rising energy prices. This year, the Government will once again provide on-bill compensation for energy costs, as well as a cash payment for households that use either coal or firewood for heating.

The compensations are offered from the Energy Vulnerability Reduction Fund which is financed from the state budget and the contribution of the European Union, the United States and other development partners.



This report covers the results achieved by the Contribution to the Republic of Moldova's Energy Vulnerability Reduction Fund Project, with the support of the Swiss Agency for Development and Cooperation (SDC) and the Government of Sweden, during its period of implementation (December 2022 – December 2023), in line with the approved Project Document and Multi-Work Plan (Annex 1).

The Project implementation period coincided with a series of shocks and turbulences in the Moldovan economy, in the aftermath of the pandemic, the impact of the Russian military invasion of Ukraine and, most importantly, the regional energy crisis. Moldova entered into an energy crisis in October 2021, when gas and electricity shortages caused tariffs to spike. In 2022, prices increased sevenfold for natural gas and 400% for electricity. As a result, ahead of winter 2022, more than 70% of the households in the country were deemed energy-vulnerable, spending more than 10% of their incomes on energy, in particular on heating during the cold period (November through March).

UNDP, together with the Government of Moldova, and with the support of SDC and Sweden, designed and implemented an evidence-based, on-bill, compensation scheme to minimise the negative impact of energy inflation on Moldovan households — the Energy Vulnerability Reduction Fund (EVRF). The EVRF is linked with an [Energy Vulnerability Information System](#) through which households can apply online, directly, or with the help of a social assistant or a librarian. Each applicant is then automatically ranked into one of seven energy vulnerability categories (from extremely vulnerable to non-vulnerable) through a detailed algorithm that provides full transparency on the system of categorisation and compensation. A reduced tariff is then applied to bills for natural gas, electricity, or centralised heating.

The sudden and vertiginous rise in energy costs have imposed a fast-track timeline on project activities, requiring swift action to ensure that vulnerable Moldovan households make it through the winter with dignity and comfort. The Project succeeded in achieving, and surpassing, its set targets — up to 895,000 households — approximately 75% of all Moldovan households — have benefitted from on-bill compensations during in 2023. Out of these, 595,535 benefitting households were ascribed a very high category of energy vulnerability. According to the [UNDP impact assessment](#) of the Fund, the compensations reduced the level of energy poverty by 43% and had the greatest impact on the most vulnerable families.

The project worked to ensure sustainability and institutionalization of the EVRF, with a focus on capacity building, particularly within the Ministry of Labour and Social Protection. This aim has been reached, with the Department of Energy Vulnerability and Reduction of Energy Poverty Policy within the MLSP formed, fully trained and capacitated to implement and improve the EVRF.

Furthermore, the success of the EVRF has triggered important modernisations of the national social protection system — the Ministry of Labour and Social Protection has embarked on a mission to digitalise its other social services, through the RESTART reform, modelled on the EVRF experience.

Under the Project's *Intended Outcome: Moldovan and refugee households benefit from reduction of poverty and energy vulnerability*, the strategy relied on comprehensive, interrelated, and multi-stakeholder cooperation between several parties — development partners, the Ministry of Labour and Social Protection, the Ministry of Finance, government agencies (ANAS, ASP, CNAS, Fiscal Inspectorate, EGA), institutions (National Library), energy provider companies (Moldovagaz, Premier Energy, Termoelectrica, CET Nord, etc.), and associations of homeowners.

On a strategic level, the project supported Moldova's progress toward the achievement of the Sustainable Development Agenda 2030, particularly SDG 1. No poverty, SDG 7. Affordable and clean energy, and SDG 10. Reduced inequalities.

## Chapter II. Progress Toward the Project Outcome



### Intended Outcome: Moldovan and refugee households benefit from reduction of poverty and energy vulnerability

The project provided support to the MLSP in constructing the legal, coordination, and institutional frameworks on energy vulnerability. With technical support from UNDP, the Government of Moldova introduced a Law on the Energy Vulnerability Reduction Fund in July 2022 ([Law No. 241/2022](#)), in force since September 2022. The Law aims to prevent and combat the population's energy vulnerability and to increase energy accessibility among vulnerable consumers. Coordination measures included trainings and office equipment provision for the network of librarians and social assistants involved in the registration process of vulnerable households. A National Consultant ensured the coordination between the MLSP and the UNDP-financed Call Centre. The Call Centre, acting as the EVRF registration helpline, solved around 54,000 email queries and answered approximately 85,000 calls from EVRF beneficiaries. Another important UNDP-supported aspect of the EVRF creation and operationalization was the broad-scale communication campaign, which included TV advertisements, billboards, social media graphics, video testimonials of EVRF beneficiaries and registration video tutorials.

## Chapter III. Outputs and Performance

### Output 1: Moldovan and refugee households have improved access to social protection assistance through targeted winterization support

Indicator 1: Number of households benefitting from compensations during the winterisation season of 2022-2023

During the project's implementation period, 895,000 households — approximately 75% of all Moldovan households — have benefitted from on-bill compensation. Out of these, 595,535 benefitting households were ascribed a very high category of energy vulnerability. Around 57% of natural gas bill costs and 59% of the costs of centralised heating bills were compensated.

According to the [UNDP impact assessment](#) of the Fund, the compensations reduced the level of energy poverty by 43% and had the greatest impact on the most vulnerable families.

About 40% of households for the 2022-23 heating season registered for compensation with the help of a social assistant or librarian. 303,000 of the requests registered in November – December 2023 were completed through the network of social assistants and librarians, showing the essential role of social assistants and librarians in the implementation of the EVRF project and underlining the value of UNDP's multiple support measures, from trainings to the provision of registration forms and stationary supplies.

A conference on the subject "Tackling energy poverty in Europe: challenges, lessons learned and ways forward, Moldova's case" has taken place on 29-30 June 2023 in Chişinău, with [UNDP's support](#). European government officials, development partners, and Moldovan government representatives participated in a dialogue on energy vulnerability mitigation measures and exchanged good practices.



### Output 2: National authorities have strengthened capacities to address energy poverty and improve energy efficiency through a tested national mechanism

A Department of Energy Vulnerability and Reduction of Energy Poverty Policy has been created within the Ministry of Labour and Social Protection in January 2023. UNDP has formed, fully trained and capacitated the Department to further implement and improve the EVRF.

The MLSP has been able to introduce several legal amendments ahead of the 2023-2024 heating season, in accordance with lessons learned during the 2022-2023 heating season and in consonance with the recommendations from the [UNDP impact assessment](#). Passed in Autumn 2023, [Law No. 261/2023](#) and [Government Decision No. 920/2023](#) introduced several new EVRF functionalities and anti-fraud measures aim to refine targeting and coverage for the 2023-2024 heating season.

UNDP's impact assessment of EVRF for the 2022-2023 heating season demonstrated the importance of robust impact assessment, which led to a comprehensive understanding of the effects of the EVRF. For future assessments, developing relevant mechanisms and methodologies in the government, such as monitoring key performance indicators and conducting thorough assessments, can provide valuable insights into the impact and effectiveness of the subsidy

mechanism. Thus, MLSP representatives will be actively involved in the assessment of the 2023-2024 heating season. Collaborations with other EU governments that have addressed energy poverty could also facilitate knowledge exchange and shared learning.

MLSP representatives will also participate in a PowerBI workshop in spring 2024, where they will be taught data analysis and data visualisation methods to make better use of EVRF data.

## Chapter IV. Lessons Learned

- **Tailored energy profiles:** Rural and urban households have significantly different energy vulnerability profiles — this has prompted the project to update the EVRF algorithm to better target rural households with the introduction of monetary payments for households relying on solid-fuel-based heating. Additionally, given the higher monthly expenses of disabled people, interconnectivity with the disability database will identify the households containing persons with disabilities, which will be reflected in a higher degree of energy vulnerability.
- **Refining targeting and coverage:** For the 2022-2023 heating season, almost 80% of households were deemed very highly vulnerable. While this can in large part be explained by the unprecedented rise in energy costs, the distribution between vulnerability categories should be less concentrated to reflect a more targeted approach. To encourage this, two new categories of energy vulnerability have been added ahead of the 2023-2024 heating season (extreme energy vulnerability and primary energy vulnerability), bringing the total number of categories to 7 — from non-vulnerable to extremely vulnerable.
- **Enhancing data governance framework:** EVRF leveraged a variety of data sources, including demographic data, energy consumption data from energy provider companies, income data, and EVRF registration data. This comprehensive approach to data underlines the importance of robust data governance at all levels. By further integrating diverse data sources and prioritizing data privacy and quality, the government can enhance its understanding of energy vulnerability and improve the effectiveness of the compensation scheme.
- **Additional variables for the categorization algorithm:** It could be beneficial to incorporate additional variables into the categorization algorithm, such as a modified thermal comfort index, to tailor the compensation to the specific needs and energy requirements of different households.
- **Digitalisation catalyst:** According to the Minister of Labour, “The efficiency of the digital Energy Vulnerability Reduction platform developed with UNDP support in a record timeframe (less than 3 months) convinced the Ministry to embark on an overall digital transformation process of all services provided by the Ministry to the general population.” In 2024 UNDP is continuing its fruitful collaboration with the Ministry of Labour and Social Protection, specifically on the RESTART reform of social services and their digitalisation. The agile, flexible and innovative framework of EVRF will therefore be replicated on other forms of social services, in the hope to make them less bureaucratic and more pro-active.

## List of Annexes

Annex 1. Contribution to the Republic of Moldova's Energy Vulnerability Reduction Fund Project Document