

RAPID MARKET ASSESSMENT

Romanian borders

MARCH, 2022

Context

As the Russian invasion in Ukraine enters its fourth week, civilians continue to suffer the devastating consequences of the violence. Data from the GR2P, OCHA, ECHO, and the World Bank Data-Lab indicated that at humanitarian corridors for civilians, artillery and missile strikes have continued and are increasingly targeting civilian infrastructure, leading to over 3.7 million Ukrainians choosing to flee across the borders in Poland, Romania, Moldova, Slovakia, and Hungary.

According to the latest figures, about half a million refugees (500,747 up to March 21st) fled through just Romania, who registered between 800 and 2,000 arrivals per day, at each border crossing. Since the beginning of the crisis, most arrivals have been women and children given that the martial law decree dictates that men of fighting age are expected to stay in Ukraine, meaning refugees are primarily arriving with few financial resources at their disposal after households' separations and little scope of finding sustainable access to income in the near-future.

ECHO data indicated the top needs identified by the people on the move include financial resources, accommodation in third countries, medicines and health services. The war exacerbated the most vulnerable people's levels of needs, and these are likely to increase further over the upcoming weeks, as their coping capacities are exhausted.

Rationale

To have a clearer picture of the broader market functionality at the borders and select the most appropriate modality of assistance and delivery mechanism, Mercy Corps and the Norwegian Refugee Council (NRC) assessed local markets within 5km from the Ukraine-Romanian borders in Seghet, Suceava, Dumbraveni, and Siret. The rapid assessment aimed to gather evidence on the availability and price of basic commodities, the local supply chains, payment modalities accepted, adaptation measures traders are planning to absorb the shock of the refugees' influx, and the broader market dynamics in the area.

Methodology

Between March 19th and 22nd, Mercy Corps staff surveyed 58 traders through direct observations and a fully structured questionnaire, as well as 5 different money agents and various volunteers operating at the borders through a qualitative key informant (KI) interview. Respondents were selected based upon availability, role within the community or the refugee response, owning a relevant business (for traders), and proximity to border areas. The selection assumes that refugees would select those areas to access essential commodities or services. Data were collected in-person, in order to cross-check information on availability and prices with those in the shops.

Findings of this assessment are to be considered purely **indicative** of the market functionality at the Ukraine-Romania borders.

Key findings

Availability of basic commodities

Data from retailers and direct observations indicated that key commodities are available in the local markets, except for blankets, which have been donated to the refugees by the communities. It is unclear whether the donations caused a stock-out, or whether different retailers may still have some in stock. Food items specifically are widely available, with multiple brands and biological options too. Prices remained fairly stable to date, according to the KIIs. Non-food items are also available, but some hygiene items are found exclusively in pharmacies (e.g. formula milk). Formula milk specifically varies in price from about 30 RON to over 60 RON, and diapers for infants follow similar trends, ranging from 20 to over 70 RON per packet.

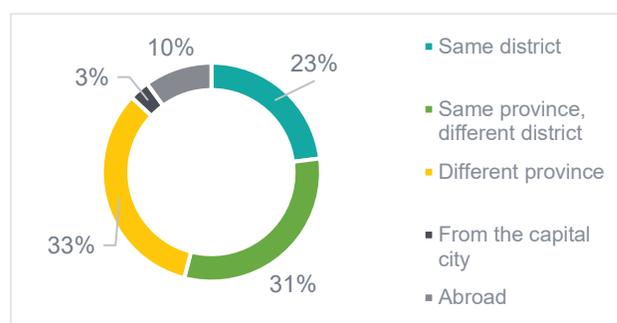
All retailers reported having availability of the commodities they sell, and where the availability is limited or just on order, they clarified that it is due to the limited stock space available, and that commodities can be restocked within a day or two. In a few cases, particularly for fresh food at local markets, it seemed traders could restock within a matter of hours. Nevertheless, in light of lessons learned from the COVID-19 outbreak some retailers set a limit for purchases per family to avoid hoarding of key commodities and ensure availability for all customers. This applied specifically to sugar, flour, water, and oil.

Furthermore, at the border crossings, a variety of humanitarian actors set up delivery of free food, medical tents, provisional daycare and kindergartens, and info points for refugees at the crossing stage. In the days after the crossing, those refugees who remain in the cities, either in hotels, host families, or collective centers, still have access to these core services.

Suppliers

On average, traders reported having 38 suppliers, peaking to over a hundred for larger supermarkets (e.g., Lidl and Carrefour). No retailer reported having to change the number of suppliers over the past month, despite the refugees' influx. When asked about the location of their main suppliers, 90 percent of the respondents reported that the suppliers are located within Romania, with 23 percent coming from the same district.

Figure 1: Percentage of respondents, by main supplier location



Overall, no respondent reported difficulties in obtaining sufficient commodities over the 30 days prior to data collection, yet 16 percent reported they fear there may be challenges in the upcoming month.

Furthermore, 19 percent of the respondents reported needing to adapt their store layout and increase the size of stocks within the current premises to meet the increasing demand caused by the refugee influx from Ukraine.

Further concerns were raised around the cost of commodities at the wholesale level, due to the increased cost of fuel. This is expected to impact the transportation and supply costs for retailers within the next couple of weeks, although no projections have been made available in this regard to date.

Financial Service Providers (FSPs)

One in four retailers allows or have the ability to exchange currencies within their shop, although preferring to do so with just USD or EUR, and no other currencies. Additionally, 26 percent reported accepting either USD or EUR. Yet, all respondents indicated that it is cheaper and faster to either withdraw cash at the ATM or exchange money with the financial service providers in the area.

Financial Service Providers (FSP) in the area indicated that they provide both MoneyGram/Western Union and currency exchange services, with an estimate of about 50 transactions a day most recently. In terms of limitations of these services, most FSPs, except for BTR Bank, are unable to exchange Ukrainian currency at the moment, and limits on transactions and scale-up capacity are unclear, ranging between a max of 10,000 EUR to over 100,000. Western Union allows for transactions within a limit of 900 EUR.

FSPs reported being able to scale up their services fairly easily, with a rebalance time ranging between a few hours to four days maximum. The smaller cash-out points indicated they would still be able to handle a scale-up and cash distributions (estimated 5,000 households), if beneficiaries would receive no more than a few hundred EUR each, and not large sums. This suggests that an approach with monthly disbursements rather than a comprehensive installment (three months of MPCA in one) is preferred as to not to suppress markets functionality.

Notably, MoneyGram works exclusively in RON, and recipients can then exchange RON to other currencies. Yet, respondents reported that recently local Romanian residents panicked and began exchanging RON to EUR out of fear of fiat currency losing value substantially. Still, there may be additional challenges for those refugees who cross into Romania during the weekends, as some FSPs

close for the entire weekend. This could impact beneficiaries' capacity to withdraw cash for 48 hours if the delivery mechanism does not entail a physical card usable at ATMs.

For cash-out points, almost all assessed traders (94 percent) indicated that there are ATMs, banks, mobile money agents, and formal money transfer mechanisms (e.g. MoneyGram, Western Unions) across the village. All respondents were able to indicate at least one ATM within 100 meters from the shop, and none reported challenges in using the ATM or withdrawing cash over the 30 days prior to data collection. Thus, beneficiaries receiving MPCA directly into their bank accounts or through systems with a physical card for withdrawal may be preferable.

However, it appears that Ukrainian bank cards now have strict limits on daily cash-outs or payments imposed by the Ukrainian government to minimize the risk of a liquidity shortage (allegedly the equivalent of 3,000 EUR/month). It is to be investigated whether this is in fact an imposed limit or a financial literacy issue. Yet, refugees interviewed reported that their Ukrainian bank website and the bank mobile applications do not work in Romania, and thus they cannot try to amend daily limits of their cards after fleeing the country.

Amongst the options assessed for a suitable delivery mechanism is the use of Romanian bank accounts. Over the first three weeks since the Russian invasion of Ukraine, refugees needed both a Romanian ID card/passport and a proof of residence to open a bank account. This made it impossible for people on the move to own an account in the country. However, as of March 23rd, the European Union issued a waiver for Ukrainian refugees in European countries, allowing them to open a bank account with just an ID and minimal KYC. Through a Romanian bank account, it would

also be possible to bypass the cash accessibility challenges and imposed daily limits.

Additionally, the Romanian Central Bank is reportedly able to issue non-nominal and rechargeable debit cards associated with a central account established by humanitarian actors registered in the country. It is to be investigated how timely this approach may be, and the Bank's availability of non-nominal cards to date.

Payment modalities

When asked about accepted payment modalities, 62 percent of respondents reported accepting a physical debit or credit card as a form of payment. Amongst those who accept debit or credit cards payments, 18 percent reported adding a percentage of markup fee on the total bill.

Only 10 percent had hardware to accept e-money or contactless cards/digital cards, which were offered primarily at bigger supermarkets in Suceava. Volunteers interviewed at the border crossing confirmed that it is extremely rare to find shops accepting e-money as a form of payment in the area.

Credit is accepted as a form of payment exclusively at the local market, but traders clarified that it applies just to those customers they know and trust. Nevertheless, 38 percent of surveyed traders reported that there was an increase in the number of customers asking to purchase commodities on credit over the 30 days prior to data collection. However, various traders reported they are informally providing ad-hoc discounts for those in need.

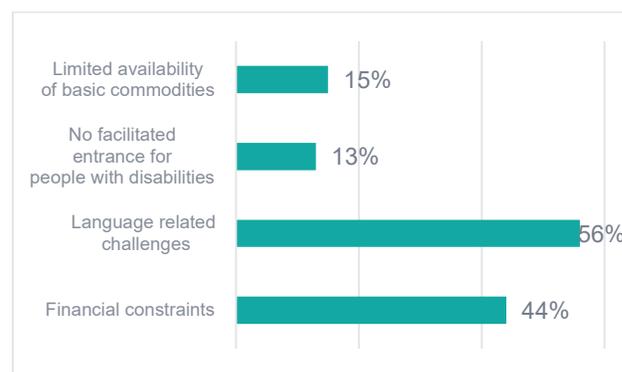
None of the key informants interviewed had previous experience, knowledge, or familiarity with cryptocurrencies.

Accessibility

Despite the full functionality of markets in Romania, KIIs and data collectors through direct observations indicated key challenges for consideration in the analysis. KII data showed that financial constraints, language-related barriers, and limited availability of facilitated entrance for people with disabilities may be the main challenges in the marketplaces at the borders.

Direct observations in other cities (e.g. Cluj Napoca) indicated that this latter barrier varies in larger cities, yet, financial constraints and language barriers persisted throughout the country. At major crossings and in train stations, volunteers support refugees with translations from both Ukrainian and Russian where needed. Yet, this service is relevant to the crossing time, and does not extend to the days refugees may spend in collective centers or in their temporary accommodations while in Romania.

Figure 2: Reported barriers to access the marketplaces



To be noted, at border crossings, volunteers from national and international agencies distribute in-kind assistance, provide free accommodation to those in need, and share information on transportation, the legal system, and available services in the area. At major crossing points and in the main train stations, volunteers set up temporary warehouses to divide and distribute

clothes and blankets, set up provisional medical tents, distribute free SIM cards, and they also organized transportation systems for those who need to be hosted in collective centers. In Bucharest, distributions also covered hearing aid devices for those with hearing impediments. Concerns remain around the potential gaps in assistance for minorities, LGBTQI+, and elders.

When asked about cash assistance, some volunteer respondents from these agencies did not see the need for cash transfer programming. However, while volunteer respondents provide support for the hours immediately following the border crossing, the support is not aimed to assist in the days and weeks ahead as refugees wait for confirmation of their legal status in the new host country. On the other hand, volunteers working in collective centers reported distributing cash ad-hoc for those families they hosted that wished to move to a third country or to a different area. Yet, these distributions occurred under the form of donations.

Conclusion

To conclude, markets in Romania are well functioning at this stage, with sufficient supplies and restocking capacity. Mild inflation is anticipated over the upcoming weeks, but key commodities are expected to remain affordable. Also noteworthy are Ukraine's central bank limitations on hryvnia withdrawals inside Ukraine as well as foreign currency withdrawals and quasi-cash transactions outside of Ukraine to avoid capital outflows flows from the country.

Regarding payment modalities, villages and cities at the borders are not equipped to accept cryptocurrencies, e-wallets, or contactless payments applications. Instead, the availability and presence of money agents and banks suggest the most suitable modality of assistance would be a transfer system to allow beneficiaries to withdraw cash or facilitate point of sale (POS) transactions via debit/credit cards with little to no fees. Prepaid

cards offer similar benefits for those without bank accounts or lack the required documentation to open one.

Given the high adoption of cryptocurrencies within Ukraine prior to the current crisis, the feasibility and effectiveness of cryptocurrencies in emergency contexts warrants further discussion and investigation. Ideally, a cryptocurrency off-ramping solution may allow affected populations to circumvent currency exchange limitations and restrictions in host countries, , as well as conduct remittance transfers and provide a seamless, real-time transfer from crypto to fiat. Yet, the limited financial literacy on crypto and the inability of traders to accept crypto-payments would require discussions around distributions and scope. Should agencies chose to implement crypto for longer-term planning or later-stage programming, it is pivotal to ensure a crypto off-ramping mechanism would include the ability of withdraw cash and purchase key commodities.

Alternative options were offered by the Central Bank and Financial Service Providers to obtain Romanian non-nominal cards. Further discussions are needed with national and regional coordination bodies to clarify current regulations around KYC and registration status for disbursing assistance in Romania.

Over the following weeks, Mercy Corps and NRC will undergo pilot frontline emergency projects on a no-regrets basis to test various transfer mechanisms/FSPs and will revert to the national Cash Working Groups with key lessons learned and findings.

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