

**REPORT  
ON STATE AID GRANTED IN THE  
REPUBLIC OF MOLDOVA  
FOR 2019**

# CONTENTS

<b>Abbreviations and acronyms</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>Synthesis</b>	<b>6</b>
<b>Chapter I. Socio-economic situation of the Republic of Moldova</b>	<b>8</b>
<b>Chapter II. Analysis of reported state aid</b>	<b>10</b>
2.1.General characterization	10
2.2.Alignment of existing state aid schemes	15
2.3.Methods of granting state aid	25
2.4.Forms of granting state aid	27
2.5.Objective of granting state aid	31
2.6.State aid providers	37
<b>Chapter III. Support measures with anti-competitive insignificant impact</b>	<b>39</b>
3.1.De minimis aid	39
3.2.Support measures for the provision of services of general economic interest	45
<b>Chapter IV. Monitoring of authorized state aid</b>	<b>51</b>
4.1.General characterization	51
4.2.State aid for regional development	51
4.3.State aid for the provision of services of general economic interest	55
4.4.State aid for environmental protection	60
4.5.State aid for research-development and innovation	61
4.6.Aid for employee training and job creation	62
4.7.Culture promotion and heritage conservation	62
4.8.State aid for rescuing beneficiaries	63
4.9.Sectoral state aid	65
<b>Chapter V. Implementation of the Automated Information System "State Aid Register"</b>	<b>67</b>
<b>Priorities and challenges</b>	<b>69</b>
Annex 1. Technical annex	70
Annex 2. List of legal acts based on which the reported state aid for 2019 were granted	72
Annex 3. The value of the state aid reported by objectives and forms of granting	76
Annex 4. The value of state aid reported by forms of granting and suppliers	78

## ABBREVIATIONS AND ACRONYMS

Association Agreement	Association Agreement between the Republic of Moldova, on the one hand, and the European Union and the European Atomic Energy Community and their Member States, on the other hand, ratified by the Law No 112/2014 (published in the Official Gazette No 185-199 of 18.07.2014)
AIPA	Agency for Intervention and Payments for Agriculture
Reporting year	Period of 01.01.2019-31.12.2019
CPA	Central Public Administration Authorities
LPA	Local Public Administration Authorities
World Bank	World Bank Group
EBRD	European Bank for Reconstruction and Development
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of the Republic of Moldova
SME	Small and medium enterprises
Law on State Aid	Law No 139/2012 on State Aid (published in the Official Gazette No 166-169a of 16.08.2012)
OG	Official Gazette of the Republic of Moldova
p.p.	Percentage points
IP	Industrial park
GDP	Gross Domestic Product
National program on competition and state aid for 2017-2020	The national program on competition and state aid for 2017-2020, approved by Law No 169/2017 (published in the Official Gazette No 301-315 / 533 of 18.08.2017)
SGEI	Services of general economic interest
SIRASM	The automated information system “State Aid Register”, developed in accordance with the Government Decision No 378/2014 for the approval of the Concept of the automated information system “State Aid Register” (published in the Official Gazette No 142-146 of 03.06.2014)
EU	European Union
GVA	Gross value added

## INTRODUCTION

State aid is an important part of the competition policy. Or, the enterprise benefiting from a State support measure obtains an economic advantage over other market participants, which could contribute to maintaining or expanding less efficient entities compared to more efficient ones. In this respect, the ongoing monitoring of state aid is carried out in order to exclude undue distortions of competition and target support measures more effectively, thus contributing to the development of the whole economy.

The Competition Council was informed by 306 suppliers, regarding the support measures granted in 2019. The information was presented by the CPA and the institutions subordinated to them and by the LPA level I and II.

The present report, being the 7th report in the field since the entry into force of the Law on State Aid, is a statistical tool designed to ensure transparency in state aid, thus providing relevant information to the CPA and LPA for developing policies in various areas of the national economy and decision-making on the efficient targeting of available public resources. At the same time, it can serve as an informational basis for various scientific research.

The report contains an analysis of both existing aid that continued to be granted in the reporting year and new aid, de minimis aid and support measures provided for the provision of SGEIs.

This report includes an analysis of the value, structure and trends recorded during the last 3 years in granting state aid, de minimis aid, support measures for the provision of SGEIs, monitoring of authorized state aid, as well as reflects the implementation of SIRASM. At the same time, this report contains information on the fulfillment of the commitments assumed by the Republic of Moldova through the Association Agreement on the alignment of existing state aid schemes.

Some support measures have been provided for several years and for the description of the actual situation regarding the aid granted, it is reflected the dynamics of the value and structure of the aid in the period 2017-2019.

The data reported for the period 2017-2018 have been updated and corrected in accordance with the provisions of Government Decision No 1112/2016 for the approval of the Regulation on how to keep the State Aid Register. During the reporting period, the suppliers informed the Competition Council about other support measures granted in 2017-2018. It should be noted that the updating and correction of state aid data granted in previous years is in line with the EU State Aid Methodology. Concurrently, the information on the value of state and de minimis aid provided in 2018-2019 will be updated in the following reports on state aid granted in the Republic of Moldova.

Structurally, the report is presented under the following content:

*Chapter I* – socio-economic situation of the Republic of Moldova for 2019.

*Chapter II* – analysis of the value, structure and trends registered in the state aid granting for 2019. At the same time, in this chapter are presented the state aid schemes aligned with the provisions of the legislation in the field of state aid.

*Chapter III* – analysis of the value and trends in granting support measures with insignificant anti-competitive impact, namely de minimis aid and support measures offered for the provision of SGEIs in 2019.

*Chapter IV* – the main findings regarding the monitoring of state aid authorized by the Competition Council and which were ongoing in 2019.

*Chapter V* – implementation of the Automated Information System "State Aid Register".

*Annex 1* - information on the scope of state aid analyzed in the report, the objectives of state aid and the sources of data.

*Annex 2* - legal acts according to which the measures of support were granted in 2019.

*Annex 3*- the summary situation of the state aid reported for the period 2017-2019, by objectives and forms of granting.

*Annex 4* - information on the state aid provided by forms and providers.

## Synthesis

In 2019, the reported *amount of state aid* (including for SGEIs) registered 1,438,756 thousand MDL (or 0.68% of GDP), increasing compared to 2017-2018. This dynamic was determined among others by the implementation of new support measures and the increase of the amount of state aid schemes reported as a result of the extension in the number of beneficiaries compared to previous years.

Although the share of state aid in GDP increased in 2019 compared to previous years, it remained below 1%, in line with the targets set in the National Program on Competition and State Aid for 2017-2020 and according to international best practices in this field.

*The value of the state aid* authorized by the Competition Council was 797,884 thousand MDL (55.46% of the reported state aid value), being higher both in value and in weight compared to 2018. This positive trend was caused by the implementation of new authorized support measures, the continuation of the provision of authorized support measures in previous years and the alignment of existing state aid schemes. Thus, the value of the existing aligned state aid amounted to about 247 million MDL.

In 2019, suppliers continued to select granting *state aid* through *schemes* (about 79% of the total number), which is in line with EU good practice in the field, being considered less harmful to the competitive environment.

According to the *form of granting* state aid, the largest share of support measures was of the nature of budgetary expenditures, being about 54% of the total value. However, this indicator registered a negative trend in 2019 compared to previous years. The negative dynamics of the share of state aid offered in the form of budget expenditures was amplified by the significant increase in the amount of state aid reported in the form of exemptions and / or reductions in taxes, fees and other mandatory payments, as well as the amount of aid. reported in the form of loans offered on preferential terms. According to international practice, aid granted in the form of budgetary expenditure is considered less harmful to the competitive environment and at the same time more transparent.

From the perspective of the *objectives of granting* state aid, the largest share of state aid continued to be oriented towards regional development, about 51% of the total value. Both the value of state aid for regional development and its share in the total reported value increased in 2019 compared to 2017-2018, which is in line with good international practice in the field of state aid.

In 2019, as in previous years, the main *providers* of state aid were CPA. Thus, about 84% of the total number of support measures were reported by the CPA. As for LPAs, they are the main providers of de minimis aid and support measures offered for the provision of SGEIs.

*The value of the de minimis aid* (including for SGEIs) was 178,561 thousand MDL, with an increase of about 2 times compared to 2017. This dynamic of the value of the de minimis aid was determined mainly by the increase in the amount of de minimis aid schemes reported and the number of beneficiaries compared to that year.

According to the *objective of granting*, over 50% of the reported *de minimis state aid* amount was for horizontal targets. The main contribution to achieving this indicator

was largely due to the positive dynamics of aid during the years 2017-2019 aimed at supporting SMEs registered.

The largest share of *de minimis aid* was reported in the *form* of grants and/or subsidies being about 89% of the total reported value. The amount of this indicator was determined by the upward trend in the value of de minimis aid reported in the form of subsidies and/or subsidies, which increased about 2 times in 2019 compared to 2018.

*The value of the support* measures granted for the provision of *SGEIs* was of 479,285 thousand MDL, ascending in relation to the previous years. Of the total reported support measures, the amount of authorized state aid amounted to 153,219 thousand MDL (or about 32% of the total).

Over 60% of the amount of *aid* for the provision of *SGEIs* was provided in the *form* of grants and/or subsidies and budgetary allocations. This share of the aid was determined by the positive evolution of the value of the support measures offered in the nominal form registered in the period 2017-2019.

The largest share of state aid for SGEIs was granted to enterprises providing public transport services for passengers, water supply and sewerage, wastewater collection and treatment and sanitation.

In 2019, the modernization procedure of *SIRASM* started with the support of the World Bank.

## Chapter I. SOCIO-ECONOMIC SITUATION OF THE REPUBLIC OF MOLDOVA

In 2019, the world economy grew by 2.8% and was highlighted in terms of trade pressures, Brexit negotiations and the decline in industrial production in Germany.<sup>1</sup>

In the Republic of Moldova, in 2019, GDP registered a value of 210,099 million MDL (current market prices), increasing (in real terms) by 3.6%, compared to 2018 (semi-definitive).<sup>2</sup>

The following economic activities contributed in particular to the increase in GDP in 2019 compared to 2018: wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles; transport and storage; accommodation and catering activities (+1.2%); constructions (+1.3%); extractive industry; manufacturing industry; production and supply of electricity and heat, gas, hot water and air conditioning; water distribution, sanitation, waste management, decontamination activities (+0.4%); information and communications (+0.4%).

The volume of product taxes increased by 3.6% compared to the previous year, contributing to the growth and formation of GDP by 0.5% and 13.5%, respectively.

From the point of view of GDP use, the increase was mainly due to: gross fixed capital formation (+ 3.1%) and final consumption of households (+2.5%). A negative contribution to GDP growth was based on the net exports (-1.5%), due to the significant contribution of the volume of imports of goods and services to GDP formation (55.2%), compared to exports (30.5%).

In 2019, exports of goods amounted to US \$2,8 billion, 2.7% more than 2018. Imports of goods amounted to US \$ 5.8 billion, with an increase of 1.4% compared to 2018. The trade balance deficit amounted to US \$3.1 billion, by US \$8.7 million USD higher than the one registered in 2018.<sup>3</sup>

In 2019, the active population constituted 919.3 thousand people. The employed population registered 872.4 thousand people, decreasing compared to 2018. The number of unemployed, according to the definition of the International Labor Office, attained 46.9 thousand people, and the unemployment rate in the country registered 5.1%, being more higher than in the previous year.<sup>4</sup>

---

<sup>1</sup> World Economic Outlook. Tentative Stabilization, Sluggish Recovery?. International Monetary Fund. January 2020, Disponibil: <https://www.imf.org/ru/Publications/WEO/Issues/2020/01/20/weo-update-january2020>

<sup>2</sup>Gross Domestic Product in 2019 and the fourth quarter. National Bureau of Statistics. Available: <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6605>

<sup>3</sup>Foreign Trade Activity of the Republic of Moldova in 2019\*, National Bureau of Statistics. Available: <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6584>

<sup>4</sup>Labor force in the Republic of Moldova. Employment and unemployment 2019, National Bureau of Statistics, Chisinau, 2019. Available: [https://statistica.gov.md/public/files/publicatii\\_electronice/Fora\\_de\\_munca/AFM\\_editia\\_2020.pdf](https://statistica.gov.md/public/files/publicatii_electronice/Fora_de_munca/AFM_editia_2020.pdf)

Regarding the average annual rate of the consumer price index, in 2019 it constituted 4.8%, an increase compared to 2018. During 2019, the annual inflation rate recorded a sharp upward trajectory. This development was supported, including by the depreciation of the national currency, as well as by the effects of adverse weather conditions for some crops, which exerted inflationary pressures on food prices.<sup>5</sup>

According to the Report on the execution of the state budget for 2019, the national public budget accumulated revenues in the total amount of 62,949.2 million MDL, increasing by 8.6% compared to 2018. At the same time, the value of revenues collected from the national budget constituted 565 million MDL less than the specified amount.<sup>6</sup>

In the structure of national public revenues, the largest share was held by taxes and duties - 63.6% (MDL 40,054.2 million), of which: taxes and duties on goods and services - MDL 28,340.6 million, income taxes - MDL 9,335.3 million, taxes on foreign trade and foreign operations - MDL 1,798.4 million and property taxes - MDL 579.9 million. The share of taxes and fees in GDP in 2019 was - 19.1%, with 0.5 p.p. more than the level of 2018.<sup>6</sup>

In 2019, out of the total amount of the national public budget revenues, 62.2% has belonged to revenues administered by the State Tax Service and 36.4% to revenues administered by the Customs Service. The revenues collected by the bodies of the State Tax Service increased by MDL 2,231.9 million (6.0%), compared to 2018, and those administered by the Customs Service - by 1,486.4 million MDL (6.9%). It is to be specified that the state resources administered by the State Tax Service and the Customs Service are one of the main sources of granting state aid in the Republic of Moldova.

In 2019, grants were disbursed in the amount of 1,602.6 million MDL, an increase of MDL 1,215.2 million more than in 2018. The value of grants constituted about 0.8% of the national public budget revenue, with an increase of 0.1 p.p. compared to 2018. The share of grants in GDP reached about 0.8%.<sup>6</sup>

Public expenditures amounted to MDL 65,975.6 million in 2019, which represented 31.4% of GDP. Compared to 2018, the expenditures of the national public budget increased by 10.7% or by 6,366.7 million MDL.<sup>6</sup>

The national public budget in 2019 registered a deficit in the amount of 3,026.4 million MDL. As a share reported in GDP, it amounted to 1.44%, by 0.6 p.p. more than in 2018.<sup>6</sup>

State aid policy has been determined, including by the evolution of the main macroeconomic indicators.

---

<sup>5</sup>Annual Report 2019. National Bank of Moldova. Available:  
[https://www.bnm.md/files/Raport\\_Anual\\_2019\\_1.pdf](https://www.bnm.md/files/Raport_Anual_2019_1.pdf)

<sup>6</sup> Report on the execution of the state budget for 2019. Available:  
[Http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5204/langua ge/ro-RO/Default.aspx](http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5204/langua%20ge/ro-RO/Default.aspx)

## Chapter II. ANALYSIS OF THE REPORTED STATE AID

### 2.1 General characterization

*The priority actions* in the field of state aid for 2019 continued to be: undertaking efforts to align state aid schemes established before 16.08.2013 with the EU acquis on state aid; intensifying the collaboration with the Ministry of Finance in order to streamline the mechanism for reporting and notifying state aid granted in the form of fiscal advantages; collaboration with suppliers in order to amend the legal acts of the SGEI, by imposing the obligation to establish performance indicators when assigning the right to manage the public service; developing and modernizing SIRASM in order to streamline the notification, reporting and monitoring of state aid and raising the competitive culture in the part related to state aid, both within public authorities and the whole society. The results of these actions are reflected in this report.

The state aid described in this chapter comprises all the support measures reported for 2019, namely: existing aid (state aid that started to be implemented before the entry into force of the Law on State Aid) and new state aid (any state aid that is not existing aid, including changes to existing aid).

In accordance with Article 342 paragraph (1) of the Association Agreement, starting from 01.01.2016, the Republic of Moldova is to submit a report every two years, following the Methodology and presentation of the annual EU analysis on state aid. In the light of the above and in line with EU experience<sup>2</sup>, as far as the State aid analysis is concerned, in this report State aid is examined separately from the SGEI support measures and the de minimis aid.

In order to provide a broader picture of the reported State aid, the amount of State aid shown in Table 1 includes State aid granted to enterprises for the provision of SGEIs and the estimated amount of support measures granted under the Tax Code and the regulatory framework given its application.

The information presented for the period 2017-2018 differs from the data for the same year presented in previous reports. This is due to the fact that some of the data reported for the given period have been updated and reviewed by the suppliers.

---

<sup>2</sup>Scoreboard- conceptual and methodological observations:  
[http://ec.europa.eu/competition/state\\_aid/scoreboard/index\\_en.html](http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html)

**Table 1****State aid reported during the years 2017-2019, including state aid granted for the provision of SGEIs**

No	Indicators	2017*	2018*	2019	
				Reported	Estimated (including the amount of support measures granted in the form of tax facilities)
1.	<b>State aid in:</b>				
1.1.	<i>MDL thousand</i>	835 836	1 159 862	1 438 756	1 887 053
1.2.	<i>EUR thousand**</i>	40 127	58 461	73 145	96 276
2.	<b>Share in GDP, %</b>	0.47	0.60	0.68	0.90
3.	<b>State aid per capita*** - MDL</b>	235	327	406	535
4.	<b>State aid per capita - EUR</b>	11	16	21	27

\*the data are updated according to the information submitted by the state aid providers

\*\* calculated based on the average annual exchange rate of the leu in relation to the euro, NBM source (MDL/EUR 2017 = 20.83, 2018 = 19.84; 2019 = 19.67)

\*\*\* the number of inhabitants is in accordance with the information placed on the NBS website

**The estimated amount of state aid** for 2019 was counted taking into account the aligned state aid schemes, the provisions of EU legislation in the field and the information presented for previous years. For 2019, the Ministry of Finance and its subordinated administrative authorities (Customs Service and State Tax Service) presented incomplete information on support measures provided in the form of tax advantages. Incomplete information is caused, including by the evidence mechanism of support measures granted in the form of fiscal advantages, insufficient to provide the information needed for their analyses in the light of State aid legislation. The gap between the reported and estimated value of state aid has narrowed compared to previous years, fact determined including by the continuation of the Competition Council's cooperation with the Ministry of Finance in order to ensure full reporting by the supplier of state aid in the form of tax advantages. The priority action in this regard continued to be the alignment of existing state aid schemes granted in the form of fiscal advantages, in accordance with the provisions of state aid legislation.

It is to be noted that, according to the Medium Term Budget Framework (2019-2021), approved by Government Decision no. 851/2018, at the basis of the fiscal and customs policy for the period 2019-2021 lays down the Concept of rewriting the Tax Code and the Customs Code (updated). This document aims to harmonize the national legislation framework to the provisions of the European Union directives and the improvement of the existing legislative framework based on the agreed harmonization calendar.

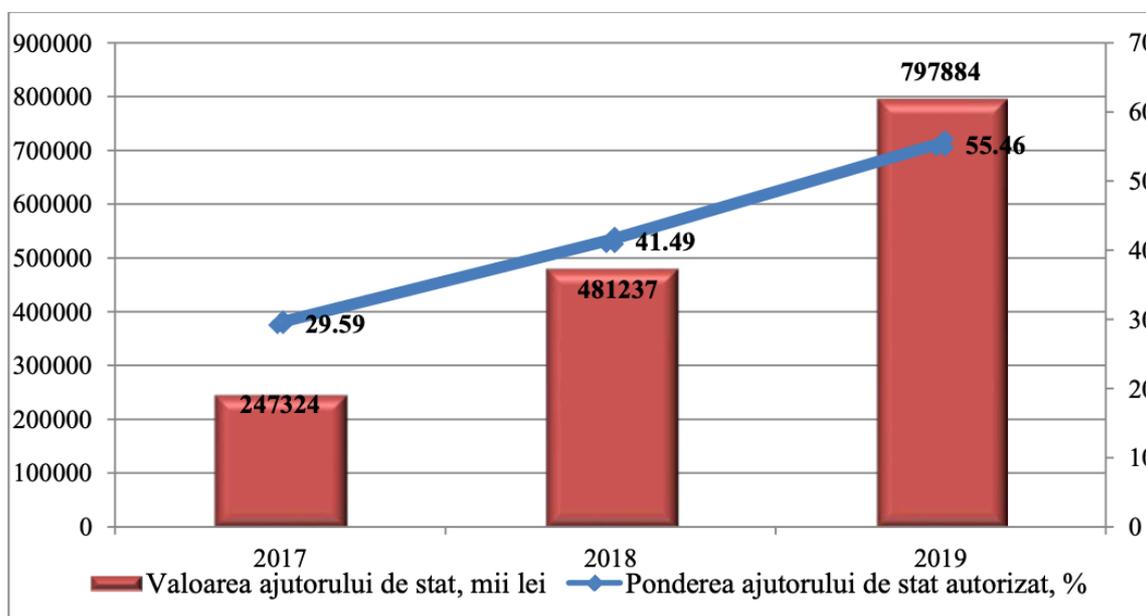
**The reported state aid value** for 2019 was 1,438,756 thousand MDL or 0.68% of GDP. There is an increase in both the value of reported state aid and its share in GDP in 2019 compared to 2017-2018. This evolution of the indicators analyzed compared to previous years was determined, including by the implementation of new measures of support and increase of the amount of state aid schemes as a result of their access by several beneficiaries. Although the share of state aid in GDP increased in 2019 compared to previous years, it continued to remain up to 1% of GDP, corresponding to the targets set in the National Program on Competition and State Aid for 2017-2020 and international best practices in the field.

In 2019, the state aid was granted to 2,039 legal and natural persons carrying out economic activity.

Of the total amount of state aid reported for 2019, respectively 1,438,756 thousand MDL, **the value of state aid** authorized by the Competition Council constituted 797,884 thousand MDL (55.46% of the total value), the difference being represented by the existing aid and support measures under consideration at the Competition Council. In this sense, it is noted that the state aid authorized by the Competition Council in 2019 increased significantly compared to 2017-2018, both in value and as a share in the total value of reported state aid, due to compliance of suppliers to the regulations in the field of state aid (Figure no.1).

**Figure no 1**

**Authorised state aid**



The increase in the amount of state aid authorized by the Competition Council in 2019 compared to previous years is due, including to the promoting of the competitive culture in the field of state aid and the alignment of state aid schemes implemented until the entry into force of the Law on State Aid.

The evolution of the reported state aid level, with the exception of the SGEI, is presented below, taking into account the Methodology and presentation of the EU's annual state aid analysis.

Table 2

## State aid reported during 2017-2019

No	Indicators	2017*	2018*	2019
1.	<b>Reported state aid</b> (except for SGEIs, the estimated amount of state aid) <b>exprimat în:</b>			
1.1.	<i>MDL thousand</i>	670 773	960 400	985 543
1.2.	<i>EUR thousand**</i>	32 202	48 407	50 104
2.	<b>Share în PIB, %</b>	0.37	0.50	0.47
3.	<b>State aid(except for SGEIs) per capita*** - MDL</b>	189	271	278
4.	<b>State aid (except for SGEIs) per capita - EUR</b>	9	14	14

\*the data are updated according to the information submitted by the state aid providers

\*\* calculated based on the average annual exchange rate of the leu in relation to the euro, NBM source (MDL/EUR 2017 = 20.83, 2018 = 19.84; 2019 = 19.67)

\*\*\* the number of inhabitants is in accordance with the information placed on the NBS website

**The value of state aid reported** for 2019 is increasing compared to 2017-2018. Thus, the value of state aid reported for 2019 increased by 2.62% compared to 2018 and about 47% compared to 2017. The increase in the value of state aid reported for 2019 compared to 2017-2018 can be explained by the increase in the number of authorized support measures and state aid budget and alignment of existing state aid schemes.

The increasing trend of the reported state aid value is due, including to the **activities of promoting the competitive culture** in the field of state aid carried out, through organizing seminars, meetings and round tables with suppliers and telephone consultations with suppliers. Thus, in order to promote and raise the competitive culture in the field of state aid, during the reference period, a promotional spot was broadcasted, referring to the state aid reporting period. At the same time, in order to ensure the implementation of the provisions of the state aid legislation throughout the country, the employees of the Competition Council provided specialized technical assistance to CPA and LPA level I and II, numbering 1,231 phone consultations. Thus, during the year, 620 representatives from 355 central and local public authorities (20 CPA, 335 LPA) were trained in 107 events organized by the Competition Council (1 conference, 12 seminars, 10 meetings and 84 consultative meetings).

According to the provisions of Government Decision No 1112/2016 for the approval of the Regulation on the way of maintaining the State Aid Register, state aid providers were to present separately the value of support measures provided from state resources and external funds. In accordance with EU state aid practice, resources provided by the EU, the European Investment Bank, the European Investment Fund or international financial institutions are considered state resources if the authorities have discretion in the use of those resources (in particular the selection of beneficiaries). In 2019, the state aid granted from **external funds** constituted 2.23% of the value of the reported state aid.

In 2019, the **share of state aid** reported in GDP in the Republic of Moldova was 0.47%, registering a decrease of 0.03 p.p. compared to 2018. This trend was determined, including the increase in GDP.

*Expressed in EUR*, in 2019 the value of state aid increased compared to 2017-2018. This trend was determined both by the increase in the amount of reported state aid and by the change in the exchange rate.

In 2019, the *state aid per capita* increased in relation to the previous reporting period, registering an increase of about 3% compared to 2018 and, respectively, about 47% compared to 2017, as of 278 MDL.

In 2017, the National Program in the field of competition and state aid for the years 2017-2020 was approved. One of the specific objectives of the National Program in the field of competition and state aid for the years 2017-2020 is to establish an efficient mechanism in the field of granting and monitoring state aid in order to reduce the share of state aid in GDP to 1% by 2020, so as the number of state aid should be fewer, but better targeted.

State aid must be provided in such a way as to ensure more efficient management of public resources, allowing to mitigate market failures and to develop the national economy. Importantly, there must always be a causal link between the provision of State aid and the market failures to which it is addressed.

The granting of state aid is justifiable only in areas/fields where different market failures occur, and the amount/level of aid granted must be proportionate to the level of failure to be compensated.

Any surplus amounts offered to undertakings have the potential to confer on them an unjustified economic advantage which is likely to unduly affect competition in the market. In this situation, the negative effects of the provision of state aid tend to outweigh the positive effects of their granting.

The appropriateness of granting aid, the amount of it, as well as the concrete method or the most appropriate instrument for granting it must be determined by studies and analysis of opportunity carried out before the effective implementation of the support measure.

***According to international good practice in the field of state aid<sup>9</sup>, it is recommended to reduce the overall level of state aid so that this indicator is less than 1% of GDP, without compromising the purpose of support measures, namely the correction of market failures.***

---

<sup>9</sup> COMMUNICATION TO THE SPRING EUROPEAN COUNCIL "Working together for growth and jobs. A new start for the Lisbon Strategy" (COM(2005) 24, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005DC0024&from=EN>)

## 2.2 Alignment of existing state aid schemes

According to Article 341 of the Association Agreement, one of the commitments assumed by the Republic of Moldova is the alignment of state aid schemes established before 16.08.2013 to the EU acquis on state aid, within 8 years from the date of entry into force of the Association Agreement. The exception is the state aid schemes established under Law No 440/2001 on free economic zones for which the period has been extended up to 10 years from the date of entry into force of the Association Agreement.

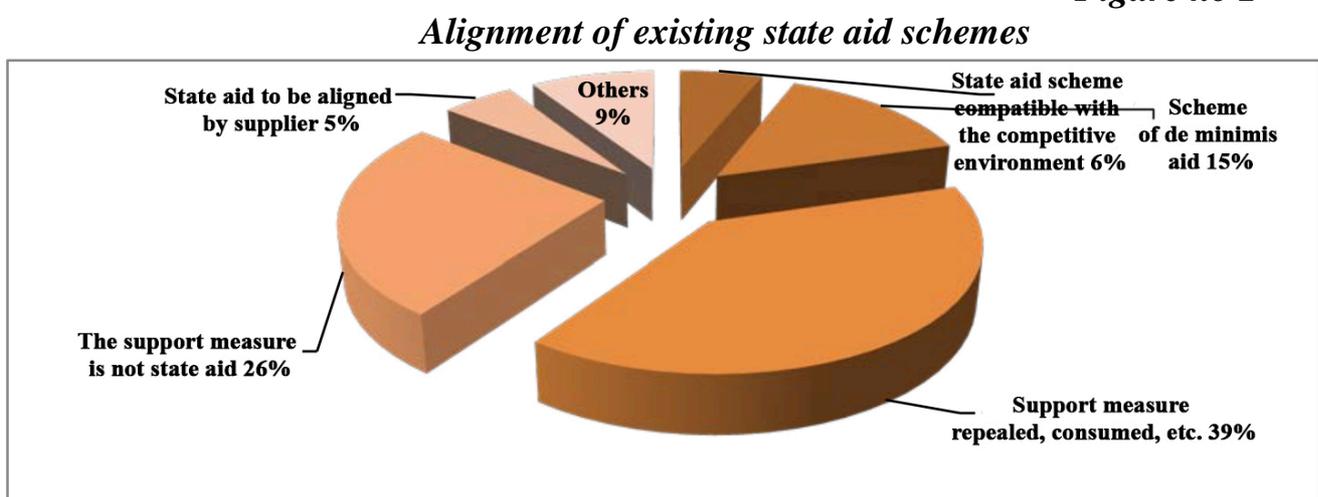
The existing state aid schemes are the support measures implemented until the entry into force of the Law on State Aid, therefore, they were not notified to the Competition Council and were not examined in the light of state aid legislation.

The alignment of the existing state aid schemes represents the bringing in line with the support measures implemented until the entry into force of the Law on state aid with the provisions of the legislation in the field. Thus, in aligning the existing state aid schemes, the Competition Council in collaboration with the suppliers was to identify whether the reported support measures are in place and whether they fall within the provisions of the state aid legislation. In case of identification of the incompatibility of a support measure related to the provisions of the legislation in the field of state aid, it is to be compatible with the regulations in the field or to stop its implementation.

In order to fulfill the commitment assumed by the Republic of Moldova through the Association Agreement, the Competition Council *examined 132 support measures* out of 173 existing state aid schemes reported (or about 76% of the total number of existing state aid schemes), including 125 measures were aligned.

Following the examination of the nominated support measures, the Competition Council found one of the following situations: the support measure is a state aid scheme compatible with the normal competitive environment, the support measure is a de minimis aid scheme, the support measure is no longer implemented (the provision is repealed/consumed, etc.), the support measure is not state aid (including, as a result of the amendment of the provisions of the normative acts according to which it was granted), the provider is to take actions to align the state aid schemes to the relevant EU acquis and the support measure reported do not fall within the notion of a state aid scheme (Figure 2).

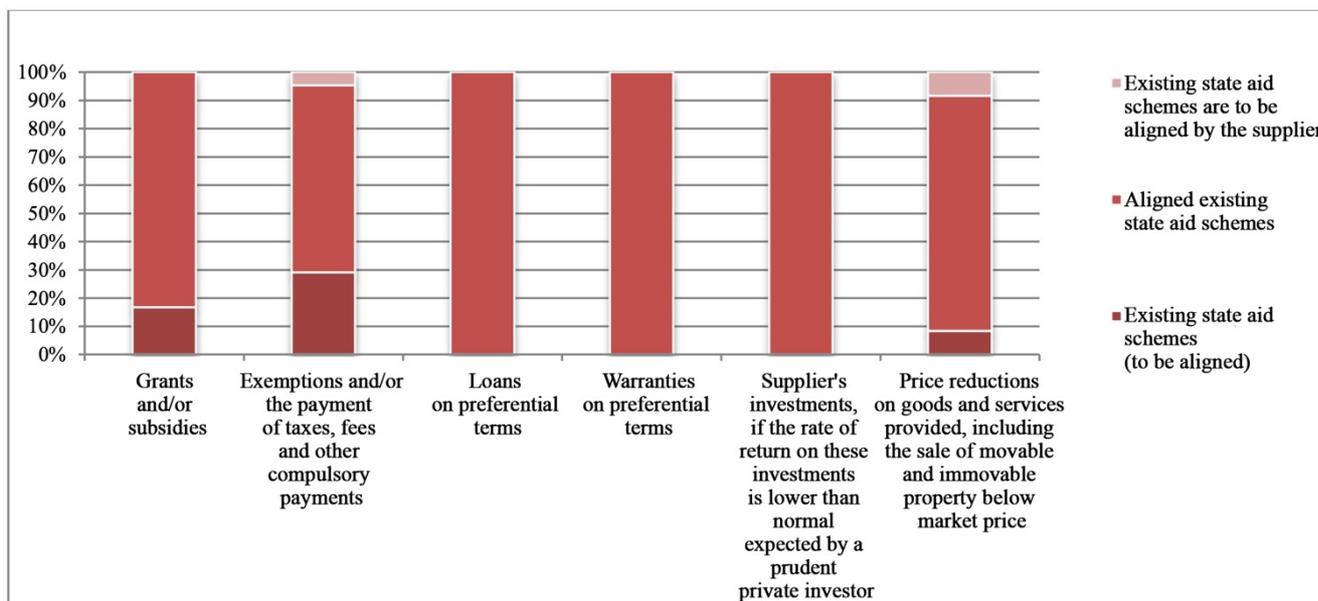
Figure no 2



The largest share of existing state aid schemes reported was offered in the form of tax and customs advantages. At the same time, support measures offered in other forms of granting were reported, such as: grants and/or subsidies; guarantees under preferential conditions, etc. (Figure 3).

**Figure no 3**

***Alignment of existing state aid schemes in the form of grants***



With reference to Figure no.3, it is to be noted that 100% of the existing state aid schemes reported in the form of preferential interest loans, preferential guarantees and investment of supplier ***have been aligned***.

The State aid schemes reported in the other forms are to be further aligned. Thus, most of the existing state aid schemes to be aligned are those reported in the form of fiscal advantages. In this regard, an important role is played by the collaboration with the Ministry of Finance, in order to align the state aid schemes granted in this form.

The alignment of existing state aid schemes has an impact on the value and structure of the reported state aid and de minimis aid. In order to present the correct and complete information on the value of the reported support measures, their analysis also took into account the decisions of the Plenum of the Competition Council adopted in the year following the reporting year. In this context, the support measures examined by the Competition Council in 2020 will be presented below.

I. In the process of aligning existing state aid schemes, the Competition Council found that the following measures of support constitute ***state aid schemes and are to be brought in line with the EU acquis*** by suppliers, pursuant with Article 341 of the Association Agreement:

- ***Support measure on exemption from payment of VAT on the import of medicinal raw materials, materials, articles, primary and secondary packaging used in the preparation and production of medicines, authorized by the Ministry of Health, Labor and Social Protection, except ethyl alcohol, cosmetics, according to the list approved by the***

***Government and import exemptions of sugar and sugar products as a medicinal raw material used in the preparation and production of medicinal products (Decision of the Plenum of the Competition Council No ASS-24 of 04.06.2020)***

The support measure is granted pursuant to Article 103, paragraph (1), point 10) of the Tax Code. As a result of the examination, it was found that the support measure on VAT exemption without the right to deduct on the import of medicinal raw materials, materials, articles, primary and secondary packaging used in the preparation and production of medicines, authorized by the Ministry of Health, Labor and Protection Social, with the exception of ethyl alcohol, cosmetic means, according to the list approved by the Government, constitute existing state aid to be aligned with the acquis of the European Union, according to Article 341 of the Association Agreement.

- ***Support measure regarding the sale-purchase at normative price of state-owned lands related to private property constructions (Decision of the Plenum of the Competition Council No ASS-26 of 03.07.2020)***

The support measure is granted on the basis of Article 3, paragraph (2) of Law No 1308/1997 on the normative price and the way of sale-purchase of land, according to which the sale-purchase of land is made through the sale-purchase contract at the normative price and the Regulation on the sale-purchase and the lease/rent of the afferent lands, approved by the Government Decision No 1428/2008. Following the examination, the Plenum of the Competition Council found that the support measure in question constitutes existing state aid to be aligned with the acquis of the European Union, according to Article 341 of the Association Agreement.

- ***Support measure concerning the exemption from VAT, without right of deduction, of the dwelling, the land, the lease of the dwelling and the rent of the land, the right of delivery and rent thereof, exempt the commission payments related to the given transactions (Decision of the Plenum of the Competition Council No ASS-27 of 03.07.2020)***

The support measure is granted in accordance with Article 103, paragraph (1), point 1) of the Tax Code. As a result of the examination of the support measure, it was found that the fiscal advantage constitutes an existing state aid to be aligned with the acquis of the European Union, according to Article 341 of the Association Agreement.

- ***Support measures referring the exemption from payment of VAT, without the right to deduct, on the own manufactured products of student, school and other canteens of educational institutions, of hospitals and pre-school institutions, of canteens belonging to other institutions and organizations in the socio-cultural sphere financed, in part or in full, by to the budget, as well as canteens specialized in feeding the needy elderly at the expense of charities (Decision of the Plenum of the Competition Council No ASR-48 of 17.09.2020)***

The support measure is granted based on Article 103, paragraph (1), point 11) of the Tax Code. Following the examination of the said measure, it was found that the stated fiscal facilities are justified by the fiscal logic, and in this sense the selectivity criterion was not met. Respectively, the support measure cannot be qualified as state aid.

At the same time, it was found that the measure of support given in the part related to the granting of exemptions from the payment of VAT without the right to deduct own

canteen products of canteens belonging to other institutions and organizations in the socio-cultural sphere financed, in part or in full, from the budget constitutes existing state aid to be aligned with the acquis of the European Union, according to Article 341 of the Association Agreement.

- ***Support measure on the exemption from payment of income tax for curative production (labor) workrooms on behalf of the psychiatric hospitals of the Ministry of Health, Labor and Social Protection, where people with disabilities work (Decision of the Plenum of the Competition Council No ASO-60 of 27.11.2020)***

The support measure is granted based on the provisions of Article 24, paragraph (15), letter a) of Law No 1164/1997 for the implementation of titles I and II of the Fiscal Code. Through the examination of the above-mentioned support measure, it was found that it constitutes State aid within the meaning of the Law on State Aid. At the same time, the Ministry of Health, Labor and Social Protection is to take the appropriate actions in order to align the existing state aid scheme to the acquis of the European Union, according to Article 341 of the Moldova-EU Association Agreement.

II. In the context of aligning existing state aid schemes, the Competition Council found that the following support measures constitute *de minimis aid schemes*:

- ***Support measure in the form of the application of the "zero" rate to the interest on leasing and price reductions for the goods and services provided, regarding the development of the "Program for the support and development of small and medium enterprises" (Decision of the Plenum of the Competition Council No ASO-09 of 10.03.2020)***

The support measure is granted based on the provisions of the Agreement between the Government of the Republic of Moldova and the Government of Japan on technical cooperation, ratified by the Law of the Republic of Moldova No 225/2008.

The process of the examination of the tax advantage it was found that the application of the "zero" rate to the leasing interest and price reductions to the goods and services provided for the development of the "Program for the support and development of small and medium enterprises", intended to support leasing procurement of a wide range of new production equipment, constitutes a de minimis aid scheme within the meaning of the Law on State Aid.

- ***Support measure provided under the State Program for stimulating the participation of economic agents in fairs and exhibitions (Decision of the Plenum of the Competition Council No ASS-15 of 29.04.2020).***

The support measure, granted through the Organization for the Development of Small and Medium-sized Enterprises, consists in the partial reimbursement of the eligible expenses of participation of economic agents in exhibitions/fairs at national and international level, held through the Program for stimulating the participation of economic agents in fairs and exhibitions. Following the examination, it was found that the support measure constitutes de minimis aid scheme within the meaning of the Law on State Aid.

- ***Support measure for small and medium-sized enterprises for the protection of inventions, plant varieties, trade marks, designations of***

***origin for products, designs (Decision of the Plenum of the Competition Council No ASS-23 of 04.06.2020)***

The support measure consists in applying the reductions to the payment of fees, charged by the State Agency for Intellectual Property from small and medium enterprises, in accordance with Government Decision No 774/1997 on the nomenclature of services with legal significance in the field of protection of intellectual property. By the decision of the Plenum of the Competition Council, it was found that the support measure constitutes a de minimis aid scheme within the meaning of the Law on State Aid.

- ***Support measure for the issuance of financial guarantees to active and new created enterprises through the Credit Guarantee Fund (Decision of the Plenum of the Competition Council No ASER-25 of 18.06.2020)***

The support measures are granted in pursuant with the Government Decision No 828/2018 for the approval of the Regulation on the Credit Guarantee Fund for small and medium enterprises. Taking the Decision of the Plenum of the Competition Council, it was found that the support measures examined constitute a de minimis aid scheme within the meaning of the Law on State Aid.

- ***Support measure for the granting of grants for environmental protection projects from the sources of the National Ecological Fund for environmental non-governmental organizations (Decision of the Plenum of the Competition Council No ASO-42 of 06.08.2020)***

The support measure is granted in accordance with the provisions of Article 85 of Law No 1515/1993 on environmental protection and point 12, letter g) of the Regulation on ecological funds, approved by Government Decision No 988/1998.

By the decision of the Plenum of the Competition Council, it was found that the support measure which pursue solving the ecological problems associated with the sustainable development of water supply, sewerage and wastewater treatment systems, constitutes de minimis aid within the meaning of the Law on State Aid. As for the support measure offered for the arrangement of areas and strips for the protection of rivers and streams, public wells and springs, the arrangement of green areas, information and awareness, this does not constitute state aid.

- ***Support measure concerning the application of exemptions from customs duties on imports of motor vehicles under tariff headings 8702 and 8704, with a term of service of up to and including 7 years (Decision of the Plenum of the Competition Council No ASR-63 of 27.11.2020)***

The support measure is granted based on the provisions of point 2 of the note to Annex No 1 of Law No 1380/1997 regarding the customs tariff.

As a result of the examination of the aforementioned support measure, it was found that the support measure granted in the form of exemptions from the payment of the customs duty applied based on point 7 of the Annex to Law No 172/2014 on the approval of the Combined Nomenclature of Goods which provides general rules for the application of customs duty on imports of motor vehicles specified in tariff headings 8702 and 8704, with a term of operation of up to 7 years inclusively, from countries with which the Republic of Moldova has not concluded a international treaty, constitutes de minimis aid scheme within the meaning of the Law on State Aid.

As regards the support measures granted in the form of exemptions from the payment of the customs duty applied based on point 7 of the annex to Law No 172/2014 on the approval of the Combined Nomenclature of Goods which provides general rules for applying the customs duty on imports of motor vehicles specified in tariff headings 8702 and 8704, with a term of operation of up to 7 years inclusively, granted under the provisions of international treaties with Republic of Moldova as a party, does not constitute state aid within the meaning of Article 3 of the Law on State Aid.

II. During the examination of the existing state aid schemes, the Competition Council found that the support measure granted to remedy damage caused by natural disasters or other exceptional circumstances is compatible with the normal competitive environment in accordance with the provisions of the State Aid Act and is therefore ***exempted from the notification obligation to the Competition Council***:

- ***Support measure on exemptions applied to imports of goods defined as humanitarian aid (Decision of the Plenum of the Competition Council No ASER-49 of 17.09.2020)***

The support measure is granted based on the provisions of Article 103, paragraph (5) and Article 124, paragraph (2) of the Tax Code and, Article 28, letter d) from the note to Annex No 2 of Law No 1380/1997 regarding the customs tariff. The decision of the Plenum of the Competition Council found that in case of prevention, liquidation or mitigation of the consequences of natural disasters and other exceptional cases, the support measure constitutes state aid within the meaning of the State Aid Law, only in case of beneficiaries of humanitarian aid performing economic activities.

III. The existing state aid schemes ***notified to the Competition Council*** and assessed in the light of state aid legislation are set out below:

- ***Support measure regarding grants to finance periodicals for children of school and preschool age (Decision of the Plenum of the Competition Council No ASR-19 of 15.05.2020)***

The support measure is based on the provisions established in: Annual Laws of the state budget (2012-2019); Press Law No 243/1994; Parliament Decision No 901/1996 for the approval of the Regulation on the financing of newspaper and magazine editorial offices; Government Decision No 1128/2003 on the founding of the "Moldova" magazine etc.

Following the examination of the support measure, the Plenum of the Competition Council found that the subsidies granted for financing periodicals for school and preschool children constitute state aid within the meaning of Article 3 of the Law on State Aid. The supplier notified the support measure to the Competition Council, in accordance with the provisions of the Law on State Aid. The state aid scheme is being examined by the Competition Council.

- ***Support measure for the financing of the projects of authorized representatives of socially meant facilities in central and local public property at all levels for the implementation of energy efficiency measures and the use of renewable energy sources in public buildings (Decision of the Plenum of the Competition Council No ASO-43 of 09.09.2020).***

The support measure is offered within the Call for project proposals No 1 in the field of energy efficiency and capitalization of renewable energy sources, approved by the Minutes of the meeting of the Board of Directors of the Energy Efficiency Fund No 7 of 17.12.2012. Following the examination, it was found that the support measure constitutes State aid, within the meaning of the Law on State Aid, for beneficiaries who provide or may provide economic activities. At the same time, the state aid was authorized for the protection of the environment.

IV. At the same time, during the examination of the reported support measures, it was found that some support measures *do not constitute a state aid scheme* within the meaning of the Law on State Aid, namely:

- ***Support measure regarding the exemption from the payment of VAT applied to the services, undertaken by the competent authorities, for which the state tax applies (Decision of the Plenum of the Competition Council No ASER-29 of 03.07.2020)***

The support measure is granted pursuant to Article 103, paragraph (1), point 6 of the Tax Code. During the examination, it was found that the analyzed tax facility is granted for the exercise of non-economic activities. Thus, the beneficiary of the examined tax advantage is not a beneficiary within the meaning of the Law on State Aid and, therefore, the support measure does not constitute State aid.

- ***Support measure granted in the form of an exemption from VAT without the right to deduct, for the state property redeemed in the privatization process (Decision of the Plenum of the Competition Council No ASR-40 of 06.08.2020)***

The support measure was offered based on the provisions of Article 103, paragraph (1), point 3 of the Tax Code. In the examination of the support measure it was found that the delivery of state property, repurchased in the privatization process, does not represent a taxable delivery in itself, because the public authority, as a seller, is not a taxable subject - taxpayer of VAT. As a result, the VAT without the right to deduct in the cases provided by Article 103 paragraph (1) point 3) of the Tax Code cannot be considered as a transfer of state resources because it does not represent a derogation from the general applied system. Therefore, the condition granted by the provider from state resources or from the resources of the administrative-territorial units in any form is not fulfilled. By the decision of the Plenum of the Competition Council, it was found that the support measure does not constitute state aid within the meaning of the Law on State Aid.

- ***Support measure concerning the VAT without right of deduction: accommodation in dormitories, communal services provided to the population - renting housing, technical maintenance of blocks of flats, water supply, sewerage, sanitation, use of elevators (Decision of the Plenum of the Competition Council No ASER-41 of 06.08.2020)***

Following the examination of the tax advantage granted under Article 103 (1) (16) of the Tax Code, the Plenum of the Competition Council found that the beneficiaries of the support measure in question do not carry out economic activity and in this case are not beneficiaries in the meaning of the Law on State Aid, therefore, the support measure does not constitute state aid.

- ***Support measure concerning the VAT exemption support measure without right of deduction, applied to the delivery of confiscated property, ownerless property, property passed into the possession of the state with the right of succession and treasures (Decision of the Plenum of the Competition Council No ASR-46 of 17.09.2020)***

The support measure was granted pursuant to Article 103, paragraph (1), point 8) of the Tax Code. During the examination of the nominated support measure, it was found that the delivery of confiscated property, ownerless property, property passed into state ownership and treasury, from public entities to the State Tax Service, as well as from it to individuals, legal entities or public entities, does not represent a taxable delivery in itself, because the State Tax Service being a public authority, as a manager and seller, is not a taxable subject - VAT taxpayer. As a result, the VAT without the right to deduct in the cases provided by Article 103 paragraph (1) point 8) of the Tax Code cannot be considered as a transfer of state resources because it does not represent a derogation from the general applied system. Therefore, the condition granted by the provider from state resources or from the resources of the administrative-territorial units in any form is not fulfilled. The decision of the Plenum of the Competition Council found that this support measure does not constitute State aid within the meaning on the Law on State aid.

- ***Support measure on the exemption from income tax of the non-state pension fund (Decision of the Plenum of the Competition Council No ASR-53 of 29.10.2020)***

The support measure is granted based on the provisions of Article 68 of the Tax Code. The examination of the support measure found that a derogation for non-state pension funds, in the sense that they are not taxed at fund level (at the same time, any payments made from this fund are included in the gross income of the beneficiary), may be justified by the fact that they distribute the investment income to the beneficiaries and that the tax is subsequently collected at the level of the beneficiaries of the fund. Thus, the fiscal facility provided in Article 68 of the Tax Code, represents a derogation from the reference system, is justified by the nature or general economy of the reference system, being thus non-selective. By the decision of the Plenum of the Competition Council, it was found that the analyzed support measure does not constitute state aid within the meaning of the Law on State Aid.

- ***Support measure concerning the VAT without the right to deduct services related to the authentication of landowners' rights (Decision of the Plenum of the Competition Council No ASER-61 from 27.11.2020)***

The support measure is granted based on the provisions of Article 103, paragraph (1), point 19) of the Tax Code. During the examination of the support measure, it was found that the beneficiary of the examined fiscal advantage is not a beneficiary within the meaning of the Law on State Aid, because the analyzed fiscal advantage is granted in order to exercise activities related to the state prerogative. Thus, the decision of the Plenum of the Competition Council found that the stated support measure does not constitute State aid within the meaning of the Law on State Aid.

- ***Support measure concerning the VAT without the right to deduct pre-school institutions, sanatoriums and other objects with a socio-cultural and residential purpose, as well as roads, electrical networks and substations, gas networks, water supply and sewerage systems,***

*centralized heat supply systems, groundwater extraction installations and other similar objects transferred free of charge to public authorities (or, on the basis of their decision, to the specialized undertakings which use and exploit those objects according to their destination), as well as those transmitted to enterprises, organizations and institutions by public authorities; state property transferred free of charge, at the decision of the public authorities, from the balance sheet of a state-owned enterprise to the balance sheet of another state-owned enterprise or from the balance sheet of a municipal enterprise to the balance sheet of another municipal enterprise; works of technical expertise, prospecting, design, construction and restoration, with the attraction of funds donated by individuals and legal entities, to the objects included in the list approved by Parliament (Decision of the Plenum of the Competition Council No ASR-62 of 27.11.2020)*

The support measure is granted based on the provisions of Article 103, paragraph (1), point 4) of the Tax Code. During the examination of the nominated support measure it was found that both the free transfer to public authorities (or, based on their decision, to specialized enterprises that use and exploit the respective objects according to destination) of pre-school institutions, sanatoriums and other objects with socio-cultural and residential destination, as well as roads, networks and electrical substations, gas networks, water supply and sewerage systems, centralized thermal energy supply systems, installations for the extraction of groundwater and other similar objects, as well as those transmitted to undertakings, organizations and institutions by public authorities, as well as state property transferred free of charge, at the decision of the public authorities, from the balance sheet of a state-owned enterprise to the balance sheet of another state-owned enterprise or from the balance sheet of a municipal enterprise to the balance sheet of another municipal enterprise, does not represent a taxable supply in itself, because the public authority as owner, both in the role of beneficiary and in the role of supplier, is not a taxable subject - VAT taxpayer. Thus, the analyzed tax exemption cannot be considered as a transfer of state resources because it is not an exception to the general principle applied. Therefore, the condition granted by the provider from state resources or from the resources of the administrative-territorial units in any form is not fulfilled.

The decision of the Plenum of the Competition Council found that this support measure does not constitute State aid within the meaning of the Law on State Aid.

V. Throughout the examination of the state aid schemes implemented until the entry into force of the Law on state aid, it was found that the action of normative acts ceased, based on which some support measures were offered, thus being excluded from the list of aid schemes. existing state aid, namely:

- support measure granted in the form of exemptions applied to the import by the Public Institution of the State University of Medicine and Pharmacy “Nicolae Testemiteanu”, as well as for economic agents (according to contracts concluded based on procurement procedures) of goods (goods), intended realization of the project for the development of the University Simulation Center in Medical Training;

- the support measure granted pursuant to Article 103, paragraph (1), point 10) of the Tax Code, Annex No 1 to Law No 1380/1997 regarding the customs tariff in the part related to the exemption from the payment of VAT for sugar products and reduced customs duties;
- support measure on exemptions for imports of goods intended to offset the consequences of the floods of summer 2010;
- the support measure applied to the import of goods for the public transport modernization project in Chisinau;
- support measure on exemptions from customs duties on imports of engines of tariff assumptions 8407 90 and 8408 90 for cultivators of tariff assumption 8701 10, motor pumps of tariff assumption 8413 70 and generators of tariff assumptions 8502 11 and 8502 20.

*As a result of the alignment of the existing state aid schemes nominated above, the ratification of the Association Agreement and the changes in the national legislation, the value of the existing aligned state aids constituted about 247 million MDL.*

### 2.3 Methods of granting state aid

Enterprises in the Republic of Moldova can benefit from support measures either as individual aid or through state aid schemes.

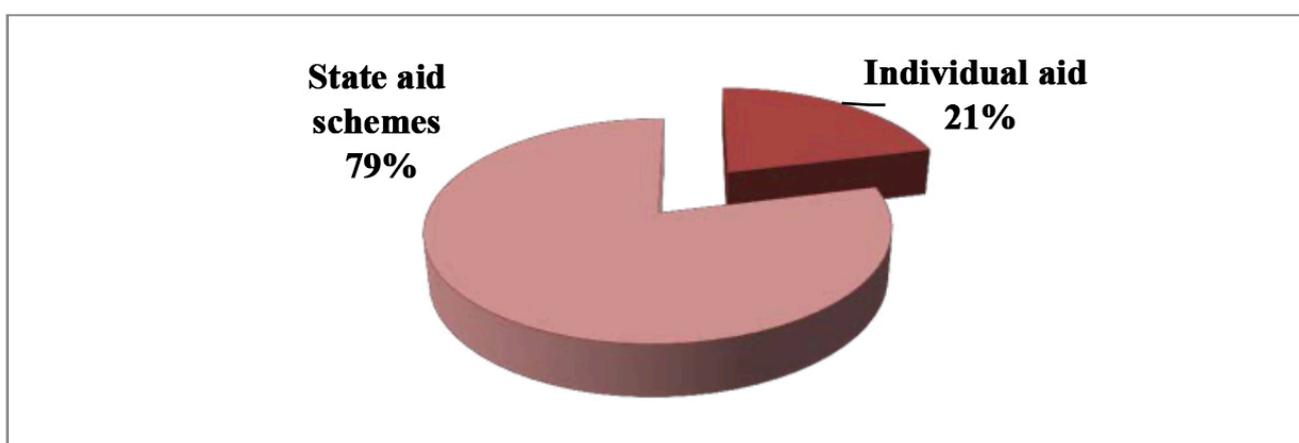
*The state aid scheme*, within the meaning of the Law on State Aid, is any act on the basis of which State aid may be granted to the beneficiaries defined in the act in a general and abstract manner, without the need for additional implementing measures. application or any act under which aid which is not linked to a specific project may be granted to one or more beneficiaries for an indefinite period of time and/or for an indefinite amount.

*Individual aid* is a state aid which is not granted under a State aid scheme or is granted under a scheme which must be notified individually.

For 2019, state aid providers reported **57 support measures**, excluding SGEIs. According to Figure No 4 on the *structure of measures* administered by suppliers in 2019, compared to the ways of granting state aid, it is found that suppliers continued to choose the implementation of state aid schemes, those constituting 78.95% of the total number of measures reported.

*Figure no 4*

*The structure of state aid reported for 2019  
as individual aid or state aid schemes*



Taking into account the methodology and presentation method of the EU's annual state aid analysis, a more detailed analysis of the state aid provided will be presented below, depending on the modalities of the granting, except for the support measures provided for the provision of SGEIs. The analysis of the support measures for the provision of SGEIs depending on the granting modalities will be presented in Chapter 3, Section No 3.2. from the given Report.

Also, in terms of value, state aid was increasingly reported through the schemes. A comparative situation of these granting modalities, taking into account the amount of state aid reported through the schemes or as individual aid is presented in Table 3.

Table 3

**Reported value and structure of State aid  
depending on the granting modalities during 2017-2019**

No	Type of state aid	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
<b>State aid (except SGEIs)</b>							
1.	State aid schemes	633 202	94.40	883 470	91.99	976 052	99.04
2.	Individual aids	37 571	5.60	76 930	8.01	9 491	0.96
	<b>TOTAL</b>	<b>670 773</b>	<b>100</b>	<b>960 400</b>	<b>100</b>	<b>985 543</b>	<b>100</b>
<b>State aid (including SGEIs)</b>							
1.	State aid schemes	664 136	79.46	939 134	80.97	1 024 536	71.21
2.	Individual aids	171 700	20.54	220 728	19.03	414 219	28.79
	<b>TOTAL</b>	<b>835 836</b>	<b>100</b>	<b>1 159 862</b>	<b>100</b>	<b>1 438 756</b>	<b>100</b>

According to the data presented in Table 3, it is observed that the largest share of state aid continued to be implemented through schemes (except SGEIs). At the same time, there is an increase of about 7 p.p. the share of support measures implemented through state aid schemes in 2019 compared to 2018.

The most significant value share (about 44%) of the total reported state aid schemes was implemented by AIPA and the State Tax Service. Thus, the state aid scheme reported by AIPA is aimed at agricultural producers and aims to stimulate investments for the development of post-harvest and processing infrastructure, which is part of measure No 2 on investments in processing and marketing of agricultural products, in Annex No 1 to the Government Decision No 455/2017 on the distribution of funds of the National Fund for the Development of Agriculture and Rural Environment. The State Tax Service has implemented the state aid scheme "Moldova IT Park", aimed at residents of information technology parks. It should be noted that both state aid schemes have been authorized by the Competition Council.

*EU experience shows that State aid granted through schemes is less harmful to the competitive environment. The granting of support measures, dominated by state aid schemes, expands the accessibility of support measures, thus increasing the number of eligible economic operators and creating the necessary premises for sustainable socio-economic development.*

*In order to streamline state aid and apply international best practices in the field of state aid, it is necessary to continue implementing support measures through state aid schemes.*

## 2.4 Forms of granting state aid

In order to grant state aid, providers can use various forms of beneficiary support. In relation to the public policy in a certain field and the specifics of the enterprises that will be supported, the provider selects a form of granting state aid, which offers the best possibility to achieve the proposed objective. At the same time, it should be noted that the notion of State aid is an objective notion which does not take into account the form of granting, but its effects on the national economy.

State aid can be expressed by the transfer of public goods, including in the form of financial means, to a beneficiary or by the waiver of the supplier of certain future earnings, certain or possible revenues that it would obtain from a beneficiary. State aid providers have offered support measures to enterprises operating in the territory of the Republic of Moldova, such as: 1) waivers of budget revenues; 2) budget expenditures.

In 2019, the share of state aid reported in the form of *waivers of budget revenues* was 45.73% of the total value of state aid. The value of the nominated indicator increased in 2019 compared to 2018, namely by 8.62 p.p. and, respectively, with 9.27 p.p. compared to 2017.

The increase of the share of reported state aid in the form of waivers of budget revenues determined the decrease of the share of state aid offered in the form of *budget expenditures* - up to 54.27% of the reported value. This negative trend was mainly due to the increase in the amount of support measures reported in the form of tax advantages and in the form of preferential interest loans.

The amount of state aid from the perspective of expenditures and waivers of registered budget revenues, in the period 2017-2019, is presented in Table 4.

**Table 4**

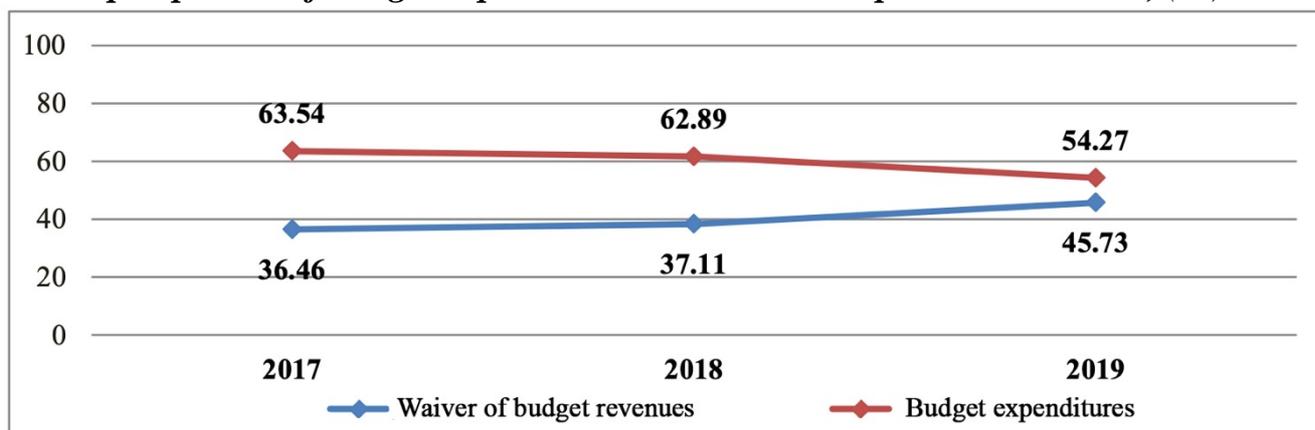
### ***Amount and structure of reported state aid, from the perspective of budget expenditures/waivers recorded in the period 2017-2019***

No	Category	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
<b><i>State aid (except SGEIs)</i></b>							
1.	Waiver of budget revenues	244 533	36.46	356 406	37.11	450 706	45.73
2.	Budget expenditures	426 239	63.54	603 994	62.89	534 837	54.27
	<b>TOTAL</b>	<b>670 773</b>	<b>100</b>	<b>960 400</b>	<b>100</b>	<b>985 543</b>	<b>100</b>
<b><i>State aid (including SGEIs)</i></b>							
1.	Waiver of budget revenues	352 510	42.17	498 939	43.02	618 296	42.97
2.	Budget expenditures	483 327	57.83	660 923	56.98	820 459	57.03
	<b>TOTAL</b>	<b>835 836</b>	<b>100</b>	<b>1 159 862</b>	<b>100</b>	<b>1 438 756</b>	<b>100</b>

The structure and dynamics of state aid reported in terms of budget expenditures/waivers in the period 2017-2019 is shown in Figure No 5.

**Figure No 5**

***The structure and dynamics of the reported state aid (except for SGEIs) from the perspective of budget expenditures/waivers in the period 2017-2019, (%)***



With regard to international practice in providing state aid in various forms, the most preferred instrument for granting state aid is in the form of budget expenditures. Thus, in 2018<sup>10</sup> the average share of state aid offered in the EU in the form of grants (one of the components of state aid offered as budget expenditures) was about 61% of the total. It is noted that, starting with 2014, the value of this indicator remained above 60% of the total value. This trend of providing state aid in the form of budget expenditure is also explained by the fact that this aid is considered more transparent in relation to the waiver of budget revenue.

The structure of the reported state aid from the perspective of budget expenditures/waivers was determined by the form of state aid granted by the suppliers.

With reference to the Methodology and presentation method of the EU's annual State aid analysis, a more detailed examination of the State aid offered depending on the forms of grant will be presented below, with the exception of support measures for the provision of SGEIs. It is specified that the analysis of the support measures granted for the provision of SGEIs depending on the forms of granting will be presented in Chapter 3, Section No 3.2 of the Report in question.

The annual amount of state aid, according to the form in which the enterprises benefited from these support measures, is presented in Table 5.

<sup>10</sup> Information available on the DG Competition website. Available: [https://ec.europa.eu/competition/state\\_aid/scoreboard/state\\_aid\\_scoreboard\\_2019.pdf](https://ec.europa.eu/competition/state_aid/scoreboard/state_aid_scoreboard_2019.pdf)

Table 5

***The value and structure of the state aid reported according to the form of granting, during 2017-2019***

No	Form of granting	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1.	Grants and/or subsidies	426 239	63.54	524 151	54.58	449 950	45.66
2.	Budget allocations	0	0	48 917	5.09	84 887	8.61
3.	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	230 807	34.41	318 173	33.13	438 649	44.51
4.	Granting loans on preferential terms	562	0.08	440	0.05	2 692	0.27
5.	State guarantees, guarantees granted by public authorities/institutions and persons assimilated to public authorities, state/municipal enterprises and by companies with full or majority public capital	6 365	0.95	1 377	0.14	1 058	0.11
6.	Supplier's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	0	0	30 926	3.22	0	0
7.	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	6 800	1.01	36 416	3.79	8 307	0.84
	<b>TOTAL</b>	<b>670 773</b>	<b>100</b>	<b>929 474</b>	<b>100</b>	<b>985 543</b>	<b>100</b>

In 2019, the amount of state aid reported in the form of **grants and/or subsidies** increased by 5.56% compared to 2017. This trend was mainly due to the increase in the amount of support measures reported in the given form.

The largest share of state aid reported in 2019 in the form of grants and/or subsidies was for regional development, accounting for 52.15% of the total value of aid provided in the analyzed form. The share of state aid reported in the form of grants and/or subsidies decreased by 17.89 p.p. in 2019 compared to 2017. This negative trend has been determined, including by the introduction in 2018 of a new form of aid -

budget allocations<sup>11</sup>, increasing the share of reported state aid in the form of exemptions and / or reductions in the payment of taxes, fees and other compulsory payments.

In 2019, the volume of reported aid offered in the form of *budget allocations* increased significantly, by 73.53% compared to 2018, registering a total volume of about MDL 84,887 thousand. In the reporting year, state aid offered in the form of budget allocations was fully oriented towards research-development and innovation.

In 2019, the amount of state aid reported in the form of *exemptions and/or reductions in taxes, fees and other mandatory payments* increased by about 90% compared to 2017. This increase was caused, including by the implementation in 2018 of the state aid scheme Information Technology Park "Moldova IT Park" aimed at its residents. In 2019, the share of the value of state aid implemented through the given state aid scheme constituted 45.34% of the value of support measures offered in the form of exemptions and/or reductions in the payment of taxes, fees and other mandatory payments.

The highest share of state aid in the form of exemptions and/or reductions in taxes and other mandatory payments was reported for regional development, which was 60.82%. It is noted that a significant part of the state aid offered in the analyzed form were implemented based on the Tax Code and Law No 1380/1997 on the customs tariff. Mostly the support measures were implemented until the entry into force of the Law on State Aid, therefore these measures were not notified to the Competition Council and were not examined in the light of the provisions of state aid legislation, but be aligned with EU standards.

The value of state aid reported in the form of *loans on preferential terms* registered a substantial increase in 2019 compared to 2018-2017. This dynamic of the value of the state aid reported in the analyzed form was determined by the increase of the value of the state aid offered by the Ministry of Finance in the form of a loan re-credited to SE "Calea Ferată din Moldova", offered to the enterprise. restructuring of railway infrastructure. In 2019, the highest share of state aid reported in the nominated form was sectoral aid.

The amount of state aid reported in the form of *state guarantees, guarantees granted by public authorities/institutions and persons assimilated to public authorities* (state/municipal enterprises and by companies with full or majority public capital) decreased by 23.18% in 2019 compared to 2018. All state aids reported in the analyzed form were offered for regional development.

In 2019, the value and share of state aid reported in the form of *price reductions for goods and services* provided decreased significantly compared to the previous year. This dynamic was determined, including by the end of the period of implementation of some support measures.

---

<sup>11</sup>Article 6 paragraph (2) of the Law on State Aid was amended by Law No 141/2018 for the amendment and completion of some legislative acts

The largest share of state aid in the form of price reductions for goods and services provided (including free transmission) was aimed at supporting SMEs.

Data on the amount of state aid reported on forms and objectives of granting can be found in Annex 3.

The amount and share of state aid in the nature of budget revenue waivers in the total amount of state aid recorded in 2019 was determined by the amount of state aid reported in the form of exemptions and/or reductions from taxes, fees and other mandatory payments .

The share of the amount of state aid in the form of exemptions and/or reductions in the payment of taxes, fees and other mandatory payments reported from the amount of state aid in the nature of budget revenue waivers increased from 89.27% in 2018 to 97.32% in 2019. This trend was mainly due to the decrease in the value of support measures offered in the form of price reductions for the goods and services provided. Thus, the share of support measures offered in the form of price reductions on goods and services provided decreased from 10.22% in 2018 to 1.84% in 2019.

As specified, in 2019 the share of state aid in the form of budget expenditures was 54.27% of the reported state aid value. The weight of this indicator was determined by the amount of state aid offered in the form of grants and/or subsidies and budgetary allocations. The share of state aid reported in the form of grants and/or subsidies was 84.13% and budget allocations - 15.87% of budget expenditures.

*It should be noted that international experience shows that state aid in the nature of waivers of budget revenues (exemptions and reductions from the payment of taxes and fees, cancellation of penalties and late payment increases to the state, etc.) are usually more harmful to the market economy than those in the form of budget expenditures (grants, subsidies, budget allocations). State aid in the categories of budget expenditure (grants, subsidies, etc.) is considered less harmful to competition and, at the same time, more transparent and easier to quantify in the case of state aid schemes or individual aid.*

*Therefore, with regard to the structure of state aid and in order to take over good practices in the field, the forms of granting state aid should be redistributed by increasing the amount of support measures offered in the form of budget expenditures and reducing those granted in the form of waivers of budget revenues.*

## **2.5 Objective of granting state aid**

In accordance with the Law on State Aid, except for the derogations established in Articles 4 and 5, the granting of State aid is considered incompatible with the normal competitive environment.

In Article 5 of the Law on State Aid specifies the objectives according to which State aid can be considered compatible with the normal competitive environment, namely: aid intended to remedy a serious disturbance of the economy; aid for employee training and job creation; aid to support SMEs; aid for research, development and innovation; aid for environmental protection; aid granted to beneficiaries providing SGEIs; aid for rescuing beneficiaries in difficulty; aid for the establishment of

enterprises by women entrepreneurs; sectoral aid, depending on the sectors of activity of the national economy; aid for regional development.

The assessment of the compatibility of state aid with a normal competitive environment is made according to the main objective established when allocating them.

This report analyzes state aid according to its main objective:

1. **State aid for horizontal objectives** refers to state aid granted to legal and natural persons pursuing an economic activity, regardless of its field of activity, for carrying out actions in good conditions, such as: investment promotion, SMEs for consulting and their participation in fairs, employee training, job creation, research and development and innovation, environmental protection, etc.
2. **State aid for sectoral objectives** refers to state aid for a particular field of economic activity, for example: rapid development of broadband electronic communications networks, public rail and road passenger transport services, for railway undertakings, financial sector and so on.
3. **State aid for regional development** is intended to support the economic development of certain disadvantaged regions by supporting investment and job creation, by expanding and diversifying the economic activities of enterprises located in underdeveloped regions and by encouraging enterprises to set up new ones. units in these regions. Regional State aid includes investment aid for large, small and medium-sized enterprises, regional aid for newly created small enterprises and, in certain exceptional circumstances, operating aid.
4. **Aid for the promotion of culture and the preservation of cultural heritage** is intended for cultural purposes and activities, such as: museums, archives, libraries, centers and artistic and cultural spaces, theaters, operas, concert halls, other organizations dealing with live performances, institutions that deals with film heritage and other similar artistic, cultural and cultural infrastructures, organizations and institutions; tangible, immovable and movable heritage, including archaeological sites, monuments, sites and historic buildings; natural heritage related to cultural heritage or if it is officially recognized as cultural or natural heritage by the competent public authorities of the state, etc.
5. **Aid to remedy damage caused by natural disasters or other exceptional circumstances.**

**State aid granted to beneficiaries for the provision of SGEIs** - State aid in the form of compensation granted to beneficiaries who have been entrusted with the provision of SGEIs. It is stated that SGEIs are economic activities that are intended for the population and are in the interest of society, but which companies would not provide (or would otherwise provide in terms of quality, safety, accessibility, equal treatment or universal access), without public intervention.

The amount of state aid reported by objectives is summarized in Table 6.

**Table 6**

***The value and structure of state aid reported by objectives, during 2017-2019***

No	Objective	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
<b>1.</b>	<b>Horizontal objectives</b>	<b>156 753</b>	<b>23.37</b>	<b>148 757</b>	<b>15.49</b>	<b>189 327</b>	<b>19.21</b>
1.1.	Research-development and innovation	74 912	11.17	97 656	10.17	85 227	8.65
1.2.	Environment protection	27 896	4.16	29 437	3.07	44 456	4.51
1.3.	To support SMEs	29 533	4.40	2 441	0.25	8 436	0.86
1.4.	Aid for employee training and job creation	16 358	2.44	19 223	2.00	51 208	5.20
1.5.	Aid for rescuing beneficiaries in difficulty	8 053	1.20	0	0	0	0
<b>2.</b>	<b>Sectoral aid, depending on the sectors of activity of the national economy</b>	<b>133 033</b>	<b>19.83</b>	<b>204 821</b>	<b>21.33</b>	<b>130 000</b>	<b>13.19</b>
<b>3.</b>	<b>State aid for regional development</b>	<b>258 928</b>	<b>38.60</b>	<b>446 131</b>	<b>46.45</b>	<b>504 715</b>	<b>51.21</b>
<b>4.</b>	<b>Aid for the promotion of culture and the conservation of cultural heritage</b>	<b>122 059</b>	<b>18.20</b>	<b>160 692</b>	<b>16.73</b>	<b>161 501</b>	<b>16.39</b>
<b>5.</b>	<b>State aid amount (except SGEIs)</b>	<b>670 773</b>	<b>100</b>	<b>960 400</b>	<b>100</b>	<b>985 543</b>	<b>100</b>
6.	SGEI	165 064	19.75	199 462	17.20	453 213	31.50
<b>7.</b>	<b>State aid amount (including SGEI)</b>	<b>835 836</b>	<b>100</b>	<b>1 159 862</b>	<b>100</b>	<b>1 438 756</b>	<b>100</b>

*\*Share of state aid for SGEIs in total State aid, including State aid granted for the provision of SGEIs*

Based on the experience of the EU, in the part related to the analysis of state aid, the reported state aid will be further analyzed, with the exception of SGEIs.

The share and value of *horizontal state aid* increased in 2019, due to the extension of the budget of some state aid schemes and the implementation of new support measures in the reporting year. As in the previous reporting year, in 2019 the highest share of horizontal state aid, 44.84% constituted the support measures reported by the Ministry of Health, Labor and Social Protection; The Ministry of Education, Culture and Research and the National Agency for Research and Development, through the state aid schemes offered for the research-development and innovation objective.

The value of state aid for *sectoral objectives* offered in 2019 decreased by 36.53% compared to 2018, reaching 130,000 thousand MDL. The given evolution of the amount of state aid can be considered as positive, being in line with good international practices, according to which state aid for sectoral objectives is considered more harmful to the

competitive environment compared to state aid for regional development and horizontal state aid. Thus, in the EU the share of sectoral state aid is less than 10% of the total amount granted.

A significant share of state aid for sectoral objectives is the existing state aid implemented until the entry into force of the Law on State Aid. The mentioned support measures are to be examined by the Competition Council in the light of the state aid legislation and aligned with the EU acquis in the field of state aid in accordance with the commitments assumed by the Association Agreement by the Republic of Moldova.

The largest share of reported state aid for 2019 continued to be oriented towards **regional development**. The share of state aid for regional development in the total amount of reported state aid increased from 46.45% in 2018 to 51.21% in 2019. This increase was determined, including by the increase in the value of regional development aid (by 13.13 %) and the reduction of the amount of support measures reported for other purposes.

The most significant support measure offered for regional development, registering the share of 46.24% of the total value, continued to be the state aid implemented by AIPA, which is related to stimulating investments for the development of post-harvest and processing infrastructure, which is part of measure No 2 on making investments in the processing and marketing of agricultural products, from Annex No 1 to the Government Decision No 455/2017 on the distribution of funds of the National Fund for the Development of Agriculture and Rural Environment.

In 2019, the value of state aid for the **promotion of culture and preservation of cultural heritage** registered an insignificant increase compared to 2018.

***According to international experience in the field of state aid, horizontal state aid and regional development aid usually have a less harmful impact on the competitive environment and for these reasons are more acceptable compared to sectoral state aid. Thus, in 2019 there is a constant level of state aid structure compared to the previous year by orienting the largest share of state aid towards regional and horizontal objectives in accordance with international best practices in the field.***

A more detailed analysis of the state aid reported by objectives is presented below.

### ***Horizontal objectives***

The structure of the value of state aid on horizontal objectives varied during 2017-2019, according to the table below.

***Table 7***

***The value and structure of state aid reported on horizontal objectives, during 2017-2019***

No	Horizontal objective	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1.	To support SMEs	29 533	18.84	2 441	1.64	8 436	4.46
2.	Research-development and innovation	74 912	47.79	97 656	65.65	85 227	45.02

3.	Environment protection	27 896	17.80	29 437	19.79	44 456	23.48
4.	Aid for employee training and job creation	16 358	10.44	19 223	12.92	51 208	27.05
5.	Rescue aid	8 053	5.14	0	0	0	0
	<b>TOTAL</b>	<b>156 753</b>	<b>100</b>	<b>148 757</b>	<b>100</b>	<b>189 327</b>	<b>100</b>

From the data presented in Table 7, it results that in 2019 the largest share of the value of state aid reported on horizontal objectives was held by state aid for **research - development and innovation**, representing 45.02% of the value of reported horizontal state aid. The value of the nominated state aid increased by 13.77% in 2019 compared to 2017.

The most significant state aid scheme reported for research-development and innovation was implemented by the Ministry of Health, Labor and Social Protection, being oriented towards the development and financial assurance for development of science and innovation in the field of health.

Both the value and the share of state aid offered **to support SMEs** decreased significantly in 2019 compared to 2017. This negative trend was determined, in particular, by the end of the period of implementation of state aid schemes.

The value of state aid offered for environmental protection increased considerably in 2019, compared to the previous years, respectively by 51.02% compared to 2018 and 59.36% compared to 2017. The share of state aid reported for environmental protection in the amount of state aid on horizontal objectives it constituted 23.48%, registering an increase of 3.69 p.p. compared to 2018 and 5.68 p.p. compared to 2017. This increase was determined, including by the increase in the amount of the support measure implemented by the Customs Service, which consisted in applying the 50% exemption to the excise duty quota for the import of hybrid motor vehicles from tariff heading 8703. In the EU, the largest share of state aid is aimed at protecting the environment and saving energy, being more than 50% of the total amount of state aid granted.

The amount of state aid offered for **training employees and creating new jobs** increased about 2.6 times in 2019 compared to 2018. At the same time, the share of the value of state aid nominated increased by 14.13 p.p. in 2019 compared to 2018. This significant gap was determined in particular by the implementation by the Ministry of Finance of the support measure regarding the subsidization of the creation of new jobs implemented based on the Government Decision No 1145/2017 for the approval of the Regulation on subsidizing job creation (*Decision of the Plenum of the Competition Council No ASS-46/18-27 of 24.04.2019*). The nominated support measure consisted in allocating the financial means in order to subsidize the creation of jobs, the beneficiaries of the subsidies being the legal entities that will create at least 100 new jobs. This scheme was also the most significant support measure reported for employee training and job creation.

### ***Sectoral objectives***

In 2019, the value of state aid for sectoral objectives decreased by 36.53% compared to 2018. The share of state aid for sectoral objectives was 13.19% of the value of state aid reported for 2019, decreasing by 8.14 p.p. compared to 2018. This reduction was determined, in particular, by the alignment of the existing state aid schemes and the completion of the period of implementation of some sectoral support measures.

The majority share of state aid for sectoral objectives was oriented towards the pharmaceutical sector, followed by the transport sector. At the same time, state aid was reported for other sectors of the national economy.

In 2019, most state aid by sectoral objectives were reported in the form of exemptions and/or reductions in the payment of taxes, duties and other mandatory payments, constituting 85.16% of the total value, followed by grants and/or subsidies with 12.86% and other forms-1.98%.

Part of the amount of state aid by sectoral objectives is state aid implemented until the entry into force of the Law on State Aid. Given that some of these support measures have been implemented through state aid schemes, they are to be aligned with the EU acquis in the field of state aid, in line with the commitments made by the Republic of Moldova through the Agreement on Association.

### ***State aid for regional development***

According to the Regional Aid Map of the Republic of Moldova, all development regions in the country are eligible for state aid on the analyzed objective, with a maximum allowable intensity of 50%. In line with EU practice in this field, it is determined by the economic development of the region, population density, the level of unemployment in the regions concerned and other indicators. According to EU norms, the entire territory of the Republic of Moldova meets the criteria that characterize the disadvantaged region.

In 2019, the share of the value of state aid for regional development was about 51% of the total value of state aid reported (according to Table 6). The value of the state aid authorized by the Competition Council constituted 85.93%, the difference was reflected by the aid implemented until the entry into force of the Law on state aid and the support measures under examination at the Competition Council.

In 2019, the largest share of regional development aid was reported in the form of exemptions and/or reductions in taxes, fees and other mandatory payments (accounting for 52.86% of total state aid for regional development), mainly offered by the State Tax Service, followed by grants and/or subsidies with 46.49%, predominantly reported by AIPA.

In the reporting year, the General Directorate of Economic Development ATU Gagauzia of the Executive Committee of Gagauzia notified the individual state aid regarding the allocation of ME “Vitapharm-Com” SRL of the resources from the budget of ATU Gagauzia, in the form of subsidies to support investments and create jobs creation as a result of the diversification of the company's activity (*Decision of the Plenum of the Competition Council No ASR-35 of 23.05.2019*).

## 2.6 State aid providers

Under State Aid Law, state aid providers are required to submit annually to the Competition Council, by 31 March, information on state aid granted in the year preceding the reporting year.

*The state aid provider*, in accordance with the Law on State Aid, is any authority of the central public administration or of an administrative-territorial unit or any legal person that directly or indirectly manages the resources of the state or of the administrative-territorial units. The resources of the state or of the administrative-territorial units are the totality of the patrimony, including in the form of financial means belonging to the state, to the administrative-territorial units, to the autonomous territorial unit of Gagauzia.

Most of the support measures, for 2019, were reported by the *CPA* - 48 measures, respectively *LPA* - 9. In this sense, it is specified that the *CPA are the main providers of state aid, except for SGEIs*. As regards *LPAs*, they grant, in particular, *aid for the provision of SGEIs and de minimis aid*.

According to the value of state aid reported for 2019, it is noted that 99.41% of the total value was provided by CPA. Table 8 shows the reported state aid amount by state aid providers.

**Table 8**

### *State aid reported by providers in the period 2017-2019*

No	Provider	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1	State Tax Service	117 030	17.45	231 499	24.10	317 273	32.19
2	AIPA	179 782	26.80	274 010	28.53	233 386	23.68
3	Ministry of Education, Culture and Research	146 763	21.88	186 422	19.41	187 445	19.02
4	Customs Service	97 897	14.59	77 403	8.06	117 655	11.94
5	Ministry of Health, Labor and Social Protection	49 127	7.32	47 656	4.96	49 349	5.01
6	LPA	17 527	2.61	6 224	0.65	5 773	0.59
7	Other providers (CPA and legal persons)	62 647	9.34	137 260	14.28	74 662	7.58
	<b>TOTAL</b>	<b>670 773</b>	<b>100</b>	<b>960 400</b>	<b>100</b>	<b>985 543</b>	<b>100</b>

In 2019, the largest providers of state aid were the State Tax Service, AIPA and the Ministry of Education, Culture and Research.

The State Tax Service reported several support measures offered through state aid schemes, such as: support for residents of the information technology park "Moldova IT Park", Free Economic Zones, development of the pharmaceutical sector, etc.

AIPA continued to provide support measures under the state aid scheme on stimulating investments for the development of post-harvest and processing infrastructure, which is part of measure No 2 on making investments in processing and

marketing of agricultural products, from Annex No 1 to the Government Decision No 455/2017 on the distribution of funds of the National Fund for the Development of Agriculture and Rural Environment.

The Ministry of Education, Culture and Research has implemented support measures within 3 state aid schemes aimed at supporting theatrical-concert institutions; funding science and innovation; support for film projects.

The cumulative share of state aid reported by the State Tax Service and the Customs Service in 2019 constituted 44.13% of the total value of state aid. The value of this indicator has increased compared to previous years, which was determined, including by the increase in the number of beneficiaries under the state aid scheme "Moldova IT Park"; raising the budgets of some support measures reported by the Customs Service. Data on the amount and forms of State aid reported by State aid provider can be found in Annex 4.

In 2019, the CPA reported the most support measures through state aid schemes, accounting for about 93.75% of the total number of support measures reported by the CPA. LPAs only offered support measures as individual aid.

The main state aid providers that reported support measures in the form of exemptions and / or reductions in the payment of taxes, fees and other mandatory payments, for 2019 are the State Tax Service and the Customs Service, which hold 99.15% of the value of total state aid reported in the given form. This significant value of the analyzed indicator was determined by the fact that the State Tax Service and the Customs Service have fiscal administration attributions. As regards state aid in the form of grants and/or subsidies, the largest share was implemented by AIPA, holding 51.87%, within the scheme for stimulating investments in the development of post-harvest and processing infrastructure.

***In conclusion, the amount of state aid reported for 2019 was up to 1% of GDP, which is in line with point 40 of the National Program on Competition and State Aid for 2017-2020. More than 50% of the reported state aid amount was directed towards regional development, which is considered to have a less harmful impact on the competitive environment.***

***A priority direction in the field of state aid is the fulfillment of the commitments made through the Association Agreement and the National Program in the field of competition and state aid in the part related to the alignment of the existing state aid schemes to the EU acquis. So far, 125 existing state aid schemes have been aligned. Over 80% of the existing state aid schemes to be further aligned are offered in the form of fiscal and customs advantages, implemented on the basis of the normative acts in force at the date of adoption, without being based on an ex-ante economic analysis referring to the impact of these measures on the competitive environment and clearly identifying the objective of granting them. In this regard, the support measures provided to businesses through tax and customs legislation are to be reviewed in the light of the Law on State Aid.***

## Chapter III. SUPPORT MEASURES WITH ANTI-COMPETITIVE INSIGNIFICANT IMPACT

### 3.1 *De minimis aid*

De minimis aid is aid having a value equivalent below the threshold of MDL 2 million granted to the same beneficiary in a maximum period of 3 years, regardless of its form and the objective pursued, provided that it is not related to export activities. Aid to cover the costs of attending trade fairs or the cost of studies or consultancy services required for the launch of a new or existing product on a new market does not normally constitute aid for export - related activities.

With the entry into force of the Law on state aid, de minimis aid is to be granted in accordance with the Regulation on de minimis aid (approved by the Decision of the Plenum of the Competition Council No 2/2013, published in the Official Gazette No 222-227 from 11.10.2013). De minimis aid can be granted in all sectors of the national economy with certain exceptions. Thus, de minimis aid cannot be granted for export-related activities, namely in relation to exported quantities, aid for the establishment and operation of a distribution network or for other current expenditure related to the export activity. Also, de minimis aid cannot be granted to enterprises in difficulty, being applied the provisions of the Regulation on aid for rescuing beneficiaries in difficulty (approved by the Decision of the Plenum of the Competition Council No 6/2013, published in OG No 243-247 of 01.11.2013). It is considered that the amount of de minimis aid is relatively small and does not affect competition between enterprises or international treaties to which the Republic of Moldova is thus a party, being exempted from the notification obligation.

In order to achieve a more comprehensive picture of the de minimis aid reported, Table 9 shows separately the total amount of de minimis aid reported and the amount of de minimis aid, except for the support measures provided for the provision of SGEIs.

From the data presented in Table 9 it is attested that the *value of de minimis aid* registered an increasing trend in the period 2017-2019. Thus, the value of the total de minimis aid reported increased about 2.1 times in 2019 compared to 2017. This significant increase in the amount of aid was determined, including the increase in the value of some de minimis aid schemes reported and the number of beneficiaries. Thus, in 2019 the de minimis aid was offered to 1,210 beneficiaries, which was an increase of about 2 times compared to 2017. A significant contribution to the increase in the value of the reported de minimis aid had the de minimis aid scheme implemented by the Ministry of Education, Culture, and Research regarding the financing of the aid from the state budget of cultural programs, projects and actions, the value of which increased by MDL 64,147 thousand in 2019 compared to 2017.

During the analyzed period, there was also a significant increase in the value of the de minimis aid reported, except for the aid targeted at providing SGEIs. Thus, in 2019 the value of de minimis aid (except for SGEIs) increased about 2.5 times compared to 2017.

*In EUR*, the amount of de minimis aid increased in 2019 compared to 2017-2018. This trend was determined, including by exchange rate fluctuations.

**The value of de minimis aid reported  
during 2017-2019**

No	Indicator	2017	2018	2019
<b>1.</b>	<b>Value of de minimis aid (except for SGEI) in:</b>			
1.	<i>MDL thousand</i>	72 481	90 471	178 561
2.	<i>EUR thousand</i>	3 480	4 560	9 078
<b>2.</b>	<b>Value of de minimis aid (including SGEI) in:</b>			
1.	<i>MDL thousand</i>	98 726	132 026	204 633
2.	<i>EUR thousand</i>	4 740	6 655	10 403

*\*calculated based on the average annual exchange rate of the MDL against the EUR, NBM source 2017 = 20.83; 2018 = 19.84, year 2019 = 19.67*

The data reported for the period 2017-2018 have been updated and corrected in accordance with the information submitted by the suppliers.

The amount of de minimis aid provided for SGEIs will then be examined in section 3.2. from this Chapter.

Of the total value of de minimis aid reported for 2019, the largest share (75.88%) was de minimis aid granted from *state sources*. As for the de minimis aid reported from external funds, it constituted 24.12% of the total value. It is noted that both the value and the share of de minimis aid offered from *external funds* increased in 2019 compared to previous years. This was determined by the implementation of new support measures provided from external funds and the increase in the value of de minimis aid schemes in 2019 compared to previous years.

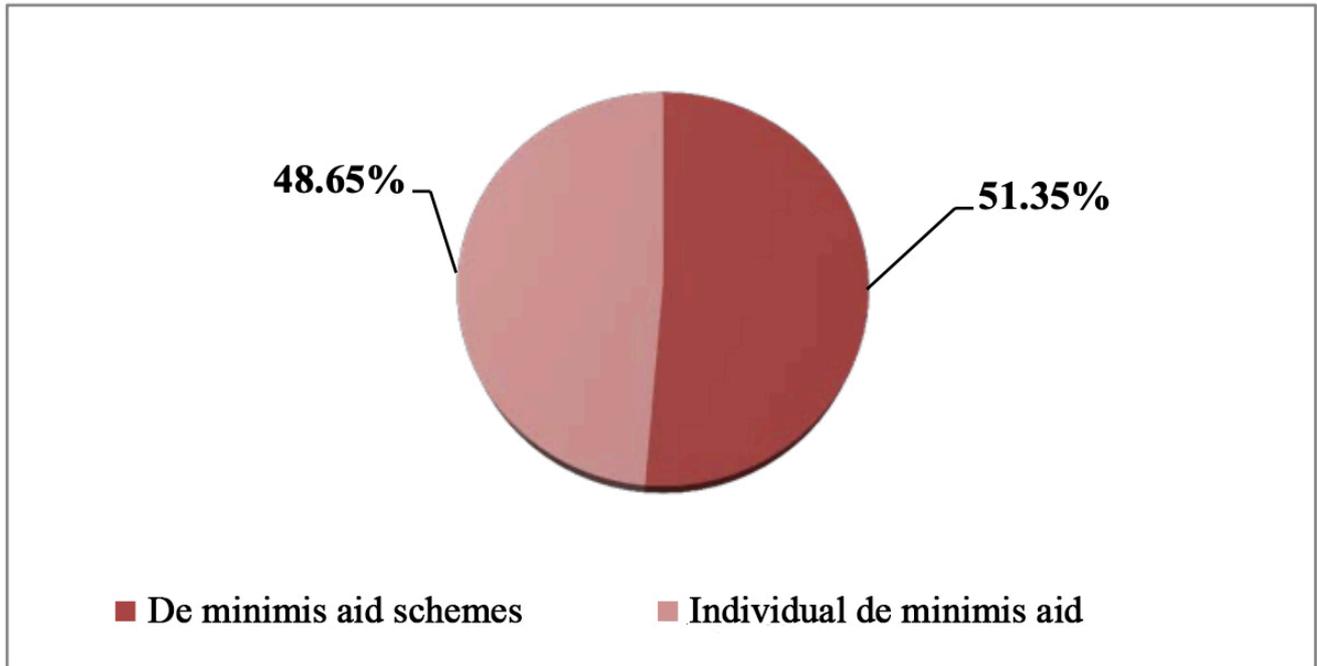
The most significant de minimis aid scheme financed from external funds is the “1+1” ERAP Economy Remittance Attraction Program, granted by the Organization for the Development of the Sector for Small and Medium Enterprises.

For 2019, suppliers reported **74 de minimis aid measures**, excluding aid provided for the provision of SGEIs. Most de minimis aid for 2019 was reported by LPA, accounting for **59.46% of the total number of measures**. According to the value of de minimis aid reported for 2019, about 95% of the total value was provided by CPA.

According to Figure No 6, in 2019, the largest share of de minimis aid (**51.35%**) was implemented through *de minimis aid schemes*.

**Figure No 6**

**Structure of de minimis aid (except for SGEIs) reported for 2019  
as individual de minimis aid / de minimis aid schemes**



A comparative analysis of de minimis aid (excluding SGEIs) reported for the period 2017-2019, according to the **granting procedures** is presented in the table below. Information on aid provided for the provision of SGEIs will be analyzed in Section 3.2. of this Chapter.

**Table 10**

**The value and structure of de minimis aid (excluding SGEIs) reported according to the granting procedures during 2017-2019**

No	minimis aid type	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1.	Individual deminimis aid	5 793	7.99	7 735	8.55	4 809	2.69
2.	De minimis aid schemes	66 688	92.01	82 736	91.45	173 751	97.31
	<b>TOTAL</b>	<b>72 481</b>	<b>100</b>	<b>90 471</b>	<b>100</b>	<b>178 561</b>	<b>100</b>

From the data presented in Table 10, it is to be observed that in 2019 the value of de minimis aid implemented through de minimis aid schemes increased significantly compared to the previous years. One of the most significant de minimis aid schemes that has contributed, including the increase of the nominated indicator is "Financing aid from the state budget of cultural programs, projects and actions", implemented by the Ministry of Education, Culture and Research. The support measure is granted in order to encourage cultural projects, creative potential, as well as the formation of appropriate conditions for the development of cultural activities promoted by civil society and its

integration in the process of achieving national objectives in the field of culture. In 2019, within the de minimis aid scheme, 88 entities benefited from the support measure.

It is noted that de minimis aid schemes increase the accessibility of enterprises to state support measures, thus creating the necessary premises for sustainable socio-economic development.

The *value of de minimis aid*, reported according to the *form of granting*, is presented in Table 11.

**Table 11**

***Amount and structure of de minimis aid (excluding SGEIs) reported during 2017-2019, depending on the form of granting***

No	Form of granting <sup>22</sup>	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1.	Grants and/or subsidies	60 101	82.92	75 614	83.58	158 867	88.97
2.	Budget allocations	0	0	0	0	0	0
3.	Cancellation and takeover of debts	0	0	0	0	858	0.48
4.	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	1 991	2.75	2 797	3.09	8 510	4.77
5.	Loans on preferential terms	1 917	2.65	1 754	1.94	5 667	3.17
6.	State guarantees, guarantees granted by public authorities/institutions and persons assimilated to public authorities, state/municipal enterprises and by companies with full or majority public capital	71	0.10	24	0.03	0	0
7.	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	0	0	0	0	0	0
8.	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	8 402	11.59	10 281	11.36	4 659	2.61
	<b>TOTAL</b>	<b>72 481</b>	<b>100</b>	<b>90 471</b>	<b>100</b>	<b>178 561</b>	<b>100</b>

<sup>22</sup> Modified by Law No 141/2018 for the amendment and completion of some legislative acts

The largest share of de minimis aid reported for 2019 continued to be offered in the form of *grants and/or subsidies*, being about 89% of the total reported value. The share of de minimis aid reported in the form of grants and/or subsidies in the total

reported amount has increased over the period of previous years, which was mainly due to the significant increase in the amount of aid offered in the given form.

Regarding the amount of de minimis aid offered in the form of grants and/or subsidies, it increased about 2.1 times in 2019 compared to 2018 and about 2.6 times compared to 2017. This trend was determined, including the increase in the value of de minimis aid schemes reported in the given form.

Regarding the amount of de minimis aid offered in the form of grants and/or subsidies, it increased about 2.1 times in 2019 compared to 2018 and about 2.6 times compared to 2017. This trend was determined, including the increase in the value of de minimis aid schemes reported in the given form.

The largest share of de minimis aid reported in the form of grants and/or subsidies was provided by the Ministry of Education, Culture, and Research under the de minimis aid scheme aimed at financing state budget aid for programs, projects and actions. cultural.

At the same time, in 2019, aid was offered in the form of *cancellation and/or takeover of debts* by the Taraclia District Council in order to support SMEs. In 2019, the amount of de minimis aid reported in the form of *exemptions and/or reductions in the payment of taxes, fees and other mandatory payments* increased compared to previous years, i.e. about 3 times compared to 2018 and about 4 or compared to 2017. This dynamic was determined, including by the increase of the value of the support measures offered by the Customs Service through the de minimis aid scheme “Exemptions granted for the import of motor vehicles and electric motor scooters”. This de minimis aid scheme also registered the largest share of the value of de minimis aid reported in the form of tax and customs advantages, attaining about 99%.

The amount of de minimis aid offered in the form of *loans on preferential terms* increased significantly in 2019 compared to previous years, namely about 3 times, registering a value of 5,667 thousand MDL. This upward trend was determined, including by the increase in the number of support measures offered in the form of preferential loans. The largest share of the de minimis aid reported in the given form was implemented by the Material Reserves Agency within the scheme established under Law No 589/1995 on state and mobilization material reserves.

During the reporting period, there was a negative dynamic in the amount of de minimis aid reported in the form of *reductions in goods and services* (including the sale of goods and services below market price). This was determined, including by the alignment of existing state aid schemes.

In 2019, de minimis aid was reported to support SMEs, environmental protection, regional development, sectoral objectives and to promote culture and preserve cultural heritage.

The de minimis aid value reported by objectives is summarized in Table 12.

Table 12

*The value and structure of the de minimis aid reported by objectives, during 2017-2019*

No	Objective	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
<b>1.</b>	<b>Horizontal objectives</b>	<b>59 128</b>	<b>81.58</b>	<b>75 725</b>	<b>83.70</b>	<b>101 107</b>	<b>56.6 2</b>
1.1.	<i>To support SMEs</i>	55 416	76.45	74 066	81.87	91 962	51.5 0
1.2.	<i>Environment protection</i>	2 141	2.95	1 390	1.54	8 676	4.86
1.3.	<i>Research-development and innovation</i>	1 315	1.81	0	0	0	0
1.4.	<i>Aid for employee training and job creation</i>	257	0.35	269	0.30	468	0.26
<b>2.</b>	<b>Aid for regional development</b>	<b>1 572</b>	<b>2.17</b>	<b>3 022</b>	<b>3.34</b>	<b>1 773</b>	<b>0.99</b>
<b>3.</b>	<b>Sectoral objectives</b>	<b>5 074</b>	<b>7.00</b>	<b>9 465</b>	<b>10.46</b>	<b>6 832</b>	<b>3.83</b>
<b>4.</b>	<b>Aid for the promotion of culture and the conservation of cultural heritage</b>	<b>6 585</b>	<b>9.08</b>	<b>2 254</b>	<b>2.49</b>	<b>68 850</b>	<b>38.5 6</b>
<b>5.</b>	<b>Other objectives</b>	<b>122</b>	<b>0.17</b>	<b>5</b>	<b>0.01</b>	<b>0</b>	<b>0</b>
	<b>TOTAL (except for SGEI)</b>	<b>72 481</b>	<b>100</b>	<b>90 471</b>	<b>100</b>	<b>178 561</b>	<b>100</b>
<b>6</b>	SGEI	26 245	26.58	41 555	31.47	26 072	12.7 4
	<b>TOTAL (including SGEI)</b>	<b>98 726</b>	<b>100</b>	<b>132 026</b>	<b>100</b>	<b>204 633</b>	<b>100</b>

In 2019, the largest share of de minimis aid was offered for *horizontal objectives*. Compared to 2018-2017, the share of de minimis aid for horizontal objectives decreased significantly. This negative trend was determined by the significant increase in the value of aid aimed at promoting culture and preserving cultural heritage.

Regarding the amount of de minimis aid for horizontal objectives, it increased by 33.52% in 2019 compared to 2018 and by 71% compared to 2017. This increase in the amount of de minimis aid was determined by the increase in the amount of aid directed to support SMEs, for environmental protection and for employee training and job creation. The largest contribution to the increase in the value of de minimis aid for horizontal objectives in 2019 compared to previous years was the reported aid to support SMEs. De minimis aid to support SMEs increased by about 66% in 2019 compared to 2017. This positive evolution of the indicator was determined, including by the increase in the value of some support measures granted to enterprises and the implementation of new de minimis aid.

In this regard, it is specified that the most significant support measure implemented to support SMEs is the "Program to attract remittances in the economy PARE 1 + 1", for migrant workers and/or their first-degree relatives who want to invest in launching and/or developing one's own business<sup>13</sup>.

<sup>13</sup>PARE 1 + 1 Program, Organization for SME Development, <https://www.odimm.md/ro/component/content/article/70-programul-pare.html>

In 2019, there was attested a significant increase in the value and share of de minimis aid offered for the promotion of culture and the conservation of cultural heritage. This accession was mainly due to the increase in the value of the de minimis aid scheme "Financing of aid from the state budget for cultural programs, projects and activities".

De minimis aid for *regional development* increased by 12.79% in 2019 compared to 2017. As for the value of de minimis aid for sectoral objectives, it decreased by 27.82% in 2019 compared to 2018. This dynamics of aid was determined, including the end of the period of implementation of some support measures. It is noted that this de minimis aid dynamic is in line with the European Union 's best practices in the field of state aid.

*As a result of the activities to increase the institutional capacity of the providers in the application of the provisions of the state aid legislation and, in particular, in the part related to the de minimis aid, the reported value of the de minimis aid increased.*

### **3.2 Support measures for the provision of services of general economic interest**

**SGEI** - economic activity that has a special importance for the population and if it were not the intervention of the state the services could not be provided to consumers. These can be: drinking water supply, wastewater disposal, household waste collection, etc.

The public service obligation is imposed on the provider by assigning a task and on the basis of a criterion of general interest designed to ensure that the service is provided under conditions which enable it to fulfill its mission. The obligations of undertakings entrusted with the provision of SGEIs generally take into account aspects such as: quantitative and qualitative continuity, adaptability to consumer requirements, equal and non-discriminatory access to the public service, decision-making transparency and user protection, ensuring health and quality of life, etc. The imposition of these conditions by public authorities may be accompanied by measures to support the activity carried out by the respective enterprises. The main condition for granting the support measure must take into account the total or partial compensation of the difference between the costs resulting from the provision of this service and the relevant revenues of the company, taking into account a reasonable profit in fulfilling these obligations.

The value of support measures reported for the provision of SGEIs is presented in Table 13.

**Table 13**

***The value of the support measures reported for the provision of SGEIs, during 2017-2019***

No	Indicator	2017	2018	2019
<b>1.</b>	<b>Value of support measures for the provision of SGEIs</b>			
<i>1.1.</i>	<i>MDL thousand</i>	191 309	241 017	479 285
<i>1.2.</i>	<i>EUR thousand*</i>	9 184	12 148	24 366

\* calculated based on the average annual exchange rate of the leu in relation to the euro, NBM source (MDL/EUR 2017 = 20.83; 2018 = 19.84, 2019 = 19.67)

The data reported for the period 2017-2018 have been updated and corrected in accordance with the information submitted by the providers.

The amount of support measures presented in Table 13 includes the amount of state aid and the amount of de minimis aid reported for the provision of SGEIs. **The value of the state aid** offered for the **provision of SGEIs**, in 2019, was 453,213 thousand MDL, which constituted 94.56% of the total value of the support measures reported for SGEIs. The difference was the amount of de minimis aid offered for the provision of SGEIs.

The value of the support measures reported for the provision of SGEIs, in the period 2017-2019, registered an increasing trend. Thus, in 2019 the value of the support measures offered for the provision of SGEIs increased about 2.5 times compared to 2017 being MDL 479 285 thousand. This significant increase in the value of support measures reported for SGEIs was determined, including by the implementation of new measures.

Of the total value of support measures reported for the provision of SGEIs, in 2019, respectively 479 285 thousand MDL, the **value of state aid authorized** by the Competition Council was 153 219 thousand MDL (or about 32% of the total value), the difference being represented by de minimis aid, aid implemented until the entry into force of the Law on State Aid and the support measures under consideration at the Competition Council.

The most significant support measure authorized by the Competition Council was granted to the “Urban Bus Park”. The support measure was notified by the **Chisinau City Hall**, in order to procure the buses needed to provide public transport services in Chisinau. The value of the authorized state aid was MDL 93,691.7 thousand (*Decision of the Plenum of the Competition Council No ASR -57 of 01.08.2019*).

The following are briefly presented the **support measures authorized**, in 2019, by the Competition Council for the provision of SGEIs:

- **The support measure notified by the Ministry of Health, Labor and Social Protection** regarding the modification of the period of the public-private partnership project, initiated by Government Decision No 574/2013 on the public-private partnership for dialysis services. State aid is needed to operate the SGEI. (*Decision of the Plenum of the Competition Council No ASS-05 of 24.01.2019*)
- **The support measure notified by the City Hall of Cricova** regarding the transfer in economic management of some goods to the ME “Regia Comunal-Locativa Cricova”. The support measure consisted in the transmission in management without an equivalent consideration of the material goods: sewerage networks and aqueduct. The updated value of the state aid granted in the period 2017 - 2037 is 1,610.9 thousand MDL. State aid was provided for the provision of public water supply and sewerage services. (*Decision of the Plenum of the Competition Council no. ASER-20 of 04.04.2019*)
- **The support measure was notified by the City Hall of Tomai village (Ceadir-Lunga district)**, the beneficiary of the support measure being ME "Tomai-Servis". The support measure consists in the free transmission of water supply networks (31.72 km). The value of the state aid for the provision of the public water supply service granted to ME “Tomai-Servis” for the period 2016-2019

(until 01.03.2019), is MDL 1,282.99 thousand. (*Decision of the Plenum of the Competition Council No ASR-34 of 23.05.2019*)

- ***The support measure notified by the City Hall of Iurceni, Nisporeni district***, the beneficiary of the support measure being ME "Iurceni-Servicii". The support measure consisted in the transmission in management without an equivalent consideration of the material goods: the water networks, the sewerage networks, the landfill and the treatment plant. The state aid granted to ME "Iurceni-Servicii" for the provision of SGEI - public water supply, sewerage and sanitation service, for the period 2017-2021, amounted to 2 211.1 thousand MDL. (*Decision of the Plenum of the Competition Council No ASR-40 of 06.06.2019*)
- ***The support measure notified by the City Hall of Balti***, the beneficiary of the support measure being ME "Balti residential-communal household". The support measure consisted of the transfer of subsidies for the renovation and maintenance of the housing stock. (*Decision of the Plenum of the Competition Council No ASS-52 of 12.07.2019*)
- ***The support measure notified by the City Hall of Telenesti***, the beneficiary of the support measure being ME "Apa - Canal" Telenesti. The support measure consists in the transfer for free administration of the wastewater treatment plant, 3 sewerage pumping stations, sewerage networks and other material goods. The value of the state aid for the provision of the public water supply and sewerage service offered to ME "Apa - Canal" Telenesti, for the period 2019-2049, is 15,253.31 thousand MDL. (*Decision of the Plenum of the Competition Council No ASR-58 of 01.08.2019*)
- ***The support measure notified by the Edinet City Hall***, the beneficiary of the support measure being ME "Apa-Canal Edinet". The support measure consisted in the transmission of financial means in the form of grants/subsidies - amounting to 1,332 thousand MDL. State aid was provided for the provision of public water supply and sewerage services. (*Decision of the Plenum of the Competition Council No DOT - 75 of 31.10.2019*)
- ***The support measure notified by the City Hall of Calarasi***, the beneficiary of the support measure being ME "Calarasi Communal-Housing Household". The support measure consisted in the transmission in management without an equivalent consideration of the material goods: *1 special vehicle with equipment for washing the sewerage systems and 1 special vehicle for collecting and compacting DMS*. Authorized state aid for the provision of services of general economic interest - the public service of sewerage and wastewater treatment and sanitation "ME Communal-Housing Housing Calarasi", for the period 2019-2024, amounted to MDL 3,137 thousand. (*Decision of the Plenum of the Competition Council No ASR-83 of 14.11.2019*)
- ***The support measure notified by the City Hall of Ocnita***, the beneficiary of the support measure being ME "Apa-Canal Ocnita". The support measure consisted in the transfer of financial means in the form of grants/subsidies, as well as the transfer of material goods in economic management. The state aid granted to ME "Apa-Canal Ocnita" is necessary in order to operate in normal conditions of continuity of the public water supply and sewerage service. The total amount of

authorized state aid, for the period 2016-2022, amounted to 1,883 thousand MDL (*Decision of the Plenum of the Competition Council No OTN-95 of 12.12.2019*)

During the reporting period, enterprises that provided SGEIs benefited from support measures either as individual aid or through state aid/de minimis aid schemes. In 2019, the largest share of these (**97.59%** of the total number) were implemented as **individual aid**. A significant share of the value of the support measures oriented towards the provision of SGEIs was offered to the enterprises: SM “Urban Bus Park”, JSC “Termoelectrica”, SE “Republican Experimental Center for Prosthesis, Orthopedics and Rehabilitation” etc.

The annual value of support measures for the **provision of SGEIs**, depending on the **form in which they were granted**, is presented in the table below.

**Table 14**

***The value and structure of SGEI support measures reported according to the form of grant, during 2017-2019***

No	Form of granting	2017		2018		2019	
		MDL thousand	%	MDL thousand	%	MDL thousand	%
1.	Grants and/or subsidies	65 988	34.49	67 378	27.96	143 939	30.03
2.	Budgetary allocations*	279	0.15	537	0.22	146 040	30.47
3.	Cancellation and takeover of debts	0	0	1 710	0.71	0	0
4.	Exemptions and/or reductions in the payment of taxes, fees and other mandatory payments	1 100	0.57	4 915	2.04	16 076	3.35
5.	Loans on preferential terms	43 951	22.97	56 511	23.45	79 772	16.64
6.	State guarantees, guarantees granted by public authorities/institutions and persons assimilated to public authorities, state/municipal enterprises and by companies with full or majority public capital	6 892	3.60	19 121	7.93	17 390	3.63
7.	Provider’s investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	197	0.10	5 675	2.35	3 551	0.74
8.	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	72 902	38.11	85 170	35.34	72 517	15.13
	<b>TOTAL</b>	<b>191 309</b>	<b>100</b>	<b>241 017</b>	<b>100</b>	<b>479 285</b>	<b>100</b>

\*form of state aid was included in the Law on state aid by Law No 141/2018 for amending and supplementing some legislative acts

In 2019, providers continued to prefer to provide support measures for the provision of SGEIs in the form of grants and/or subsidies and budget allocations. These accounted for more than 60% of the total reported value.

At the same time, in 2019 the value of aid offered in the form of grants and/or subsidies increased about 2.1 times compared to 2017-2018. This increase was determined, including by the implementation of the new support measures. The most significant support measure authorized by the Competition Council in the form of subsidies and / or subsidies was granted by the Chisinau City Hall to the SM "Urban Bus Park", in order to purchase buses.

The support measures reported in the form of *budget allocations* registered a significant increase in 2019 compared to 2017. This trend was determined by the implementation of new state aid measures, including aid provided for the provision of public transport service in the municipality. Chisinau based on the Decision of the Chisinau Municipal Council No 3/29 of 19.11.2015 on the approval of the Contract on the provision of public transport services, concluded between the City Hall of Chisinau and the "Urban Bus Park" and the Decision of the Chisinau Municipal Council No 9/4 of 19.12.2015 on the approval of the Chisinau municipal budget for 2019.

During the reporting period, the value of aid offered in the form of *exemptions, reductions, deferrals or rescheduling of taxes, fees and other mandatory payments* increased significantly compared to 2017-2018. This increase was determined by the state aid granted for the import of buses for the "Urban Bus Park", in accordance with Article 103 paragraph (1) point 29) of the Tax Code. The support measure contributed more than 90% to the increase in the amount of aid provided in the form of fiscal facilities for the provision of SGEIs.

Support measures for the provision of SGEIs were reported in proportion of 16.64% in the form of loans on preferential term. The support measures offered in this form were granted as a result of accessing resources from external funds. In 2019, preferential interest loans continued to be granted under state aid schemes authorized by the Competition Council, namely for: 1) improvement of the efficiency of the centralized thermal energy supply system, the destination of the loan being the improvement of the efficiency of the centralized thermal energy supply system - beneficiary of JSC "Termoelectrica"; 2) implementation of the Project "Thermal energy system of Balti municipality (JSC "Cet-Nord " ), in order to improve energy efficiency, reduce operational costs and improve the provision of thermal energy services in Balti municipality - beneficiary of SA " This North " .

At the same time, 3.63% of the value of state aid for the provision of SGEIs were offered in the form of *guarantees under preferential conditions*. Under the nominated support measures, LPAs are guaranteed for loans to enterprises. The value of the support measures offered in this form decreased by 9.05% in 2019 compared to 2018.

In 2019, the granting of state aid in the form of preferential conditions in preferential conditions to JSC "Apa-Canal Chisinau" by the City Hall of Chisinau (authorized by the Competition Council) continued. The mentioned support measure consists in the guarantee by the Chisinau Municipal Council, in proportion of 100%, of the external loans obtained by JSC "Apa-Canal Chisinau" from the European Bank for Reconstruction and Development and the European Investment Bank.

As for the aid offered in the form of investments of the supplier (if the rate of return on these investments is lower than normal, anticipated by a prudent private investor), it increased significantly in 2019 compared to 2017. The increase was determined by the implementation of some new de minimis aid measures offered by LPA for the provision of water supply, sanitation, services etc.

A significant share of the support measures offered for the provision of SGEIs were reported in the form of *price reductions for the goods and services* provided. The value of the aid offered in this form decreased by 14.86% in 2019 compared to 2018, namely from MDL 85,170 thousand to MDL 72,517 thousand. This trend in the amount of aid was determined, including by the end of the period of implementation of some support measures. The providers of state aid sent goods (aqueduct, artesian wells, etc.) free of charge to enterprises under management for the provision of SGEIs (for example: water supply, sanitation, etc.). The main beneficiaries of these support measures were companies providing water supply, sewerage and sanitation services.

In 2019, **267 authorities** provided support measures for the provision of SGEIs. The main providers that reported support measures for the provision of SGEIs were LPAs. It is noted that, both by the number of support measures reported and by the amount of aid, the largest share was provided by the LPA. Of the total number of support measures reported, about 99% were provided by LPAs. In terms of value, about 72% of the amount of aid reported for SGEIs was granted by the LPA.

*Aid for the provision of SGEIs continues to be one of the priority directions of the state to which support measures are directed in order to correct market failures.*

## **Chapter IV. MONITORING OF AUTHORIZED STATE AID**

### ***4.1 General characterization***

The monitoring of ongoing state aid is one of the responsibilities of the Competition Council. According to Article 20 of the Law on state aid and point 84 of the Regulation on the form of notification, examination procedure and adoption of decisions on state aid (adopted by the Decision of the Plenum of the Competition Council No 1/2013), the Competition Council monitors, both the ongoing state aid to verify compliance with the provisions of the legal acts on the basis of which they were granted, and the authorization decisions it issued.

In this regard, support measures authorized by the Plenum of the Competition Council were monitored, during 2014-2019, including those that were ongoing in 2019. In order to monitor the authorized state aid, information was requested from the suppliers and beneficiaries of the state aid.

The main findings of state aid monitoring are set out below.

### ***4.2 State aid for regional development***

The monitoring of the state aid for regional development is carried out taking into account the evaluation criteria presented in the Regulation on the state aid for regional development, approved by the Decision of the Plenum of the Competition Council No 4/2013 (published in the Official Gazette No 228-232 of 18.10.2013). The main conditions for granting state aid for regional development are:

- state aid intensity - up to 50% of the actual cost incurred (for medium-sized enterprises -60%, for small enterprises - 70%);
- the beneficiary's contribution - at least 25% of the eligible costs;
- maintaining the investment in question in the region for a period - a minimum of 5 years for large enterprises and a minimum of 3 years for SMEs;
- the number of new jobs created.

*a) State aid scheme under the normative acts related to the Conditional Assistance Program financed from the credit of the Government of the Republic of Poland granted to the Government of the Republic of Moldova for projects in the field of agriculture, food processing and related infrastructure, in the form of loans on preferential terms*

By Decision No ASO-4 of 23.02.2017, the Plenum of the Competition Council authorized the state aid scheme under the normative acts related to the implementation of the Assistance Credit offered to the Government of the Republic of Moldova by the Government of the Republic of Poland for projects in agriculture, food processing, including infrastructure them and others.

The authorized state aid consisted of: 1) support measures within the recrediting operations to be carried out based on the recrediting contracts (legal act signed between the Ministry of Finance and the selected participating financial institutions, through which the Ministry of Finance will grant loans, with interest at the rate of 0.15% per annum from the funds of the Credit for the Recrediting of Eligible Enterprises and the Financing of Eligible Expenditures for the Purchase of Goods and Services) with selected participating financial institutions that to assume all risks related to the recrediting and ensure the reimbursement to the Ministry of Finance; 2) support

measures under sub-loans (on preferential terms, with a maximum value per undertaking of 5 million EUR and with a maturity of up to 12 years), granted by the participating financial institutions to eligible undertakings in accordance with the criteria set out in the Manual of operations. The interest rate on the sub-loan will reflect the credit risks and will be negotiated by mutual agreement between the participating financial institutions and the eligible companies. The maximum risk margin applied by the participating financial institutions to the eligible enterprise, on the interest rate applied by the Ministry of Finance of the Republic of Moldova to the participating financial institutions, established in the limit of up to 3.5 p.p.; 3) support measures in the application of VAT, the duty for carrying out customs procedures and the zero customs duty for the import by eligible enterprises of goods and services financed from the credit sources. Following the examination of the notified support measures, it was found the existence of State aid in the case of procedures I and II.

With regard to the monitoring of state aid, the supplier fulfilled the condition set out in the Decision of state aid authorization, adopted by the Plenum of the Competition Council. The reported state aid amount has counted 146 thousand MDL. At the same time, in 2019, BC "Victoriabank" SA benefited from the state aid offered under procedure I, which assumed all credit risks. Under procedure II, state aid was offered to "Euroforta" SRL, in order to build a refrigerator.

*b) State aid granted for the foundation/development of industrial parks (PI "Trivineta Cavi Development", PI "Edinet", PI "FAIP", PI "Comrat" and PI "CAAN")*

4 state aids for regional development were authorized for the creation of industrial parks: PI "Trivineta Cavi Development", PI "Edinet", PI "FAIP" and PI "Comrat". In 2016, the Competition Council authorized the state aid for the development of PI "CAAN".

Hereinafter are introduced the main indicators regarding the activity of industrial parks, as listed in the table below.

**Table 15**  
***The main indicators regarding the activity of the industrial parks***

No	Name of the company	Name of the PI	Planned investment volume, MDL thousand	Volume of investments made, MDL thousand	
				Until 31.12.2019	2019
1	SRL "La Trivineta Cavi Development"	PI "Trivineta Cavi Development"	465 750*	535 398	25 729
2	SRL "Eco-Garant"	PI "Edinet"	355 200	505 913	25 428
3	SRL "Venador-Prim"	PI „FAIP"	93 150*	8 912	-

4	ÎM „Gospodaria Locativ – Comunală”	PI ”Comrat”	1 801 800	119 076	100 660
5	S.A. ”CAAN”	PI ”CAAN”	41 500	5 516	2 436

*\* calculated on the basis of the average annual exchange rate of the MDL in relation to the EUR, NBM source (MDL/EUR 2014 = 18.63)*

*Source: Information submitted by the Ministry of Economy and Infrastructure*

As a result of the monitoring of state aid, it was found that the beneficiaries did not comply with all the conditions for granting state aid for regional development. In this regard, the Ministry of Economy and Infrastructure was informed about the findings of the State aid monitoring and regarding the necessity to take measures for eliminating the identified incompatibilities.

*c) State aid scheme "Moldova IT Park"*

By Decision No ASS-17 of 29.03.2018, the Plenum of the Competition Council authorized the state aid granted to the residents of the information technology park “Moldova IT Park”. The support measure consisted in applying the single tax to the residents of the information technology park "Moldova IT Park".

In 2019, 418 residents of the park benefited from the support measure offered through the analyzed state aid scheme, in the total amount of state aid - 198,875 thousand MDL. The value of direct investments made by park residents in 2019 was 92 million MDL, increasing about 3 times compared to 2018.

The number of employees of the park residents at the end of 2019 was 9,716 people, an increase of 44.18% compared to 2018. Of the total number of employees, 8,455 people (or 87% of the total number) were trained in direct practices of software development activities (customer-oriented software) (62.01); computer software game editing activities (58.21); publishing activities of other software products and other activities stipulated in Article 8 of Law No 77/2016 on information technology parks.

*d) State aid scheme for stimulating investments for the development of post-harvest and processing infrastructure*

By the Decision of the Plenum of the Competition Council No ASS-73 of 11.10.2018, there was authorized the state aid scheme notified by AIPA regarding the stimulation of investments for the development of the post-harvest and processing infrastructure. The stated support measure provides for the granting through the National Fund for the Development of Agriculture and Rural Environment of the support investments for the processing and marketing of agricultural products.

The provider fulfilled the condition established in the authorization decision the state aid adopted by the Plenum of the Competition Council. According to the information reported by AIPA, in 2019, 431 beneficiaries applied to the given scheme of state aid, in a total amount of 233,386 thousand MDL.

According to the information presented, in 2019 the value of investments made in the development of post-harvest and processing infrastructure was 1,068 million MDL. The investments were made in the following equipments: refrigerators (created and modernized), packing houses (created and modernized); fruit processing; fruit drying; fruit freezing; grape processing; processing of vegetables/cereals; drying

vegetables/cereals; primary/finished milk processing; primary/finished meat processing and primary/finished honey processing.

*e) The support measure granted by the Leova District Council - „SG Green Farm” SRL*

The Competition Council, following the examination of the notification received from the Leova District Council, issued the Disposition of the Plenum of the Competition Council No 29 of 31.10.2017 regarding the initiation of the investigation regarding the signs of violation of the state aid legislation within the public partnership project - private "Development of biomass thermal energy infrastructure in Leova district". The object of the investigation was the existence of inconsistencies between the information presented in the feasibility study and indicated in the documents related to the private partner selection procedure with that indicated in the public-private partnership contract, concluded between Leova District Council and "SG Green Farm" SRL. The Plenum of the Competition Council, by Decision No ASR-29 / 17-21 of 23.04.2018, found that the notified support measure constitutes state aid within the meaning of art. 3 of the Law on state aid and authorized state aid for regional development granted to "SG Green Farm" SRL. The state aid granted to "SG Green Farm" SRL is necessary in order to operate the public service of delivery of the heating agent.

During the monitoring of the state aid, the supplier informed about the fact that, by the Decision of the Leova District Council No 4.4 of 12.09.2019 on the approval of the tariff for biomass thermal energy was approved the tariff for thermal energy produced from biomass and delivered by "SG Green Farm" SRL to public institutions in Leova district, for the 2019-2020 heating season, in size of MDL 1,299 (to which is added the VAT in force at the time of invoicing).

At the same time, the volume of thermal energy produced / consumed is lower than the estimated one, so for the heating season 2019-2020, the consumed thermal energy constituted 38.38% of the estimated annual thermal energy production volume for the period in question.

According to the information presented by the provider, at the initiative of the public partner, an energy audit is performed on the implementation of the public-private partnership project "Development of biomass thermal energy infrastructure in Leova district", about the results of which the Competition Council will be informed. The provider mentioned that the activity of "SG Green Farm" SRL, in the field of implementing the public-private partnership contract is registered on a separate booking account.

*f) Support measure granted by the Executive Committee of Gagauzia - ME "Vitapharm-Com" SRL*

The Plenum of the Competition Council, by Disposition No 15 of 15.03.2018, ordered the initiation of the procedure for examining the case of infringement of the legislation in the field of state aid referring to the measure of support granted to the ME "Vitapharm-Com" SRL, by the Executive Committee of Gagauzia. The initiation of the investigation occurred as a result of the granting of the support measure to ME "Vitapharm-Com" SRL, without being authorized by the Competition Council. On

11.06.2018, the Executive Committee of Gagauzia presented the General Notification Form and the Special Notification Form regarding the aid for regional development related to the support measure granted to ME „Vitapharm-Com” SRL. The Plenum of the Competition Council, by Decision No ASR-15/18-55 of 05.07.2018, authorized the state aid for regional development granted in the form of subsidies to ME “Vitapharm-Com” SRL, according to the Law of ATU Gagauzia No VI 106 of 08.09.2017 regarding the amendment and completion of Law No 77- XXXVI / V of 17.12.2016 of the budget for 2017.

In the framework of monitoring the authorized state aid, the supplier informed that the maximum allowable intensity for state aid for regional development, under the conditions of cumulation of state aid for the same beneficiary, was not exceeded. At the same time, in order to make the necessary investments for the implementation of the project (procurement of new equipment for the manufacture of medicines in accordance with GMP requirements), ME “Vitapharm-Com” SRL purchased and installed equipment.

#### ***4.3 State aid granted for the provision of services of general economic interest***

The monitoring of state aid for the provision of SGEIs is carried out taking into account the evaluation criteria of the Regulation on State aid granted to beneficiaries providing services of general economic interest.

##### *a) State aid granted to JSC "Termoelectrica" for the provision of thermal energy supply services*

By the Decision of the Plenum of the Competition Council No ASS-75 of 24.12.2015, the state aid for the provision of SGEIs offered to JSC “Termoelectrica” was authorized in order to improve the thermal energy supply infrastructure.

The legal basis is Law No.148/2015 on the ratification of the Financing Agreement between the Republic of Moldova and the International Bank for Reconstruction and Development in order to carry out the Project to improve the efficiency of the centralized heat supply sector in 2015.

According to the information presented by the Ministry of Economy and Infrastructure, the main activities undertaken in the context of contract implementation during 2019 were: (i) reconnection of public institutions to SACET Chisinau, including Installation of Individual Thermal Points and Related Thermal Networks - 44 public institutions/126 PTI; (ii) some names have been changed and the work for the supplementary node pumps has been completed, and the test run at nominal parameters has been performed; (iii) the equipment for the frequency converters of the mains pumps CHII-4 and CHII-5 has been installed and the test connection of the mains pumps has been carried out; (iv) PTI assembly work was performed on 116 objects and installation work was completed with commissioning.

##### *b) State aid granted to JSC "CET Nord" for the provision of thermal energy supply services*

By the Decision of the Plenum of the Competition Council No ASS-31 of 23.04.2015, the state aid offered to JSC "CET-Nord was authorized", in order to improve the heat supply infrastructure, energy efficiency and reduce operating costs. The legal basis is Law No 15/2015 on ratification of the Financing Agreement between

the Republic of Moldova and the EBRD, in order to carry out the project “Thermal energy system of Balti municipality (JSC“ CET-Nord ”).

According to the information presented by the supplier, in 2019 the cogeneration plant was put into operation equipped with 4 thermal engines running on natural gas, for the production of cogeneration of electricity and heat, which will contribute to the modernization of the internal distribution system. horizontal heating and providing the occupants with domestic hot water.

Another component of the project is the supply and installation of a new hot water boiler with operation on biomass (pellets). In this regard, the Commissioning Certificate was issued and starting with 15.03.2019, the defect notification period began. The expected benefits are the reduction of pollution by eliminating the consumption of coal, the use of renewable resources, the possibility of restoring the domestic hot water supply service and connecting new consumers, including social goals in the neighborhood.

*c) State aid granted to LLC "BB-Dialysis" for the provision of dialysis services*

The support measure regarding the public-private partnership for dialysis services was authorized by the Decision of the Plenum of the Competition Council No ASS-05 of 24.01.2019. The examination of the support measure found that it constituted State aid within the meaning of the Law on State Aid. At the same time, the said decision found that State aid was necessary for the operation of the SGEL.

In the process of monitoring it was established that by Government Decision No 521/2019 for the amendment of Government Decision No 574/2013 on the public-private partnership for dialysis services, changes were made to point 11 of the Annex, thus having the following content: “The right to provide dialysis services, as well as the subdivisions (centers) providing dialysis services within public medical institutions and the spaces managed by them are transferred to the management of the private partner for a period of up to 12 years. The private partner will be obliged to use and renew all the medical devices necessary for the provision of dialysis services, according to the terms of operation”. The return to the situation prior to the extension of the term for implementing the public-private partnership, from 25 to 12 years leads to the restoration of the previous situation and to the failure of the criterion that led to the finding that the support measure for the extension is state aid (pt. 49 letter d) of the Regulation on the form of notification, procedure for examination and adoption of decisions regarding state aid, approved by the Decision of the Plenum of the Competition Council No 1/2013. The changes returned to the previous situation, so that the support measure became existing state aid.

*d) State aid granted to the ME “Residential-communal household Bălți” for the provision of construction, renovation and maintenance for the housing stock services*

By the Decision of the Plenum of the Competition Council No ASS-52 of 12.07.2019, the state aid granted to ME “Residential-communal household Bălți” was authorized in order to provide construction, renovation and maintenance services for the housing stock. The support measure consists in providing subsidies for the renovation and maintenance of the housing stock.

According to the information presented by the supplier, in 2019 the value of the state aid that benefited ME “Residential-communal household Bălți” was 944 thousand MDL.

*e) State aid granted to the ME "Urban Bus Park" for the provision of public transport service*

By the Decision of the Plenum of the Competition Council No ASR-57 from 01.08.2019 was authorized the state aid offered to ME "Urban Bus Park". The support measure consisted in the allocation of the ME “Urban Bus Park” of the resources from the municipal budget, in the form of subsidies, for the purchase of transport means. Moreover, the company benefited from the fiscal advantages provided by Article 103, paragraph (1), point 29 of the Tax Code - exemptions from the payment of value added tax applied to the import of transport means, intended for inclusion in the statutory capital.

As a result of the implementation of the state aid, following the endowment of the “Urban Bus Park” with transport units, the following results obtained in 2019 compared to 2018 were reported, as follows: the average output of buses on the line increased by 11 buses or with 12.1%; increase in the number of passengers carried (by 1.85 million passengers or by 11.9%); the company's revenue from the passenger transportation increased by 22.4%; raising the number of routes performed by 9.4%; increasing the fulfillment of the planned routes by 1%, thus ensuring the compliance with the itinerary and traffic intervals, reducing the waiting time in the station; for the service of the bus routes under the management of the “Urban Bus Park”, the cost of a vehicle-km decreased by 1.1%; decreased the cost of transporting a passenger by 1.8%; the number of jobs (drivers and tax collectors) in the company increased by 38 units or by 5.1%.

*f) State aid granted for the provision of public residential household services*

In 2019, the Plenum of the Competition Council authorized 7 support measures, which were granted for the provision of SGEIs, namely: the public water supply, sewerage, wastewater treatment and sanitation service (Table 16).

**Table 16**

***State aid authorized by the Competition Council for the provision of SGEIs***

<i>No</i>	<i>Decision of the Competition Council</i>	<i>Support measure</i>	<i>SGEI type</i>	<i>The total value of authorized state aid, thousand MDL</i>	<i>Beneficiaries</i>
1.	ASER-20 of 04.04.2019	Transmission in the free of charge economic management of the sewerage networks and the aqueduct in the town Cricova	Water supply and sewerage	1 611	ME “Residence-communal household Cricova”

2.	ASR-34 of 23.05.2019	Transmission for free management of water supply networks (31.72 km) in Tomai village, Ceadir-Lunga district	Water supply	1 283	ME "Tomai-Servis"
3.	ASR-40 of 06.06.2019	Transmission into management without an equivalent compensation of material goods: water networks, sewerage networks, landfill and purification station in Iurceni village, Nisporeni district	Water supply, sewerage and sanitation	2 211	ME "Iurceni-Servicii"
4.	ASR-58 of 01.08.2019	Transmission for free administration of the wastewater treatment plant, three sewerage pumping stations, sewerage networks and other material goods in the Telenesti town	Water supply and sewerage	15 253	ME "Apa – Canal" Telenesti
5.	DOT-75 of 31.10.2019	Transmission of financial means (Edinet municipality)	Water and sewage supply	1 332	ME „Apa-Canal Edinet”
6.	ASR-83 of 14.11.2019	Transfer to management without equivalent compensation for the goods materials: 1 truck with equipment for washing sewage systems and 1 truck for collecting and compacting DMS in Calarasi	Public sewerage service and wastewater treatment and sanitation	3 137	ME "Communal Household - Calarasi Housing"
7.	OTN-95 of 12.12.2019	The transmission in economic management of the material goods and the granting of subsidies in the Ocnita	Water supply and sewerage, collection, transportation and maintenance of land for waste storage	2 603	ME „Apa-Canal Ocnita”

As a result of the implementation of the authorized state aids, the following indicators were obtained:

- *The support measure granted by the Telenesti City Hall - ME "Apa - Canal" Telenesti.* The number of consumers connected to the water supply network is 1,722 consumers (which is an increase of about 5.77% compared to the

situation until the aid is granted), and the number of consumers connected to the sewerage network - 1,192 (or an increase of about 16.98% in relation to the situation until the aid is granted).

As a result of the transfer to the municipal enterprise of the goods granted following the implementation of the project "Construction of the district treatment plant and development of the public sewerage and wastewater treatment system at inter-community level", with the financial contribution of USAID and the National Fund for Regional Development : carrying out the wastewater treatment according to the regulations, reducing the pollution of the Ciuluc and Raut rivers; increasing the length of sewerage networks; significant increase in the number of users of sewerage services (especially individual houses and businesses), improving the ecological situation in the city. In 2019, the number of users of the sewerage service (individual houses - 494 and economic agents - 97) was 591, which is an increase of 1.89 times compared to 2016 (individual houses - 222 and economic agents - 90) - 312 users.

- *Support measure granted by the Tomai Village City Hall (Ceadir-Lunga district) - ME "Tomai-Servis".* The number of contracts concluded for water supply services was 1,267 consumers (who have 24/24 access to quality water sources and in sufficient quantities), and for sewerage services - 71. The length of water supply networks is about 33 km.
- *The support measure granted by the City Hall of Călărași - ME "Calarasi Residential-Communal Household".* Following the granting of state aid:
  1. *in case of transmission of the special vehicle destined for DMS collection and compaction* - it was possible to extend the waste collection from Călărași district (Raciula village, Niscani village and Tuzara village) and additional contracting of the sanitation service users. Thus, if in 2018 2,676 users were contracted, in 2019 the number increased by 106;
  2. *in case of transmission to the municipal enterprise of the truck, with equipment for washing the sewerage systems* it is possible to serve the networks at a maximum and qualitative level, so if previously the pipes were washed manually, after the introduction of the truck the washing is done automatically and it is possible to serve at district level (at budgetary and public institutions etc.).
- *The support measure granted by the City Hall of Iurceni, Nisporeni district - "Iurceni-Servicii" ME.* The state aid granted strengthened the capacities of the "Iurceni-Servicii" SM, and this fact allowed the improvement of the quality of the supply services and the provision of drinking water to the inhabitants, sewerage and waste disposal. Thus, after the implementation of the aid, the number of consumers connected to the aqueduct network constituted 518 households, to the sewerage network - 294, and the number of consumers who benefit from waste disposal services - 578.
- *The support measure granted by the City Hall of Edinet, having as beneficiary ME "Apa-Canal Edinet".* In 2019, the number of contracts signed for the provision of drinking water supply services increased by 91 compared to the previous year, of which 18 were signed with legal entities. At the same time, 91

service contracts were signed for the connection to the sewerage network, more than in 2018.

- *The support measure granted by the City Hall of Ocnita, having as beneficiary ME „Apa-Canal Ocnita”.* The number of contracts signed in 2019 with consumers has increased. At the same time, aqueduct networks were rebuilt with 4.7 km. During the reconstruction of the aqueduct network, own financial means and financial means from the local budget were spent.
- *The support measure granted by the City Hall of Cricova (Chisinau municipality), having as beneficiary the ME “Communal Direction - Cricova Housing”.* In 2019, 223 contracts were signed for the provision of water supply services and 130 contracts for the provision of sewerage services. Also, the volume of water delivered increased compared to 2018 by 119 thousand m<sup>3</sup>, amounting to 394 thousand m<sup>3</sup>. As for network losses, they decreased by about 11 p.p.

State aid for the provision of SGEIs was granted in order to ensure/improve the infrastructure (which at the time of granting the state aid was in a precarious state or did not exist at all), for the provision of water supply, sewerage and sanitation services for inhabitants, the improvement of the living conditions of the population, the improvement of water quality, the protection of the environment, the raising of the social and hygienic level of the population being necessary, both to operate in normal conditions of continuity and safety the public service and to operate the public transport service via bus. .

In the cases mentioned above, the delegation of the SGEI (water supply, sewerage, sanitation, etc.) was assigned by the local public authorities, directly without organizing public tenders, within the meaning of Article 21 paragraph (2) of Law No 1402/2002 to the public communal household services, Article 13 paragraph (2) of Law No 303/2013 on the public water supply and sewerage service.

In this context, in order to establish the competitive principles in the provision of public utility services, amendments are proposed to the regulatory framework governing the provision of SGEIs (under the National Program on Competition and State Aid for 2017-2020) and the organization training activities/cooperation with local public authorities.

#### ***4.4 State aid for environmental protection***

The monitoring of state aid for environmental protection is carried out taking into account the evaluation criteria of the Regulation on state aid for environmental protection (approved by the Decision of the Plenum of the Competition Council No 9/2013). According to the provisions of that Regulation, the granting of State aid for environmental protection may be justified if the aid measures achieve a higher level of environmental protection than would be obtained in the absence of the aid in question and the positive effects of the aid are greater than its negative effects on distortions of competition, taking into account the "polluter pays" principle.

*a) State aid scheme "Call for project proposals No 3 in the field of energy efficiency and capitalization of renewable energy sources addressed to public sector funding applicants "*

By the Decision of the Plenum of the Competition Council No ASO - 09 of 15.03.2016 it was decided to authorize the state aid scheme "Call for project proposals No 3 in the field of energy efficiency and capitalization of renewable energy sources addressed to public sector funding applicants".

According to the information provided by the supplier, in the reporting year the indicators on the maximum allowable intensity, the correlation between the support of the Energy Efficiency Fund and the applicants' own contribution and the maximum amount per applicant were observed when implementing this state aid scheme.

In 2019, 8 beneficiaries accessed the authorized state aid scheme (the total value of state aid granted being MDL 7,674 thousand), most of the beneficiaries being in the field of health. As a result of the implementation of projects completed with the involvement of state aid, the value of energy saved was 2,440,485 kWh/year and CO2 emissions were reduced by 476 tonnes/year.

*b) State aid scheme "Pilot projects in the field of energy efficiency and capitalization of renewable energy sources"*

By the Decision of the Plenum of the Competition Council No ASO-19 of 22.05.2017 the state aid scheme for pilot projects in the field of energy efficiency and capitalization of renewable energy sources has been authorized. The support measure consists of granting state aid in the form of grants and/or subsidies to support the implementation of pilot projects in the field of energy efficiency and renewable energy resources.

In the process of monitoring of the state aid, the supplier informed that the maximum allowable intensity was respected. In 2019, the State University of Comrat benefited from the support measure granted through the state aid scheme. The university project is in the execution stage.

*c) State aid scheme for financing projects related to the liquidation of the consequences of natural disasters, production failures, other situations that may harm the environment*

By the Decision of the Plenum of the Competition Council No ASO-88 of 14.11.2019 was authorized the state aid scheme for financing projects related to the liquidation of the consequences of natural disasters, production damage, other situations that may harm the environment. The support measure consists in allocating the financial means from the sources of the National Ecological Fund for projects related to the liquidation of the consequences of natural disasters, damage to production, other situations that may harm the environment.

In 2019, the support measure was offered for the construction of hydrotechnical installations to combat erosion processes, consolidate erosion processes and stop landslides.

#### **4.5 State aid for research-development and innovation**

The monitoring of state aid for research and development and innovation is carried out taking into account the evaluation criteria of the Regulation on state aid for research, development and innovation (approved by the Decision of the Plenum of the Competition Council No 8 of 30.08.2013). Aid for research and development projects is considered compatible with the normal competitive environment, provided that the criteria regarding the categories of research, the aid intensity, the eligible costs, the amount of aid and the form of the grant are met.

- *State aid scheme for development and innovation under the conditions of normative acts related to public financing of enterprises and organizations in the field of science and innovation*

By the Decision of the Plenum of the Competition Council No ASO - 9 of 03.04.2017 it was found that the support measures notified, in the form of a scheme, by the Agency for Innovation and Technology Transfer and granted through public funding of enterprises and organizations in the field of science and innovation engaged in economic activities constitute state aid. At the same time, the state aid scheme for development and innovation was authorized under the normative acts related to the public financing of enterprises and organizations in the field of science and innovation.

Following the examination of the information presented by the National Agency for Research and Development (Agency for Innovation and Technology Transfer), in 2019 based on the state aid scheme benefited 15 entities operating in different fields of activity. The total value of state aid granted in the reporting year amounted to MDL 8,540 thousand. The purpose of the projects implemented with the support of the state aid offered was: the development of innovation incubators and science-practical parks, the implementation of innovative technologies in the food industry, agriculture, etc.

#### ***4.6 Aid for employee training and job creation***

The monitoring of state aid for employee training and for the creation of new jobs is carried out taking into account the evaluation criteria of the Regulation on state aid for employee training and job creation, approved by the Decision of the Plenum of the Competition Council No 5/2013 (published OG No 228-232 Article 1531 of 18.10.2013). Taking into account the monitored support measure, the main conditions for granting State aid for the creation of new jobs are:

- the aid intensity does not exceed 50% of the eligible costs of employment of disadvantaged workers and 75% of the eligible costs of employment of disabled workers;
- employment of disadvantaged workers with disabilities;
- minimum length of employment, etc.

#### *State aid scheme for job creation subsidies*

The state aid measure was authorized by Decision No ASS-46-18-27 of 24.04.2019 and provides for the granting of subsidies for job creation, according to Government Decision No 1145 / 2017 for the approval of the Regulation on subsidizing job creation, for 2019. Within the measure, the Ministry of Finance accepted and paid an application for 1,062 jobs created in 2018. The amount of state aid granted was MDL 21,240 thousand. The beneficiary of the measure was SE "Bordnetze" SRL, which operates in the field of manufacturing connection devices for electrical and electronic wires and cables.

#### ***4.7 Culture promotion and heritage conservation***

The monitoring of the state aid was carried out taking into account the evaluation criteria from the Regulation on the evaluation of the state aid granted for films and other audiovisual works approved by the Decision of the Plenum of the Competition Council No 3/2016 (published OG No 2-8 of 06.01.2017). The main conditions for granting state aid are:

- state aid is intended for a cultural product;

- the aid intensity, as a rule, does not exceed 50% of the budget of a State aid scheme, and in the case of State aid for audiovisual works difficult to achieve the intensity may be up to 100%; a copy of the aid film will be submitted by the producers in the national cinematographic patrimony, etc.

*a) State aid scheme for financing the production of films of all kinds, development of cinematographic projects, distribution of films, participation of local films and filmmakers from the Republic of Moldova in international festivals, organization of festivals and cinematographic events in the Republic of Moldova*

The Decision of the Plenum of the Competition Council No ASS-01 of 18.01.2019 authorized the state aid granted in order to finance the production of films of all kinds, the development of cinematographic projects, film distribution, participation of local films and filmmakers from the Republic of Moldova in international festivals, organization of festivals and film events in the Republic of Moldova.

During 2019, 11 legal entities operating in the field of cinematography benefited from financing in the total amount of 5 million lei. Regarding the financing of other types of activity in the field of cinematography, 19 individuals and legal entities benefited from a total support of MDL 1,382 thousand.

*b) State aid to the State Enterprise Periodical - "ВЕСТИ ГАГАУЗИИ"*

The Decision of the Plenum of the Competition Council No ASO-96 of 19.12.2019 authorized the state aid granted to the State Enterprise Periodical Publication - Newspaper "ВЕСТИ ГАГАУЗИИ".

The support measure consisted of granting state aid in the form of subsidies by the General Finance Directorate of ATU Gagauzia to the Executive Committee of Gagauzia provided for in the ATU Gagauzia Law on the budget for the corresponding year; and in the form of an exemption from the payment for the lease by the Comrat City Hall.

As a result of offering state aid amounting to 1,028 thousand lei, over 1,000 residents and 100 organizations of ATU Gagauzia, about 50 residents and 15 organizations from the Cahul region and about 10 from Chisinau have the opportunity to access information about political, economic, social, cultural and spiritual life, as well as about the events of special importance that take place in ATU Gagauzia.

#### ***4.8 State aid for rescuing beneficiaries***

The monitoring of state aid for rescuing beneficiaries is carried out taking into account the provisions of the Regulation on aid for rescuing beneficiaries in difficulty (approved by the Decision of the Plenum of the Competition Council No 6 of 30.08.2013).

*a) State aid granted to SA "Banca de Economii", BC "Banca Socială" SA and BC "UNIBANK" SA*

By Government Decision No 938/2014 on ensuring macroeconomic stability in the context of the regional situation, the proposal of the National Financial Stability Committee for granting, if necessary, by the NBM to licensed banks, emergency loans in the amount of up to MDL 9 500 million, in order to ensure the stability of the financial system and the issuance of the state guarantee(s) for guaranteeing emergency loans granted by the NBM.

The NBM notified the Competition Council of its intention to grant state aid to the banks: S.A. "Savings Bank", B.C. "Banca Sociala" S.A. and B.C. "UNIBANK" SA, the Plenum of the Competition Council decided that the support measure notified by the NBM constitutes state aid within the meaning of the Law on state aid and authorized the support measure for rescuing the 3 banks (Decision of the Plenum of the Competition Council No SS-01 of 27.11.2014).

According to the Law on State Aid and the Decision of the Plenum of the Competition Council, the NBM was to present to the Competition Council, within 6 months from the granting of state aid, a Plan for restructuring or liquidation of beneficiaries. Given the fact that the mentioned Plan was not presented towards the expiration of the term, the Plenum of the Competition Council ordered the initiation of the investigation regarding the signs of violation of the legislation in the field of state aid by the NBM. Following the investigation, it was found that, in the absence of a Restructuring Plan, the use of State aid by the beneficiary commercial banks after 6 months from its granting is abusive, ie the commercial banks are to reimburse the State aid in question. At the same time, the non-notification of the state aid by the Ministry of Finance in the form of state guarantees in preferential conditions for JSC "Banca de Economii", BC "Banca Socială" SA and BC "UNIBANK" SA is a violation of the Law on State Aid .

By the Decision of the Plenum of the Competition Council No ASER-68 of 11.12.2015, it was decided to recover the state aid from which SA „Banca de Economii”, BC „Banca Socială” SA and BC „UNIBANK” SA benefited. In this regard, the NBM and the Ministry of Finance are to take the necessary measures to recover the aid from the 3 banks.

According to the information presented by the NBM, from the date of withdrawal of the license until 31.12.2019, including the 3 commercial banks made cumulative repayments in the total amount of MDL 2,389 million, as follows: S.A. "Banca de Economii" - MDL 1 375 million, BC "Banca Socială" S.A. - MDL 693 million and BC "UNIBANK" S.A. - MDL 321 million.

The decision is to be further monitored by the Competition Council until the full recovery of state aid by the NBM and the Ministry of Finance.

*b) Support measure granted by the Executive Committee of Gagauzia - ME "Marigold" SRL.*

The Plenum of the Competition Council, by Disposition No 14 of 15.03.2018, ordered the initiation of the procedure for examining the case of violation of the legislation in the field of state aid when granting the support measure to ME "Marigold" SRL, by the Executive Committee of Gagauzia. The initiation of the investigation occurred as a result of the granting of the support measure to ME "Marigold" SRL, without being authorized by the Competition Council. On 11.06.2018, the Executive Committee of Gagauzia presented the General Notification Form and the Special Notification Form of the individual state aid for the restructuring of the beneficiaries in difficulty of the support measure granted to ME "Marigold" SRL. The Plenum of the Competition Council, by Decision No ASR-14/18-50 of 28.06.2018, authorized the state aid for restructuring granted in the form of subsidies to ME "Marigold" SRL, according to the Law of ATU Gagauzia No 11-VI / VI of 08.09.2017 regarding the

amendment and completion of Law No 77- XXXVI/V of 17.12.2016 of the budget for 2017.

According to the information presented, in 2019 according to the Decision of the Comrat Court, the Ciadir-Lunga office, No 2i-14/2019 of 19.04.2019, the insolvency procedure of ME "Marigold" SRL was initiated and he was appointed administrator of the insolvency procedure. With reference to the organizational restructuring plan of ME "Marigold" SRL, one of the planned stages is the organization of the production of new types of products. At the same time, during the monitoring, the main economic and financial indicators of the enterprise for 2019 were presented.

According to the information in the statement on the amount of de minimis aid received, ME "Marigold" SRL did not benefit from another state aid for restructuring, thus complying with the provisions of point 9 of the Regulation on aid for rescuing beneficiaries in difficulty.

Based on the information presented, the General Directorate of Economic Development and Tourism of ATU Gagauzia will present along the way, to the Competition Council, both the updated information on the economic and financial situation of ME "Marigold" SRL, and on the implementation of the Restructuring Plan.

*c) State aid granted for the recovery of the financial-economic situation of the SE Airline "Air Moldova"*

In accordance with the Decision of the Plenum of the Competition Council No ASS-43 of 14.09.2017 it was decided to authorize the state aid granted by SE "Chisinau International Airport", in the form of a loan on preferential terms amounting of 75 million MDL and by the Civil Aeronautical Authority for the assignment of receivables and debt rescheduling for SE Company Air Moldova.

In the process of monitoring the state aid, it was found that the state aid providers complied with the conditionality imposed by the Plenum of the Competition Council, in point 3 of Decision No ASS-44 of 14.09.2017, presenting in time the Restructuring Plan of the company SE Airline "Air Moldova", but in connection with the non-execution of the provisions of Contract No 1/17-AL of September 15, 2017, SE "Chisinau International Airport" filed a lawsuit against the court against CA "Air Moldova" SRL regarding the collection of the outstanding amount of the loan.

In the respect of Article 14 paragraph (1) of the Law on State Aid, responsible for the return of state aid granted to SE Airline "Air Moldova" is the provider of state aid, in this case SE "Chisinau International Airport", which at the end of 2019, had debts including penalties against SOEs „Chisinau International Airport” of 86 334 947.8 MDL, and compared to the Civil Aeronautical Authority of 3,444 212.18 MDL.

#### **4.9 Sectoral state aid**

*a) State aid granted to the SE "Railway in Moldova" for the acquisition of locomotives and restructuring of railway infrastructure*

By the Decision of the Plenum of the Competition Council No ASS-44 of 02.07.2015, it was decided to authorize the state aid offered to SE "Calea Ferată din Moldova", in order to purchase locomotives and restructure the railway infrastructure.

The expected effects of the state aid are the modernization of the locomotive fleet and the restructuring of the railway infrastructure; reorganization of the railway company and exclusion of cross-subsidization.

Thus, investments for the renewal of rolling stock and the restructuring of railway infrastructure are indispensable for maintaining the competitiveness of rail transport compared to other more polluting modes of transport. These investments are needed to improve interoperability between national and international networks, protect the environment, increase train safety and train staff.

Following the examination of the information presented by the supplier, it is specified that the modernization project of the SE "Railway in Moldova" is in the process of implementation. The authorized support measure is to be implemented over a longer period.

*b) State aid granted to JSC "Moldtelecom"*

By Decision No ASS-12 of 22.03.2018 was authorized the support measure consisting in the exemption of JSC "Moldtelecom" from the payment of dividends in the state budget of a part of the net profit obtained in 2017, in accordance with the provisions of Government Decision No 110/2011 regarding some aspects related to the distribution of the annual net profit to joint stock companies with participation quota of the state and of the state enterprises.

By Government Decision No 1285/2018 regarding the exemption of a joint stock company from the payment of dividends related to the 2017 management year (published on 19.01.2019), the exemption of JSC "Moldtelecom" from the payment of dividends related to the 2017 management year was accepted.

According to the information presented, JSC "Moldtelecom" has made investments in order to develop broadband electronic communications networks and ensure the availability of access to these networks, as well as to modernize broadband electronic communications networks. At the same time, about 46,572 new subscribers were connected to the fixed Internet services, including 991 subscribers in white areas, 7,275 in gray areas. JSC "Moldtelecom" has made investments to expand its fiber optic Internet (GPON) networks in white areas where there is no other broadband infrastructure and in gray areas.

The support measures are to be monitored by the Competition Council in terms of compliance with the provisions of normative acts in the field of state aid and authorization decisions. To this end, the instruments provided for by the legislation in force are to be applied.

## Chapter V. IMPLEMENTATION OF THE AUTOMATED INFORMATION SYSTEM "STATE AID SYSTEM"

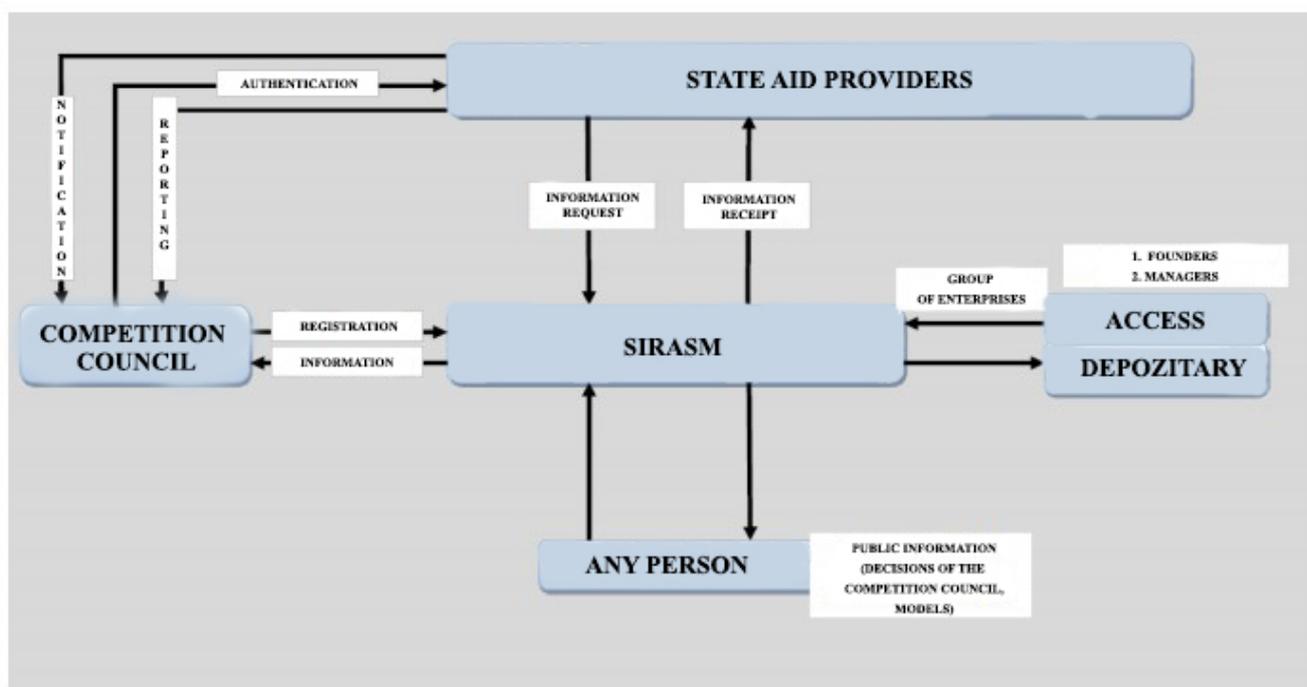
In order to achieve the commitment assumed by Article 342 of the Association Agreement and the need to increase transparency in state aid operations, SIRASM was established.

SIRASM represents the totality of software, hardware, informational, organizational means, data transmission systems, technologies for their use, legal norms and infrastructure for informational support of notification, evidence, monitoring and reporting of state aid .

The main functions of SIRASM can be divided into the following groups: entering and updating information and providing information to third parties.

*Figure No 7*

### *Operation of the automated information system "State Aid Register"*

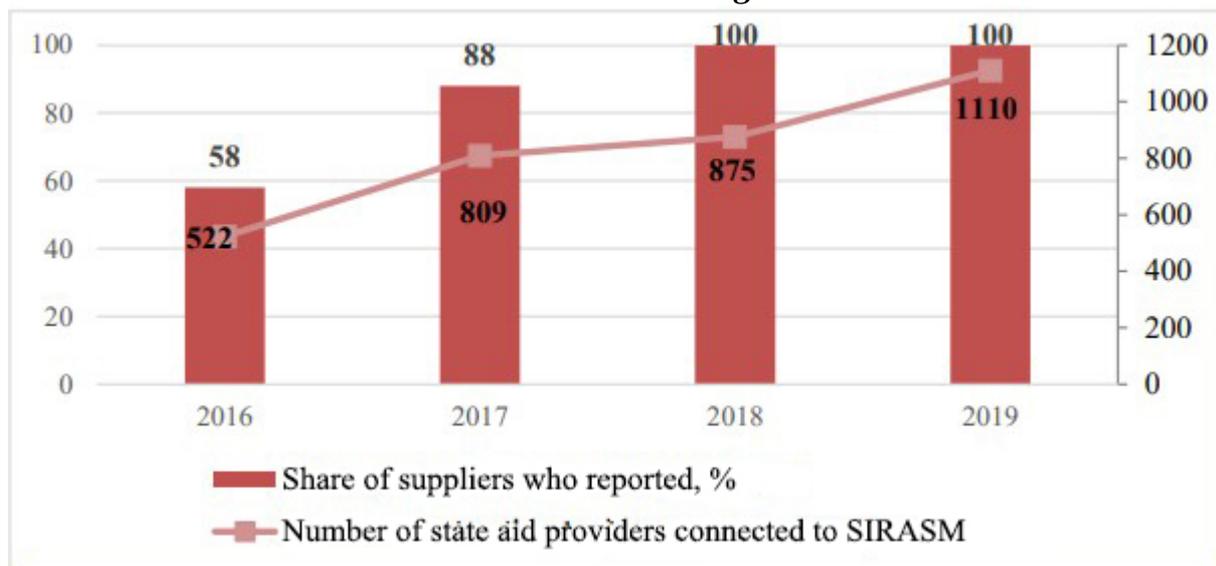


In 2019, the implementation of SIRASM by state and de minimis aid providers continued. Thus, during the year, access was granted to 180 state aid providers, a total of 1,110 providers being connected to the system.

During the reporting period, all state aid and de minimis providers reported support measures through the online system. During the years 2016-2019, the share of suppliers that reported state aid through SIRASM is presented in Figure No 8.

Figura No 8

*Providers using SIRASM*



According to Figure No 8 it is found that in 2019 the trend of increasing the number of public authorities using SIRASM was maintained. This ensures transparency in the process of collecting and analyzing data on state and de minimis aid granted.

This positive trend is also due to the actions to promote the competitive culture in the field of state aid carried out by organizing seminars, meetings and round tables with suppliers, both at the headquarters of the Competition Council and in the regions of the country.

Moreover, in 2019, with the support of the World Bank, the procedure for modernizing the automated information system "State Aid Register" was initiated. Thus, in July 2019, the project for the development and modernization of the automated information system "Register of State Aid of the Republic of Moldova" started, with the support of the Project Implementation Unit of the World Bank for Competitiveness Improvement CEP-II. During the second semester of 2019, a series of working meetings took place during which the working group of the authority and the team of software developers, representatives of central public administration authorities, local public administration authorities met to discuss issues related to operation of SIRASM, to expose the vision on the new version of the system, testing the new version, improving the functions, etc.

The efficient implementation of SIRASM, in the process of notification and reporting of state aid by state aid providers, will continue to contribute to: a) providing access data to state aid providers and providing permanent information support in order to use SIRASM effectively; b) promoting the use of SIRASM by state aid providers, in the process of notification and reporting of state aid, so as to streamline the process of implementing state aid legislation, timely updating of information in the Register of State Aid state.

## PRIORITIES AND CHALLENGES

With reference to the evolution of state aid reported for 2019 and taking into account the commitments assumed by the Republic of Moldova through the Association Agreement, the priority directions for the next period will be:

- ***alignment of existing state aid schemes*** in collaboration with state aid providers. It is specified that the alignment of the existing state aid schemes is a responsibility not only of the Competition Council, but also of the CPA and LPA, in accordance with the Association Agreement and the National Program on Competition and State Aid for the years 2017-2020.
- ***collaboration with the Ministry of Finance*** in order to streamline the mechanism for reporting and notifying state aid granted in the form of fiscal facilities, as well as aligning existing state aid schemes offered in the nominated form. It is noted that the largest share of state aid reported in the form of tax and customs facilities was implemented until the entry into force of the Law on State Aid and was therefore offered without being based on an ex-ante economic analysis of the impact of those measures on the competitive environment and to clearly identify the objective of granting them.
- ***drafting and amending existing legislation*** in line with the EU acquis on state aid. In this sense, it is specified that EU normative acts in the field of state aid are amended at a certain period of years, so in order to fulfill the commitments assumed by the Association Agreement, the Competition Council will harmonize the normative acts with the new provisions.
- development and ***implementation of the new SIRASM online system***. In 2019, a specialized company was selected to develop the electronic platform, to be implemented by the authority and suppliers.
- ***promotion of competition culture*** in terms of state aid, both within public authorities and in society as a whole. State aid is a new field compared to other fields of activity, so the lack of knowledge in this area of representatives of public administration authorities creates difficulties in implementing state aid legislation.

The granting of state aid in accordance with the provisions of state aid law will help to correct market failures, increase the competitiveness of enterprises, create a normal competitive environment, and strengthen the national economy as a whole.

**TECHNICAL ANNEX**

The technical annex provides general information on the scope of the report, the classification of state aid and de minimis by objectives, categories and forms, methods of assessing state aid, and the sources of data that have been used.

The mentioned information has been grouped by Chapters:

- I. Scope of state aid and de minimis aid analyzed in the report
- II. Objectives of state aid and de minimis aid
- III. Sources of data collection and methods for evaluating the aid element

**I. Scope of state aid and de minimis aid analyzed in the report**

The report on state aid granted in the Republic of Moldova was prepared on the basis of the "Register of State Aid", prepared according to the reports submitted by state aid providers, in accordance with Government Decision No 1112/2016 for the approval of the Regulation on the manner of keeping the State Aid Register.

The reported state and de minimis aids covered by this report are covered by:

- Law on state aid
- Government Decision No 1112/2016 for the approval of the Regulation on the manner of keeping the State Aid Register
- Regulation on de minimis aid, approved by the Decision of the Plenum of the Competition Council No 2 from 30.08.2013
- Regulation on the State Aid Register, approved by the Decision of the Plenum of the Competition Council No 3 of 30.08.2013

**II. Objectives of state aid and de minimis aid**

The classification of the State aid by objectives (both of the allocations made under the aid schemes and of the individual aid) was carried out in accordance with the main objective of their granting.

**III. Sources of data collection and methods for evaluating the aid element**

**Sources of data collection**

The figures are expressed in current prices for the national currency and in current prices for the EUR.

The average annual exchange rate used MDL/EUR was taken from the official website of the NBM.

For the presentation of information on State aid and de minimis aid granted during the reference period, normative acts containing State aid schemes and/or individual aid and de minimis aid schemes and/or individual de minimis aid reported by suppliers were used.

The reports were requested in standard form, according to Annex No 1 and Annex No 2 to the Regulation on the manner of keeping the State Aid Register, approved by Government Decision No 1112/2016 and included the following elements:

- Title of aid
- Legal basis
- Aid number (for state aid reporting)
- Aid category (for state aid reporting)
- Period during which State aid is granted under this measure (for State aid reporting)
- Date on which aid was granted (for de minimis aid reporting)
- Objectives of granting state/de minimis aid
- The region
- Origin of aid
- Form of granting state aid/de minimis
- Description of the form of granting state aid/de minimis
- Type of state aid/de minimis
- Grant conditions
- Beneficiaries and the amount of state aid/de minimis
- Data on how to determine the amount of state aid / de minimis
- Comments (for state aid reporting)
- Other information and comments (for de minimis aid reporting)
- Statement (for de minimis aid reporting)
- Information on the official websites of the NBS and the NBM:
  - gross domestic product;
  - population number;
  - average annual exchange rate MDL/EUR.

### **Methods of evaluating the aid element**

The amount of state aid was determined according to the provisions of the normative acts by which a state/de minimis aid scheme was established or an individual aid was granted, at the same time taking into account the secondary legislation, respectively, the Regulation on the form of notification, the procedure examination and adoption of decisions regarding state aid (approved by the Decision of the Plenum of the Competition Council No 1 of 30.08.2013).

**LIST OF LEGAL ACTS BASED ON WHICH THE REPORTED  
STATE AIDS FOR 2019 WERE GRANTED**

1. Tax Code of the Republic of Moldova No 1163/1997, Article 103 paragraph (1) point 10); Law No 1380/1997 regarding the customs tariff, Article 28 letter z1); Government Decision No 1165/2016 for the approval of the lists of medicinal raw materials, materials, articles, primary and secondary packaging, used in the preparation and production of medicines.

2. Tax Code of the Republic of Moldova No 1163/1997, Article 103 paragraph (1) point 32); Law No 1380/1997 regarding the customs tariff, Article 28 letter. y1)

3. Tax Code of the Republic of Moldova No 1163/1997, Article 124 para. (18)

4. Fiscal Code of the Republic of Moldova No 1163/1997; Government Decision No 1574/2002 for the establishment of the annual volume of undenatured ethyl alcohol, intended for use in the perfumery and cosmetics industry

5. Tax Code of the Republic of Moldova No 1163/1997; Government Decision No 378/2017 on establishing the amount of undenatured ethyl alcohol intended for pharmaceutical production and use in medicine for 2017; Government Decision No 454/2016 on the establishment of the amount of undenatured ethyl alcohol intended for pharmaceutical production and use in medicine for 2016; Government Decision No 771/2016 regarding the amendment of the Government Decision No 454/2016; Government Decision No 18/2015 on establishing the amount of undenatured ethyl alcohol intended for use in medicine for 2015

6. Tax Code of the Republic of Moldova No 1163/1997, Article 53 para. (1); Government Decision No 182/2013 on the approval of the List of organizations and enterprises of blind, deaf and disabled societies, exempted from paying to the budget the VAT related to the goods produced and services provided

7. Tax Code of the Republic of Moldova No 1163/1997; Law No 440/2001 regarding the free economic zones

8. Tax Code of the Republic of Moldova No 1163/1997; Law No 77/2016 on information technology parks

9. Tax Code of the Republic of Moldova No 1163/1997; Law No 303/2018 to the state budget for 2019; Government Decision No 819/2017 for the approval of the Regulation on the manner of granting certain categories of facilities regarding VAT according to the provisions of Article 103 para. (7) of the Tax Code No 1163/1997 and Article 4 para. (18) lit. b) of Law No 1417/1997 for the implementation of Title III of the Tax Code

10. Code on Science and Innovation of the Republic of Moldova No 259/2004; Law No 138/2007 on science and technology parks and innovation incubators; Government Decision No 196/2018 on the organization and functioning of the National Agency for Research and Development; Government Decision No 809/2015 on the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for 2015

11. Law No 1164/1997 for the implementation of titles I and II of the Tax Code, Article 24 par. (15) letter b)

12. Law No 1164/1997 for the implementation of titles I and II of the Tax Code, Article 24 par. (17)

13. Law No 1515/1993 regarding the protection of the environment, Article 85

14. Law No 276/2016 on the principles of subsidizing agricultural producers; Government Decision No 455/2017 on the distribution of the funds of the National Fund for the Development of Agriculture and Rural Environment; Government Decision No 903/2017 on amending and supplementing Government Decision No 455/2017;

15. Law No 182/2010 on industrial parks, Article 12; Government Decision No 440/2011 on granting the title of industrial park to the Joint Stock Company "TRACOM"

16. Law No 1421/2002 on theaters, circuses and concert organizations

17. Law No 1380/1997 regarding the customs tariff, Article 28 lit.1)

18. Law No 172/2014 on the approval of the Combined Nomenclature of Goods, point 7 of the general rules for the application of the customs duty

18. Law No 1417/1997 for the implementation of title III of the TaxCode, Article 4 para. (18); Government Decision No 819/2017 for the approval of the Regulation on the manner of granting certain categories of facilities regarding VAT according to the provisions of Article 103 para. (7) of the Tax Code No 1163/1997 and Article 4 para. (18) lit. b) of Law No 1417/1997 for the implementation of Title III of the Tax Code

19. Law No 10/2016 on promoting the use of energy from renewable sources; Government Decision No 401/2012 on the Energy Efficiency Fund; Government Decision No 45/2019 on the organization and functioning of the Agency for Energy Efficiency

20. Law No 303/2018 on the state budget for 2019; Order No 3-PC / 2019 of 11.02.2019 on the approval of the volume of budget allocations for 2019 of joint Moldovan-Belarusian scientific research projects (2019-2020); Order No 14-PC / 2018 of 18.12.2018 regarding the approval of the volume of budgetary allocations for 2019 of the projects within the State Program 2018-2019; Order No 17-PC / 2018 of 18.12.2018 regarding the approval of the volume of budgetary allocations for 2019 of the projects within the competition for "Organization of international scientific events"; Order No 16-PC / 2018 of 18.12.2018 regarding approval of the volume of budget allocations for 2019 of projects for "Young researchers"

21. Cinematography Law No 116/2014

22. Law No 1308/1997 on the normative price and the way of sale-purchase of land. Government Decision No 1428/2008 approving the Regulation on the sale and purchase of related lands

23. Law No 105 / 2018 on the promotion of employment and ensuring the Government Decision No 1276 / 2018 for the approval of the procedures regarding the access to the employment measures

24. Law No 303/2018 to the state budget for 2019; Law No 72/2015 to the state budget for 2015; Law No 60/2012 on the social inclusion of people with disabilities.

25. Law No 166/2012 for the approval of the National Development Strategy "Moldova 2020"; CRD Center decision no. 01/02 of 11.02.2016 on the approval of the Center Regional Development Strategy 2016-2020; Decision of the Orhei City Council

No 7/22 of 24.10.2014 regarding the approval of the Statute of the Ministry of Defense "Orhei Communal-Housing Services"; Decision of the Orhei City Council No 44 of 04.05.2016 regarding the administration of the land; Decision of the Orhei City Council No 5/12 of 07.06.2016 regarding the Orhei subzone of the Balti Free Economic Zone; Decision of the Orhei City Council No 4/14 of 25.05.2018 regarding the negotiation and conclusion of a mortgage contract; Decision of the Orhei City Council No 6/2 of 05.07.2016 on the negotiation and signing of contracts for carrying out entrepreneurial activity in the Orhei subzone of the Balti Free Economic Zone

26. Law No 22/2015 on the ratification of the Loan Agreement between the Republic of Moldova and the European Bank for Reconstruction and Development in order to implement the Locomotive Acquisition and Railway Infrastructure Restructuring Project

27. Law No 8/2005 regarding the Free International Port "Giurgiulesti", Article 8 paragraph (2) letter a)

28. Implementation agreement No 40270379/0 between the International Labor Organization and the National Employment Agency, signed on 05.08.2019

29. ATU Gagauzia Law No 32/2018 regarding the budget for 2019

30. Law No 344/1994 on the special legal status of Gagauzia (Gagauz-Yeri); ATU Gagauzia Law No 32/2018 regarding the budget for 2019; Decision of the Executive Committee of Gagauzia No 14/4 of 10.07.2017 on approving the Strategy for socio-economic development of Gagauzia for the years 2017-2022; Decision of the Executive Committee of Gagauzia No 7/6 of 27.02.2019 on the conclusions of the draft Law ATU Gagauzia on amending and supplementing Law No 32 of 07.12.2018 regarding the budget for 2019

31. Law No 344/1994 on the special legal status of Gagauzia (Gagauz-Yeri); ATU Gagauzia Law No 31/2018 regarding the amendment and completion of the ATU Law Gagauzia No 16-IX / VI of 08.12.2017 on the budget for 2018; ATU Gagauzia Law No 32-XX / VI of 07.12.2018 regarding the budget for 2019; Decision of the People's Assembly of Gagauzia No 18-VIII / I of 25.01.1996 on the establishment of the regional newspaper of Gagauzia; Decision of the Presidium of the People's Assembly of Gagauzia v23-XX / II of 26.09.2000 on the publication of the supplement to the newspaper "ВЕСТИ ГАГАУЗИИ" - "Cast of official documents of Gagauzia"

32. Government Decision No 1145/2017 for the approval of the Regulation on subsidizing job creation

33. Government Decision No 1133/2016 for the approval of the Operations Manual on the implementation of the assistance credit offered by the Government of the Republic of Poland

34. Government Decision No 364/2008 on the approval of the National Program for Economic Empowerment of Young People (PNAET); Government Decision No 2503- 330/2010 regarding the extension of the Program for the period 2011-2013; Government Decision No 140/2014 regarding the extension of the National Program for Economic Empowerment of Young People during the years 2011-2016

35. Government Decision No 774/1997 on the nomenclature of services with legal significance in the field of protection of intellectual property objects;

36. Regulation of the Investment Agency on the granting of grants and subsidies within the Programs of the Investment Agency, approved on 26.11.2018

37. Land lease contract No 166/2014 signed by ATU Gagauzia, Comrat City Hall
38. Guarantee contract No 1003/2013 concluded between the City Hall of Balti and BC "Moldincombank" S.A.
39. Decision of the Chisinau Municipal Council No 6 / 26-3 of 04.10.2018 on the operation of some modifications in the decision of the Chisinau Municipal Council No 11/55 of 23.12.2014 on the approval of the Regulation for the management of buildings, constructions and rooms with a purpose other than local-municipal property
40. Decision of the Chisinau Municipal Council No 1/50-10 of 19.05.2016 regarding the extension of the contractual lease relations of some rooms on S. Lazo street, 2 let. A, A1, D, D1, E, G, J, V (separate buildings, basement) of the Center for Scientific Research in the Field of Automation under the Government of the Republic of Moldova ”
41. Decision of the Balti Municipal Council No 10/2 of 27.09.2012 regarding the approval of the Loan Agreement between ME “Trolleybus Directorate from Balti” and the European Bank for Reconstruction and Development and the Project Guarantee and Support Agreement between the municipality of Balti, the European Bank for Reconstruction and Development and ME "Trolleybus Directorate from Balti"
42. Decision of the Edineț City Council No 19/20 of 23.08.2013 regarding the creation of the Edinet Industrial Park.

**THE VALUE OF STATE AID REPORTED ON OBJECTIVES  
AND FORMS OF GRANT**

(MDL thousand)

Objective	2017							2018							2019									
	Grants and/or subsidies	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Loans on preferential terms	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Budget allocations	Grants and/or subsidies	Budget allocations	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Loans on preferential terms	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
Horizontal Objectives	118459	0	31362	428	0	0	6504	103661	0	33174	214	0	0	1424	10285	37093	84887	0	61167	5	0	0	6175	
Research, development and innovation	74912	0	0	0	0	0	0	85948	0	0	0	0	0	1424	10285	0	84887	0	0	0	0	0	0	340
Environmental protection	11986	0	15910	0	0	0	0	11074	0	18363	0	0	0	0	0	8954	0	0	35502	0	0	0	0	0
SME's support	20046	0	2555	428	0	0	6504	0	0	2227	214	0	0	0	0	0	0	0	2596	5	0	0	0	5835
Rescue	4927	0	3126	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Support for staff training and job creation	6587	0	9771	0	0	0	0	6639	0	12584	0	0	0	0	0	28139	0	0	23069	0	0	0	0	0
Sectoral Aid, depending on the sectors of activity of the national economy	598	0	132365	71	0	0	0	24421	0	116698	142	0	30 926	32634	0	16721	0	0	110705	2541	0	0	0	34
State aid for regional development	185124	0	67081	63	6365	0	296	274010	0	168301	84	1377	0	2358	0	234635	0	0	266777	146	1058	0	0	2099
SGEI	57087	0	101	43951	6157	0	57768	56929	0	2994	56511	18819	2242	61967	0	139681	145941	0	15615	79772	17388	0	0	54815

Objective	2017							2018							2019								
	Grants and/or subsidies	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Loans on preferential terms	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Budget allocations	Grants and/or subsidies	Budget allocations	Cancellation and takeover of debts	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Loans on preferential terms	Guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14		15	16	17	18	19	20	21	22
Promoting culture and preserving cultural heritage	122059	0	0	0	0	0	0	122059	0	0	0	0	0	0	38633	161501	0	0	0	0	0	0	0
Aid to remedy damage caused by natural disasters or other exceptional situations	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	426239	0	230807	562	6365	0	6800	524151	0	318173	440	1377	30 926	36416	48917	449950	84887	0	438649	2692	1058	0	8307
TOTAL (including SGEL)	483327	0	230908	44513	12521	0	64568	581080	0	321167	56951	20196	33168	98384	48917	589631	230828	0	454265	82463	18446	0	63123

## THE VALUE OF REPORTED STATE AID ON FORMS OF GRANTING AND PROVIDERS

(thousand MDL)

State aid providers	2017						2018						2019							
	Grants and/or subsidies	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Budgetary allocations	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Budgetary allocations	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Academy of Sciences of Moldova	3179	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agency for Interventions and Payments in Agriculture	179782	0	0	0	0	0	274010	0	0	0	0	0	0	233386	0	0	0	0	0	0
Agency for Investments	0	0	0	0	0	0	23390	0	0	0	0	0	0	15727	0	0	0	0	0	0
State Agency for Intellectual Property	0	2555	0	0	0	0	0	2 227	0	0	0	0	0	0	0	2596	0	0	0	0
National Agency for Employment	0	0	0	0	0	0	0	0	0	0	0	0	0	284	0	0	0	0	0	0
National Agency for Research and Development	4490	0	0	0	0	0	0	0	0	10285	0	0	0	0	16210	0	0	0	0	0
Public Property Agency	0	8662	0	0	0	6504	0	5919	0	0	0	30926	32600	0	0	0	0	0	0	5835
Civil Aviation Authority	0	3538	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Management Office of External Assistance Programs	20046	0	491	0	0	0	0	0	298	0	0	0	0	0	0	0	151	0	0	0
Energy Efficiency Agency	10491	0	0	0	0	0	10475	0	0	0	0	0	0	8599	0	0	0	0	0	0
Ministry of Agriculture, Regional Development and Environment	1495	0	0	0	0	0	19799	0	0	0	0	0	0	355	0	0	0	0	0	0
Ministry of Economy and Infrastructure	0	1125	0	0	0	0	0	1125	0	0	0	0	0	0	0	1125	0	0	0	0
Ministry of Education, Culture and Research	146743	0	0	0	0	0	147789	0	0	38633	0	0	0	161501	25944	0	0	0	0	0
Ministry of Finance	0	0	63	0	0	0	0	0	142	0	0	0	0	21240	0	0	2541	0	0	0

State aid providers	2017						2018						2019							
	Grants and/or subsidies	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Budgetary allocations	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	Grants and/or subsidies	Budgetary allocations	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	Granting loans on preferential terms	Granting guarantees on preferential terms	Provider's investments, if the rate of return on these investments is lower than the normal one anticipated by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable property below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Ministry of Health, Labour and Social Protection	49127	0	0	0	0	0	47656	0	0	0	0	0	0	6615	42734	0	0	0	0	0
State Tax Service	0	117030	0	0	0	0	0	231499	0	0	0	0	0	0	0	317273	0	0	0	0
Serviciul Vamal	0	97897	0	0	0	0	0	77403	0	0	0	0	0	0	0	117655	0	0	0	0
Chişinău Municipal Council	0	0	0	0	0	249	0	0	0	0	0	0	1684	0	0	0	0	0	0	340
Bălţi City Hall	0	0	0	6365	0	0	0	0	0	0	1377	0	0	0	0	0	0	1058	0	0
Găgăuzia Executive Committee	10269	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Finance Division of Găgăuzia	598	0	0	0	0	0	1031	0	0	0	0	0	0	994	0	0	0	0	0	0
Division for Economic Development of Găgăuzia	0	0	0	0	0	0	0	0	0	0	0	0	0	1249	0	0	0	0	0	0
Primăria mun. Comrat	0	0	0	0	0	8	0	0	0	0	0	0	42	0	0	0	0	0	0	42
Edinet Municipality	0	0	0	0	0	39	0	0	0	0	0	0	39	0	0	0	0	0	0	39
Orhei Municipality	0	0	0	0	0	0	0	0	0	0	0	0	2052	0	0	0	0	0	0	2052
CB "Moldindconbank" JSC	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>426220</b>	<b>230807</b>	<b>562</b>	<b>6364,54</b>	<b>0</b>	<b>6800</b>	<b>524150</b>	<b>318173</b>	<b>440</b>	<b>48918</b>	<b>1377</b>	<b>30926</b>	<b>36417</b>	<b>449950</b>	<b>84888</b>	<b>438649</b>	<b>2692</b>	<b>1058</b>	<b>0</b>	<b>8308</b>
<b>SGEI</b>	<b>57087</b>	<b>101</b>	<b>43951</b>	<b>6157</b>	<b>0</b>	<b>57768</b>	<b>56929</b>	<b>2994</b>	<b>56511</b>	<b>0</b>	<b>18819</b>	<b>2242</b>	<b>61967</b>	<b>139681</b>	<b>145941</b>	<b>15615</b>	<b>79772</b>	<b>17388</b>	<b>0</b>	<b>54815</b>
<b>TOTAL (inclusive SGEI)</b>	<b>483307</b>	<b>230908</b>	<b>44513</b>	<b>12521,54</b>	<b>0</b>	<b>64568</b>	<b>581079</b>	<b>321167</b>	<b>56951</b>	<b>48918</b>	<b>20196</b>	<b>33168</b>	<b>98384</b>	<b>589631</b>	<b>230829</b>	<b>454264</b>	<b>82464</b>	<b>18446</b>	<b>0</b>	<b>63123</b>