

Translation from Romanian into English

REPORT
ON STATE AID GRANTED IN THE
REPUBLIC OF MOLDOVA FOR 2020

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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 as of 02.07.2014 (published in the Official Gazette No 185-199 as of 18.07.2014)
AIPA	Agency for Intervention and Payments for Agriculture
Reporting year	Period as of 01.01.2020 up to 31.12.2020
CPA	Central Public Administration Authorities
LPA	Local Public Administration Authorities
World Bank	World Bank Group
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 as of 15.06.2012 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
GDP	Gross Domestic Product
SGEI	Services of General Economic Interest
SIRASM	Automated information system "State Aid Register", developed in accordance with Government Decision No. 388 of 27.05.2014 for approval of the Concept of 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 offered in order to solve a market failure or to reduce a market inequity. At the same time, support measures are granted only to 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.

Concerning the support measures granted in 2020, The Competition Council was informed by 345 suppliers, which was a significant increase over the previous year (306 suppliers). 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 8th 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. The new component of this report is the analysis of the value and structure of aid provided in the context of the COVID-19 pandemic.

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, of the aid provided in the context of the COVID-19 pandemic, the main findings made in the framework of the 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.

The data reported for the period 2018-2019 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 2018-2019. 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. Simultaneously, the information on the value of state and de minimis aid provided in 2019-2020 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 2020.

Chapter II - analysis of the value, structure and trends registered in the state aid granting for 2020. 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 2020 and support measures provided in the context of the 2020 COVID-19 pandemic.

Chapter IV - the main findings made in the monitoring of authorized state aid.

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 2020.

Annex 3- the summary situation of the state aid reported for the period 2018-2020, by objectives and forms of granting.

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

Synthesis

Priority directions in the field of state aid for 2020 were:

- alignment of existing state aid schemes;
- cooperation with the Ministry of Finance in order to streamline the mechanism of reporting and notification of state aid granted in the form of tax advantages;
- drafting and amending the normative acts in force under the EU state aid acquis;
- implementation of the new SIRASM online system;
- raising the competitive culture in the state aid.

It is noted that some of the results of the nominated actions are further reflected in the report.

Reported amount of state aid, for 2020, registered 1 354 059 thousand MDL or 0.66% of GDP. There is a decrease in the amount of State Aid reported and its share in GDP in 2020 compared to the previous year. This evolution of the indicators analysed compared to the previous period was mainly due to the decrease in the amount of aid allocated through state aid schemes for regional development, including the reduction in the number of enterprises benefiting from these measures.

Value of authorised state aid amounted to 853144 thousand MDL (representing 63.01% of the reported state aid) or 0.41% of GDP. It is specified that according to state aid legislation, there are categories of support measures considered authorised by law and, therefore, are exempted from the obligation to notify the Competition Council. This category of aid also includes support measures to remedy damage caused by natural disasters or other exceptional situations. Thus, *the value of state aid authorised by the Competition Council* was 787 390 thousand MDL (or 57.78% of the amount of State Aid reported), and *the value of state aid to remedy damage caused by natural disasters or other exceptional situations* (including, the aid provided in the context of the COVID-19 pandemic) was 65 754 thousand MDL (or 4.86% of the reported aid value). About 37% of the reported state aid value constituted the existing state aid (implemented as a state aid/individual aid scheme) and the support measures under consideration at the Competition Council. It is noted that the largest share of these support measures was provided in the form of tax advantages based on the Tax Code and the laws that come into its application.

In 2020, suppliers continued to chose offering state aid through *schemes* (80% of the total number), which is in line with EU good practices in the field, being considered less harmful to the competitive environment.

According to the *form of granting* state aid, the largest share of the support measures was of the nature of budgetary expenditures, representing about 51% of the total value. However, this indicator continued to register a negative trend in 2020 compared to previous years. The given dynamics of the reported aid structure has been determined by a higher rate of decrease in the amount of state aid granted in the form of budgetary expenditure compared to that offered as a waiver of budgetary revenues.

From the perspective of *objectives of granting* state aid, the structure of the aid has changed substantially. Therefore, the largest share of the state aid was targeted towards sectoral objectives, which constituted more than 50% of the total. This aid increased significantly both in value and in total weight.

In 2020, as in previous years, the main *state aid providers* they were CPA. Thus, about 84% of the total number of support measures were reported by the CPA. As for LPAs, they were the main suppliers of de minimis aid and SGEIs support measures.

The value of de minimis aid (including for SGEIs) was 145 733 thousand MDL, decreasing compared to 2019. This decrease was also caused by the reduction in the budget of some de minimis aid schemes reported, compared to the previous year.

According to the *objective* of granting, about 92% of the reported *de minimis state aid* amount was for horizontal targets, being a substantial increase compared to previous years. This trend was determined both by the increase in the amount of state aid granted to support SMEs and Environmental Protection, and by the reduction in the amount of state aid oriented towards other objectives compared to 2019.

The largest share of de minimis aid was reported in the *form* of grants and / or subsidies being about 73% of the total reported value, which was decreasing compared to previous years. This trend was caused by the reduction in the amount of *de minimis aid* allocated to some support measures reported in the given form.

The value of the support measures granted for the provision of SGEIs was of 502 761 thousand MDL, increasing compared to previous years. Of the total support measures reported, the value of authorized state aid amounted to 335 760 thousand MDL (or about 67% of the total). More than 50% of the amount of aid for the provision of SGEIs was provided in the form of grants and/or subsidies and budgetary allocations.

The value of the support measures offered in the context of the COVID-19 pandemic amounted to 64 524 thousand MDL or 0.03% of GDP. According to the form of granting, the suppliers chosed to offer state aid in the form of

grants and/or subsidies, representing about 92% of the total value. The main beneficiaries of these support measures were SMEs.

In 2020 the procedure of modernization of *SIRASM* continued with the support of the World Bank.

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

In 2020, the world economy has declined by 3.3%. The recession was influenced by the effects of the COVID-19 pandemic related to the reduction of aggregate demand at international level and the contracting of international trade flows, etc.¹

In the Republic of Moldova, in 2020, GDP registered a value of 206 352 million MDL (current market prices), decreasing (in real terms) by 7%, compared to 2019 (semi-final).² The GDP setback was caused by the COVID-19 pandemic crisis and the drought of 2020.

Thus, the restrictive measures imposed in the context of the spread of the pandemic and the increasing uncertainty of the population led to a sharp decrease in the final consumption of households by 6.9%, contributing to the reduction of GDP by 5.8% compared to 2019. The volume of gross fixed capital formation decreased by 2.1% compared to the previous reporting year, resulting in a negative evolution of GDP by 0.5%.

The value of exports was 2 485.2 million U.S. dollars, or a 10.6% lower level compared to 2019. And, imports amounted to 5 415.7 million U.S. dollars, being 7.3% less compared to the previous year. The trade balance deficit decreased by 4.3% compared to the deficit registered in 2019.³

According to the category of resources, most economic sectors contributed negatively to the evolution of GDP, but major influences are noted in the agricultural sector with a contribution of (- 2.7%) to the decrease of GDP; wholesale and retail trade, transport and storage, accommodation and public catering activities (-2.1%); manufacturing industry, production and supply of electricity, heat, gas, water distribution (-0.6%).

The volume of net taxes on the product decreased by 7.3% compared to the previous year, which contributed to the decrease of GDP by 1%.

The restriction or temporary cessation of the activity of enterprises in the reporting year determined the decrease of investments in fixed assets by 3.1% compared to 2019⁴. The most affected were investments from the own sources of economic agents (-7%).

¹ World Economic Outlook, International Monetary Fund. January 2021, Available:

<https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

² Gross domestic product in the fourth quarter and in the year 2020. National Bureau of Statistics. Available: <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6940>

³ International trade in goods of the Republic of Moldova in 2020. National Bureau of Statistics. Available:

<https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6916>

⁴ Investments in fixed assets in 2020, National Bureau of Statistics. Available: <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7065&parent=0>

In 2020, the average rate of the Consumer Price Index was 3.8%, being by 1.0 p.p. lower compared to 2019. During the reporting year, the inflation rate registered a pronounced downward trajectory, from 7.5% in December 2019 to 0.4% in December 2020, a trend determined by the decrease in aggregate demand due to the imposed local and regional restrictions.⁵

The active population constituted 867.3 thousand people, decreasing by 5.7% in 2020 compared to 2019. The employed population was 834.2 thousand people, being lower by 4.4% compared to 2019 (872.4 thousand).⁶

The number of unemployed, according to the definition of the International Labour Office, registered 33.1 thousand people, and the unemployment rate at the country level registered the value of 3.8%, being at a lower level compared to 2019 by 1.3 p.p.

According to the report on the execution of the state budget for 2020⁷, revenues in the total amount of 62 650 million MDL were accumulated to the national public budget, with 1 442.9 million MDL more than the stated amount. At the same time, compared to 2019, the volume of revenues received decreased by 0.5% compared to 2019 due to the effects of restrictions imposed in the context of the pandemic crisis.

In the structure of national public revenues, taxes and duties held the largest share – 63.44% (39 747.1 million MDL), decreasing compared to 2019 by 0.8%, of these: taxes and duties on goods and services - 28 137.2 million MDL, income taxes - 9 288.6 million MDL, taxes on foreign trade and operations - 1 738.9 million MDL and property taxes – 582.4 million MDL. The share of taxes and duties in GDP in 2019 was – 19.3%, by 0.3 p.p. more than the level of 2019.

In 2020, of the total amount of revenues of the national public budget, 64.7% belongs to the revenues administered by the State Tax Service and 36.0% to the revenues administered by the Customs Service. Revenues collected by the State Tax Service increased by 1 382.4 million MDL (by 3.5%), compared to 2019, and those administered by the Customs Service decreased by 369.9 million MDL (- 1.6%).⁸ State resources administered by the State Tax Service and Customs Service are one of the main sources of state aid in the Republic of Moldova.

In 2020, grants were disbursed amounting to 649.6 million MDL, with 953 million MDL less than in 2019. The amount of grants constituted about 1.0% of

⁵ Annual report 2020, National Bank of Moldova, available: <https://www.bnm.md/ro/content/raportul-anual-2020>

⁶ Labour force in the Republic of Moldova: employment and unemployment in 2020. National Bureau of Statistics. Available: <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6952>

⁷ Report on the execution of the state budget for 2020. Available: <https://mf.gov.md/ro/content/raport-privind-executarea-bugetului-de-stat-%C3%AEn-anul-2020-aprobat-de-guvern>

⁸ Report on the execution of the state budget for 2020. Available: <https://mf.gov.md/ro/content/raport-privind-executarea-bugetului-de-stat-%C3%AEn-anul-2020-aprobat-de-guvern>

the national public budget income, compared to 2.5% in the previous reporting year. The share of grants in GDP was about 0.3% compared to 0.8% in 2019⁹.

Public expenditures were executed in volume of 73 269.8 million MDL in 2020 or at the level of 93% compared to the specified volume of expenditure for the reference year. Compared to 2019, the national public budget expenditures registered an increase of 11.1% or 7 294.2 million MDL. It is attested that, according to the level of execution of public expenditures, the highest levels were recorded by social benefits-98.0% and personnel expenses - 96.2%, while the grants granted reached a level of 79.5%. As a share of GDP, the expenditures of the national public budget constituted 35.5%, increasing by 4.1 p.p compared to 2019.

As a result of the decrease in budget revenues and the increase in expenses for covering additional measures in the fields of health, social protection, etc., in order to mitigate the pandemic crisis, the national public budget in 2020 registered a deficit of 10 619.8 million MDL or about 3.5 times higher compared to 2019 (3 026.4 mln. MDL). As a reported share in GDP, the balance of the budget deficit was 5.15%, increasing by 3.71 p.p compared to 2019.

Based on the above mentioned, it is found that the evolution of macroeconomic indicators were affected by the restrictions imposed in the context of the COVID-19 pandemic. The negative trend of the nominated indicators also had an impact on the volume and structure of the aid granted for 2020, which will be described in the next chapters of this report.

⁹ Report on the execution of the state budget for 2020. Available: <https://mf.gov.md/ro/content/raport-privind-executarea-bugetului-de-stat-%C3%AEn-anul-2020-aprobat-de-guvern>

Chapter II. ANALYSIS OF THE REPORTED STATE AID

2.1. General characterization

The state aid described in this chapter shall comprise all the support measures reported for 2020, 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 amendments to existing aid).

In accordance with art.342, paragraph (1) of the Association Agreement, as of 01.01.2016 the Republic of Moldova is required 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, in the state aid analysis part, this report is to be examined separately from the support measures provided in the context of the exceptional situation (COVID-19 pandemic), for SGEIs and de minimis aid.

In order to achieve a more comprehensive picture of the state aid reported by suppliers, the amount of State aid shown in Table 1 includes the state aid granted to enterprises for the provision of SGEIs, for COVID-19 and the estimated value of the support measures provided under the Tax Code and the regulatory framework given its application.

Table 1

State aid reported during the years 2018-2020, including state aid granted for the provision of SGEIs

No.	Indicators	2018*	2019*	2020	
				Reported	Estimated (including the amount of support measures granted in the form of tax advantages)
1.	State aid expressed in:				
1.1.	<i>thousand MDL</i>	1 184 201	1 447 255	1 354 059	1 728 158
1.2.	<i>thousand EUR**</i>	59 688	73 577	68 595	87 546
2.	Share in GDP, %	0.62	0.69	0.66	0.84
3.	State aid per capita*** - lei	434	539	512	654
4.	State aid per capita - EUR	22	27	26	33

* the data are updated in accordance with the information provided by the state aid providers

** calculated on the basis of the average annual exchange rate of the leu in relation to the euro, the NBM source (lei/euro year 2018=19.84, year 2019=19.67; year 2020=19.74)

*** the number of inhabitants is in accordance with the information placed on the NBS website. Data for the years 2018-2019 are updated in accordance with the new methodology for calculating the habitually resident population
<https://statistica.gov.md/newsview.php?l=ro&idc=30&id=6409&parent=0>

The information for the period 2018-2019 is different from the data for the same years presented in previous reports. This is because some of the data reported for this period has been updated and corrected by the suppliers.

The estimated amount of state aid for 2020 it amounted to 1728158 thousand MDL or 0.84% of GDP. The estimated amount of state aid was calculated taking into account the aligned state aid schemes, the provisions of EU legislation in the field and the information presented for previous years. The difference between the estimated amount of state aid and the reported amount arises from the incomplete information presented by the Ministry of Finance and its subordinated administrative authorities (Customs Service and State Tax Service) on the support measures granted in the form of tax advantages. The incomplete information is also caused by the evidence mechanism of support measures granted in the form of tax advantages, insufficient to provide the necessary information when examining them in the light of state aid legislation. It is noted that the gap between the amount of State Aid reported and estimated decreased compared to previous years, this fact being determined, including by the continuation of the cooperation of the Competition Council with the Ministry of Finance in order to ensure the complete reporting by the provider of state aid offered 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 tax advantages, in accordance with the provisions of state aid legislation.

It is specified that, according to the Medium-term budgetary framework (2019-2021), approved by Government Decision No.851/2018¹⁰, as a priority of tax and customs policy for the period 2019-2021, the concept of rewriting the Tax Code and the Customs Code (updated) is introduced. In this regard, in August 2021 the new Customs Code was approved, which transposes EU acts in the field.

Reported amount of state aid, for 2020, registered 1 354 059 thousand MDL or 0.66% of GDP. There is a decrease in the amount of State Aid reported and its share in GDP in 2020 compared to the previous year. This evolution of the indicators analysed compared to the previous period was mainly due to the decrease in the amount of aid allocated through state aid schemes for regional development, including due to the reduction in the number of enterprises benefiting from these measures. In 2020, state aid was granted to 3 390 legal and natural persons carrying out economic activity.

Of the total amount of State Aid reported for 2020, respectively 1 354 059 thousand MDL, *the value of authorised state aid* reached up to 853 144 thousand MDL (counting 63.01% of the reported state aid) or 0.41% of GDP. It is specified that according to state aid legislation, there are categories of support measures considered authorised by law and are, therefore, exempted from the

¹⁰ One of the principles of the new Medium-term budgetary framework (2021-2023), approved by Government Decision No. 776/2020, is the harmonization of the national tax legislation with the European Union standards related to the implementation of the Association Agreement

obligation to notify the Competition Council. This category of aid also includes support measures to remedy damage caused by natural disasters or other exceptional situations. Thus, the amount of state aid authorized by the Competition Council constituted 787 390 thousand MDL (or 57.78% of the reported state aid), and the amount of state aid intended to remedy the damages caused by natural disasters or other exceptional situations (including, the aid provided in the context of the COVID-19 pandemic) was 65 754 thousand MDL (or 4.86% of the the amount of state aid reported).

In this regard, it is noted that the authorized state aid granted in 2020 increased compared to 2019 (Figure 1).

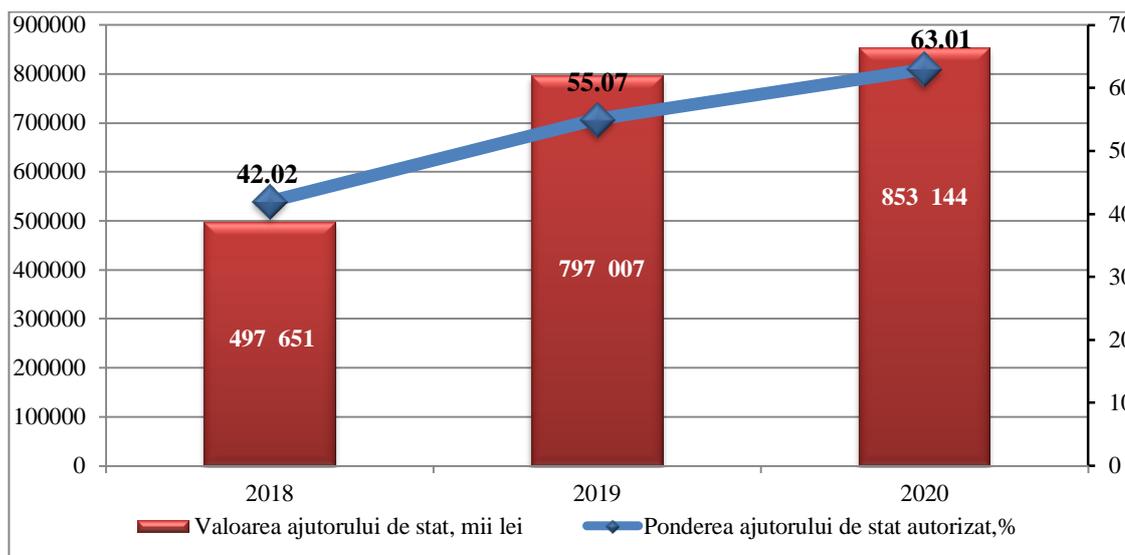


Figure 1. Dynamics of authorised state aid

About 37% of the reported state aid value was the existing state aid (implemented as individual state aid/ state aid schemes) and the support measures under consideration at the Competition Council. It is noted that the largest share of these support measures were provided in the form of tax advantages based on the Tax Code and the laws that come into its application. In order to reduce the value of the above-mentioned indicator, the Ministry of Finance is to review the support measures provided in the form of tax advantages in the light of the legislation in the field of state aid. Moreover, the granting of state aid must be carried out by suppliers in compliance with the provisions stipulated in the law on state aid.

The evolution of the reported state aid level, with the exception of the SGEI and the aid provided in the context of the COVID-19 pandemic, is presented below, in the Table 2, taking into account the Methodology and presentation of the EU's annual state aid analysis.

Table 2**State aid reported during the years 2018-2020**

No.	Indicators	2018*	2019*	2020
1.	Reported State aid (excepting the aid for SGEIs and the aid provided in the context of the COVID-19 pandemic) expressed in:			
1.1.	<i>thousand MDL</i>	968 345	980 726	804 817
1.2.	<i>thousand EUR**</i>	48 808	49 859	40 771
2.	Share in GDP, %	0.50	0.47	0.39
3.	State aid (excepting the aid for SGEIs and the aid provided in the context of the COVID-19 pandemic) per capita*** - MDL	355	365	304
4.	State aid (excepting the aid for SGEIs and the aid provided in the context of the COVID-19 pandemic) per capita*** - EUR	18	19	15

* the data are updated in accordance with the information provided by the state aid providers

** calculated on the basis of the average annual exchange rate of the leu in relation to the euro, the NBM source (lei/euro year 2018=19.84, year 2019=19.67; year 2020=19.74)

*** the number of inhabitants is in accordance with the information placed on the NBS website. Data for the years 2018-2019 are updated in accordance with the new methodology for calculating the habitually resident population
<https://statistica.gov.md/newsview.php?l=ro&idc=30&id=6409&parent=0>

The value of State Aid reported (excepting the aid for SGEIs and the aid provided in the context of the COVID-19 pandemic), for 2020 registered a decrease compared to the period of 2018-2019. Thus, the amount of State Aid reported for 2020 decreased by about 18% and 17% compared to 2019-2018. This decrease in the amount of aid is explained by the reduction in the amount of aid allocated to the implementation of some state aid schemes, as well as by the reorientation of support measures to support enterprises in the context of the COVID-19 pandemic, which will be examined in Chapter 3 of this report.

To ensure the implementation of the provisions of the legislation on state aid and **promoting competitive culture** in the field of state aid throughout the country, the employees of the Competition Council provided specialized technical assistance to CPA and LPA of Level I and II, in a number of 1 936 telephone consultations and were organized 2 seminars, 2 working meetings and 64 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 2020, the state aid granted from *external funds* constituted 0,69 % of the value of the reported state aid.

In 2020, *the share of state aid* reported in GDP in the Republic of Moldova was 0.39%, registering a decrease of 0.03 p.p. compared to 2019. This trend was determined , including by the decrease in the amount of State Aid reported.

Expressed in EUR, in 2020 the value of state aid decreased compared to 2018-2019. This trend was determined both by the decrease in the amount of reported state aid and by the change in the exchange rate. In 2020, *the state aid per capita* decreased in relation to the previous reporting period, registering a decrease of about 17 % compared to 2019.

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 must be determined by studies and analysis of opportunity carried out before the effective implementation of the support measures.

According to international good practice in the field of state aid¹¹, it is recommended to reduce the overall level of state aid so that this indicator is to be less than 1% of GDP, without compromising the purpose of support measures, namely the correction of market failures.

¹¹ 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 in accordance with state aid legislation

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 represent the support measures implemented before the entry into force of the Law on State Aid, therefore, they were not notified to the Competition Council and thus 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.

The alignment of existing state aid schemes has an impact on the amount and structure of the reported state aid and de minimis aid. In order to present correct and complete information on the value of the reported support measures, the decisions of the Plenum of the Competition Council adopted in the year following the reporting year were also taken into account. In this context, the support measures examined by the Competition Council in 2021 will be presented below (until the approval of the present report).

I. Support measures do not constitute a state aid scheme according to the Law on State Aid, namely:

- 1) State aid measure on exemption from VAT, without the right of deduction, of postal services, including the distribution of pensions, subsidies, allowances (Decision of the Plenum of the Competition Council no.ASS-13 of 16.04.2021)-***

The support measure is granted on the basis of the provisions of Art.103, para.(1), p.13 of the Tax Code. During the examination, it was found that the measure does not meet the selectivity criterion because it does not constitute a

derogation from the reference system being justified by the nature or general economy of the system.

By the decision of the Plenum of the Competition Council, it was found that this support measure does not constitute state aid according to the Law on State Aid.

2) *Support measures granted in the form of exemptions from customs duty and VAT on book production and periodicals (except advertising and erotic Publications), book production publishing services and periodicals, as well as teaching materials for pre-school, educational and curative institutions (Decision of the Pplenum of the Competition Council no. ASER - 18 of 27.05.2021)*

Support measures are provided on the basis of the provisions of Art.103, para.(1), p.20 of the Tax Code and Art.28 letter j) of Law No. 1380/1997 on the Customs Tariff*. As a result of the examination of the aforementioned support measure, it was found that they do not favour the books production and periodicals in relation to other goods offered on the market by undertakings in a similar factual situation, given the intrinsic objective of the reference system and are, therefore, not selective.

By the decision of the Plenum of the Competition Council, it was found that this support measure does not constitute State Aid according to the Law on State Aid.

3) *The support measure granted in the form of the application of the reduced VAT rate, in the amount of 8%, for medicines of tariff headings 3001-3004, both indicated in the State Nomenclature of Medicines and authorized by the Ministry of Health, Labor and Social Protection; undistorted ethyl alcohol of tariff headings 220710000 and 220890910, intended for pharmaceutical production and use in medicine, within the volume of the annual quota established by the Government, imported and / or delivered to the territory of the Republic of Moldova, as well as medicines prepared in pharmacies according to master prescriptions, containing authorized ingredients (medicinal substances) (Decision of the plenum of the Competition Council no. ASER-49 of 30.09.2021)*

The nominated support measure is granted on the basis of Art.96, letter b), the second indent of the Tax Code. In the examination of the support measure, it was found that the beneficial owners of this tax facility are consumers - natural persons who do not carry out economic activity. The beneficiaries of the support measure in question are therefore not beneficiaries within the meaning of the State Aid Law.

By the decision of the Plenum of the Competition Council, it was found that this support measure does not constitute state aid according to the Law on State Aid.

4) Support measure on exemption from VAT, without right of deduction, for medical services, except cosmetic services (Decision of the plenum of the Competition Council no. ASS-48 of 30.09.2021)

The mentioned support measure was provided on the basis of art. 103 para. (1) pct. 10 of the Tax Code. During the examination of the support measure analyzed, it was found that the tax advantage is proportional to the objective of the Service of General Economic Interest pursued by the state policy, being, thus, justified by the nature or general economy of the system. The nominated support measure is therefore not selective.

By the decision of the Plenum of the Competition Council, it was found that this support measure does not constitute state aid according to the Law on State Aid.

5) Support measures on exemptions from VAT on imports of passenger cars and other motor vehicles (Decision of the Plenum of the Competition Council no. ASR-61 of 11.11.2021)

The mentioned support measures were provided on the basis of Art. 103 para. (1) pct. 24 of the Tax Code. During the examination of the support measures, it was found that they are justified by the nature or general economy of the reference system and are, therefore, not selective.

By the decision of the Plenum of the Competition Council, it was found that these support measures do not constitute state aid according to the Law on State Aid.

6) Support measure on the application of the reduced VAT rate to natural gas and liquefied gas of tariff heading 2711, both imported and delivered on the territory of the Republic of Moldova, as well as to natural gas transmission and Distribution Services (Decision of the Plenum of the Competition Council no. ASER-67 of 25.11.2021)

The analyzed support measure was granted based on the provisions of Art.96, letter b), the fourth indent of the Tax Code. In the examination of the support measure, it was found that this support measure does not favour some undertakings in relation to others in a similar factual situation and is, therefore, not selective.

By the decision of the Plenum of the Competition Council, it was found that this support measure does not constitute state aid according to the Law on State Aid.

II. Existing state aid scheme notified to the Competition Council and authorized:

State aid scheme for the financing of periodical publications for children and adolescents (Decision of the Plenum of the Competition Council no. ASR-31 of 25.06.2021)

The support measure was notified to the Competition Council by the Ministry of Education, Culture and Research. Following the examination of the nominated notification, it was found that the measure constitutes state aid within the meaning of Art.3 of the Law on State Aid and is compatible with the normal competitive environment.

III. The support measure constitutes a state aid scheme and is to be brought in line with the EU acquis by suppliers, according to Art.341 of the Association Agreement:

1) Support measure for the application of the income tax exemption of trade unions and employers' organizations (Decision of the Plenum of the Competition Council no. ASO - 12 of 16.04.2021)

The support measure is provided on the basis of Art. 53³ of the Tax Code. As a result of the examination, the Plenum of the Competition Council found that, the support measure in question constitutes existing State Aid and shall be aligned with the acquis of the European Union, according to Art. 341 of the Association Agreement.

2) Support measure on exemption from income tax of non-commercial organisations (Decision of the Plenum of the Competition Council no. ASO-47 of 30.09.2021)

The support measure is provided on the basis of Art. 52 of the Tax Code. During the examination of the nominated support measure, it was found that it constitutes state aid for non-commercial organisations engaged in economic activities.

By the Decision of the Plenum of the Competition Council, it was decided that the Ministry of Finance, within the term established in Art. 341 of the Association Agreement, to align the aid scheme in line with the EU acquis.

3) The support measure provided in the form of exemption from VAT without the right to deduct the services of organizations in the field of Science and innovation accredited by the National Council for Accreditation and Attestation (Decision of the Plenum of the Competition Council no. ASO-63 of 18.11.2021)

The mentioned support measure was provided on the basis of Art. 103 para. (1) pct. 27 of the Tax Code. Following the examination of the support measure, it was found that it constitutes state aid within the meaning of Art. 3 of the Law on State Aid for organizations in the fields of research and innovation accredited

by the National Council for Accreditation and Attestation (currently - the National Agency for Quality Assurance in Education and Research) that practice economic activities and are registered as VAT taxpayers.

By the Decision of the Plenum of the Competition Council, it was decided that the Ministry of Finance, within the term established in Art. 341 of the Association Agreement, to align the aid scheme in line with the EU acquis.

As a result of the alignment of the above-nominated existing state aid schemes, the ratification of the Association Agreement and the changes in the national legislation, the amount of the aligned existing state aid amounted to about 1 680 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 2020, state aid providers reported **45 support measures** (except SGEIs and aid granted in the context of the COVID-19 pandemic). According to Figure No 2 *on the structure of measures* administered by suppliers in 2020, compared to the ways of granting state aid, it is found that suppliers continued to choose the implementation of state aid schemes, those constituting 80% of the total number of measures reported.

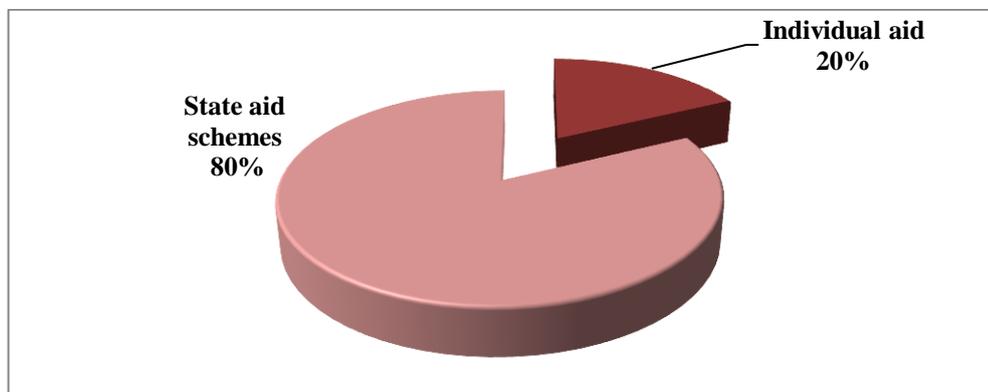


Figure 2. The structure of state aid reported for 2020 as individual aid or state aid schemes

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 and in the context of the COVID-19 pandemic. The analysis of the mentioned support measures depending on the granting modalities, will be presented in Chapter 3 of this Report.

In terms of value, more state aid provided through the schemes has been reported. 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 2018-2020***

No	Type of state aid	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
<i>State aid (except SGEIs , COVID-19 pandemic aid)</i>							
1.	Schemes of state aid	889 929	91.90	969 676	98.87	795 262	98.81
2.	Individual aid	78 416	8.10	11 050	1.13	9 555	1.19
	TOTAL	968 345	100	980 726	100	804 817	100
<i>State aid (except SGEIs , COVID-19 pandemic aid)</i>							
1.	Schemes of state aid	945 593	79.85	1 018 160	70.35	897 197	66.26
2.	Individual aid	238 608	20.15	429 095	29.65	456 862	33.74
	TOTAL	1 184 201	100	1 447 255	100	1 354 059	100

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, COVID-19 pandemic aid). The share of support measures implemented through state aid schemes in 2020 remained at a constant level compared to 2019.

In terms of value, the most significant state aid schemes were implemented by the State Tax Service; the Ministry of Education, Culture and Research and AIPA, accounting for about 78% of the total.

In the Republic of Moldova, the trend of providing support measures through state schemes is maintained, which is in line with good international practices in the field and which contributes to the efficiency of the mechanism for granting aid. It is noted that, according to EU experience, state aid granted through schemes is less harmful to the competitive environment. The provision of support measures, dominantly through state aid schemes, expands the accessibility of support measures, thus registering an increase in

the number of eligible economic operators and creating the necessary prerequisites for a sustainable socio-economic development.

2.3. 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.

With reference to the fact that aid is provided from state resources, it can be provided by the provider in the form of waivers of budget revenues and budget expenses. Thus, in 2020, the share of state aid reported in the form of **waivers of budget revenues** was 48.95% of the total value of state aid, registering an increase by 2.79 p.p. compared to the previous year and by 8.80 p.p. compared to 2018.

The amount of aid granted in the form of **budget expenditure**, amounted to 51.05% in 2020. Although the largest share of the aid was provided in the form of budgetary expenditure during the reporting period, it has shown a decreasing trend compared to previous years.

The nominal dynamics of the reported aid structure has been determined by a higher rate of decrease in the amount of state aid granted in the form of budgetary expenditure compared to that granted as a waiver of budgetary revenues. The factors that determined this aid dynamic will be further analyzed.

The amount of state aid from the perspective of expenditures and waivers of registered budget revenues, in the period 2018-2020, 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 2018-2020

No	Categoria	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
<i>State aid (except SGEIs , COVID-19 pandemic aid)</i>							
1.	Waiver of budget revenues	388 827	40.15	452 731	46.16	393 947	48.95

No .	Categoria	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
2.	Budget expenditure	579 518	59.85	527 995	53.84	410 870	51.05
	TOTAL	968 345	100	980 726	100	804 817	100
<i>State aid (except SGEIs , COVID-19 pandemic aid)</i>							
1.	Waiver of budget revenues	541 801	45.75	633 638	43.78	602 119	44.47
2.	Budget expenditure	642 400	54.25	813 617	56.22	751 941	55.53
	TOTAL	1 184 201	100	1 447 255	100	1 354 059	100

The structure and dynamics of State Aid reported in terms of budget expenditures/waivers in the period 2018-2020 is shown in Figure 3.

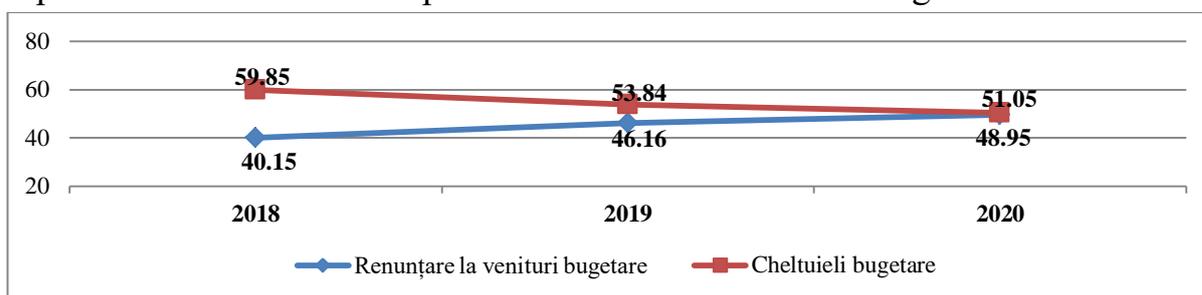


Figure 3. Structure and dynamics of reported state aid (except for SGEIs, COVID-19 pandemic aid) from the perspective of budget expenditures/waivers in the period 2018-2020, %

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 2019¹² 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 63% 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

¹² Information available on the DG Competition website. Available: https://ec.europa.eu/competition-policy/state-aid/scoreboard_en

support measures for the provision of SGEIs and in the context of the COVID-19 pandemic, the analysis of which will be carried out in Chapter III.

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

Table 5

The amount and structure of State Aid reported according to the form of granting, during the years 2018-2020

No	Form of granting	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Grants and / or subsidies	530 601	54.79	451 647	46.05	400 221	49.73
2.	Budget allocations	48 917	5.05	76 348	7.78	10 627	1.32
3.	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	318 182	32.86	439 115	44.77	385 263	47.87
4.	Granting loans on preferential terms	440	0.05	2 692	0.27	3 777	0.47
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	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	30 926	3.19	-	-	22	0.003
7.	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	37 903	3.91	9 867	1.01	4 908	0.61
	TOTAL	968 345	100	980 726	100	804 817	100

The decrease in the amount of state aid provided in the form of budgetary expenditure was determined in particular by the negative dynamics of the amount of support measures granted in the form of *budget allocations*. Thus, in 2020 the volume of reported aid provided in the form of budgetary allocations has significantly decreased. This development was determined by the decrease in the annual budget allocated for some state aid schemes implemented in 2020. In the reporting year the state aid provided in the form of budgetary allocations was fully oriented towards research, development and innovation.

Another factor that determined the dynamics of the aid provided in the form of budgetary expenditure was the aid granted in the form of *grants and / or subsidies*. Also, in 2020 it decreased by 11.39% compared to the previous year. This negative trend was also determined by the decrease in the amount of state aid granted under the scheme "Stimulation of investments for the development of post-harvest and processing infrastructure" implemented by AIPA, as a result of the reduction in the number of enterprises that benefited from support measures under this scheme.

The largest share of state aid in the form of grants and/or subsidies in 2020 was reported for the promotion of culture and preservation of cultural heritage, constituting about 47% of the total amount of aid provided in the analyzed form.

As regards the dynamics of the amount of state aid granted as a waiver of budgetary revenues, it was determined by the significant decrease in the volume of aid granted in the form of *discounts on goods and services provided* (including the sale of movable and immovable property below market price). Thus, in 2020 the amount of aid granted in the nominated form decreased by about 2 times compared to 2019. This trend of decreasing the volume of state aid provided in the analyzed form is also determined by the reduction in the number of support measures implemented in the reporting year.

The largest share of the aid provided in the form of discounts on goods and services provided was oriented towards regional development, being about 66% of the total volume of aid granted in the analyzed form.

The decrease in the amount of aid granted as waivers of budgetary revenues was also determined by the evolution of the volume of support measures granted as *exemptions and / or discounts on the payment of taxes, fees and other mandatory payments*. The amount of aid granted in the analyzed form decreased by 12.26% compared to 2019, but increased by 21.08% compared to 2018. This development was mainly determined by the amount of state aid that enterprises benefited from in 2020 under the "Moldova IT Park" scheme implemented by the State Tax Service.

About 67% of the total aid reported in the form of tax and customs advantages was sectoral aid. It is noted that some of these aids were 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 decrease in the amount of aid granted as a waiver of budgetary revenues was partially offset by the increase in the amount of aid reported as *loans on preferential terms*. The value of these measures increased by 40.32% compared to the previous year and by about 7.6 times compared to 2018. This dynamic of the state aid reported in the analyzed form was determined by the

increase in the state aid granted by the Ministry of Finance in the form of a loan, re-credited to the SE “Railways of Moldova” and offered to the enterprise in order to carry out the project of locomotive acquisition and restructuring of railway infrastructure. In 2020, the largest share of State Aid reported in the nominated form was sectoral aid.

Data on the amount of State Aid reported by forms and objectives of granting can be found in Annex 3.

In 2020, there was registered an increase in the share of state aid provided in the form of waivers of budget revenues compared to previous years. According to international experience, such aids are, as a rule, more harmful to the market economy than those in the form of budgetary expenditure (subsidies, subsidies, budget allocations, etc.). State aid in the categories of budgetary expenditure is considered less harmful to competition and at the same time more transparent. Thus, the state is to analyze the opportunity to provide more support measures in the form of budget expenditures and the reduction of 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.

At the same time, in this category of aid will be included the support measures granted 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.

- 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 intended to remedy damage caused by natural disasters or other exceptional situations.** This category will also include state aid to businesses in the context of the COVID-19 pandemic.
- 5. 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 summarised in Table 6.

Table 6

**The value and structure of state aid reported by objectives, during
during 2018-2020**

No.	Objective	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Horizontal objectives	148 766	15.36	181 253	18.48	102 136	12.69
1.1.	Research - development and innovation	97 656	10.08	76 687	7.82	10 627	1.32
1.2.	Environmental Protection	29 437	3.04	44 456	4.53	38 588	4.79
1.3.	SME support	2 441	0.25	8 436	0.86	-	-
1.4.	Aid for employee training and job creation	19 232	1.99	51 674	5.27	52 921	6.58
2.	Sectoral aid, depending on the sectors of activity of the national economy*	373 449	38.57	294 758	30.06	460 023	57.16
2.1.	<i>including:</i> Aid for the promotion of culture and the conservation of cultural heritage	160 692	16.59	163 198	16.64	189 634	23.56
3.	State aid for regional development	446 131	46.07	504 715	51.46	241 428	30.00
4.	Aid to remedy damage caused by natural disasters or other exceptional situations	-	-	-	-	1 231	0.15
	Amount of state aid (except SGEIs aid and aid provided in the context of the COVID-19 pandemic)	968 345	100	980 726	100	804 817	100

* the amount of sectoral aid was recalculated, including the aid granted for the promotion of culture and preservation of cultural heritage, taking into account the provisions of the decision of the Plenum of the Competition Council no. 3/2016 on the approval of normative acts on the evaluation of sectoral state aid

Based on EU experience, in the state aid analysis part, the reported state aid will be further analyzed, with the exception of SGEIs and aid provided in the context of the COVID-19 pandemic.

The largest share of State Aid reported for 2020 was oriented towards *sectoral objectives*, being over 50% of the total. State aid for sectoral objectives has increased significantly both in value and in share in total. Thus, in 2020 there is an increase of about 2 times the amount of aid nominated compared to the previous year. As for its share, there is an increase of 27.10 p.p. in 2020 compared to 2019. This dynamic was determined, including, by the increase in the value of some state aid schemes, in particular the support measure on "excise exemption of undistorted ethyl alcohol from tariff heading 220710000, intended

for use in the perfumery and cosmetics industry” implemented by the State Tax Service.

The share of state aid *for regional development*, in 2020, constituted a total value of 30% , which was a significant decrease compared to previous years. This negative dynamic was also determined by the reduction in the aid amount reported for the given objective. Thus, the amount of state aid for Regional Development reported for 2020 decreased by about 2 times compared to 2018-2019, which was also determined by the reduction of the value of some state aid schemes for regional development implemented by the State Tax Service and AIPA.

Amount of state aid for *horizontal objectives* it decreased significantly in 2020 compared to 2019, namely by 43.65%. This negative state aid dynamics was determined in particular by the reduction in the volume of aid reported for research, development and innovation.

Aid to remedy damage caused by natural disasters or other exceptional situations refers to the support measures offered within the state aid schemes aimed at eliminating the consequences of natural disasters, production damage and other situations that can bring environmental damage, implemented by the Ministry of Agriculture, Regional Development and Environment and Straseni city hall

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

Horizontal objectives

The dynamics and structure of the amount of state aid on horizontal objectives varied during the period 2018-2020, according to the table below.

Table 7
The value and structure of state aid reported on horizontal objectives during during 2018-2020

No.	Horizontal objective	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	To support SME	2 441	1.64	8 436	4.65	-	-
2.	Research - development and innovation	97 656	65.64	76 687	42.31	10 627	10.40
3.	Environmental Protection	29 437	19.79	44 456	24.53	38 588	37.78
4.	Aid for employee training and job creation	19 232	12.93	51 674	28.51	52 921	51.81
	TOTAL	148 766	100	181 253	100	102 136	100

From the data presented in Table 7, it follows that in 2020 the largest share of the value of support measures reported by horizontal objectives was held by

aid for *training employees and creating new jobs*, accounting for about 52% of the total value. This significant share of aid was determined by the implementation of the new state aid granted according to this objective and by the evolution of the amount of support measures granted for other categories of horizontal aid.

The amount of aid for training employees and creating new jobs increased by about 3 times in 2020 compared to 2018. This positive dynamic was also determined by the implementation by the Ministry of Finance of the support measure on subsidizing the creation of new jobs implemented on the basis of Government Decision No.1145/2017 for approving 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 the allocation of financial means to subsidize job creation, the beneficiaries of the subsidies being legal entities that will create at least 100 new jobs. This scheme was also the most significant support measure reported for training employees and creating new jobs.

Another support measure that determined the increase in the amount of aid for the training of employees and for the creation of new jobs was implemented by the National Agency for Employment, this support measure consisted in granting subsidies for the training of employees and for the creation of new jobs, based on the provisions of art.33, 34, 36, 38, 40 of law no. 105/2018 on Employment Promotion and unemployment insurance for training employees and creating new jobs (*Decision of the Plenum of the Competition Council no.ASR - 14 of 29.04.2020*). In 2020, 153 enterprises (all SMEs) benefited from this support measure, totaling 2,525 thousand MDL.

Share of state aid for *Environmental Protection* it accounted for about 38% of the horizontal aid amount, being an essential increase compared to the previous periods, namely by 13.25 p.p. and 17.99 p.p. in relation to 2019 and 2018, respectively. This dynamic of the nominated aid share was determined by the decrease in the amount of aid for other categories of horizontal support measures.

However, the value of support measures for Environmental Protection decreased by 13.20% in 2020 compared to 2019. This development of support measures was determined, in particular, by the alignment of state aid schemes.

It is noted that in the EU the policy of the member states was particularly focused on Environmental Protection. Thus, about 51% of the total amount of state aid granted in 2019 was oriented towards environmental protection.

The dynamics of the amount of horizontal state aid was negatively influenced by the evolution of the aid provided for *research, development and innovation*. Thus, the amount of state aid for research-development and

innovation decreased by about 7 times in 2020 compared to 2019. This negative dynamics was influenced, in particular, by the allocation of a smaller volume of state resources under the state aid scheme implemented by the Ministry of Health, Labor and Social Protection.

No support measures were reported for 2020 in order *to support SMEs*, as a result of the alignment of existing state aid schemes and the completion of the implementation of support measures reported for previous periods. It is noted that de minimis aid is mainly provided to support SMEs.

Sectoral objectives

In 2020, the amount of sectoral state aid was 460 023 thousand MDL, being about 2 times more than in 2019. This dynamic was influenced by the increase in the volume of public resources allocated under the aid scheme "Exemption from excise duty of undistorted ethyl alcohol from tariff position 220710000, intended for use in the perfumery and cosmetic industry" implemented by the State Tax Service. The increase in the support measure was determined by the increase in the excise tax exemption applied to undistorted ethyl alcohol used in the perfumery and cosmetics industry by JSC "Viorica-Cosmetic". It is specified that ethyl alcohol is also one of the raw materials used in the manufacture of disinfectants (product also marketed by S. A. "Viorica-Cosmetic"), which was an essential product in the context of the COVID-19 pandemic. The aforementioned state aid scheme accounted for about 44% of the reported sectoral state aid amount.

Sectoral state aid has also been targeted at other sectors, as shown in Figure 4.

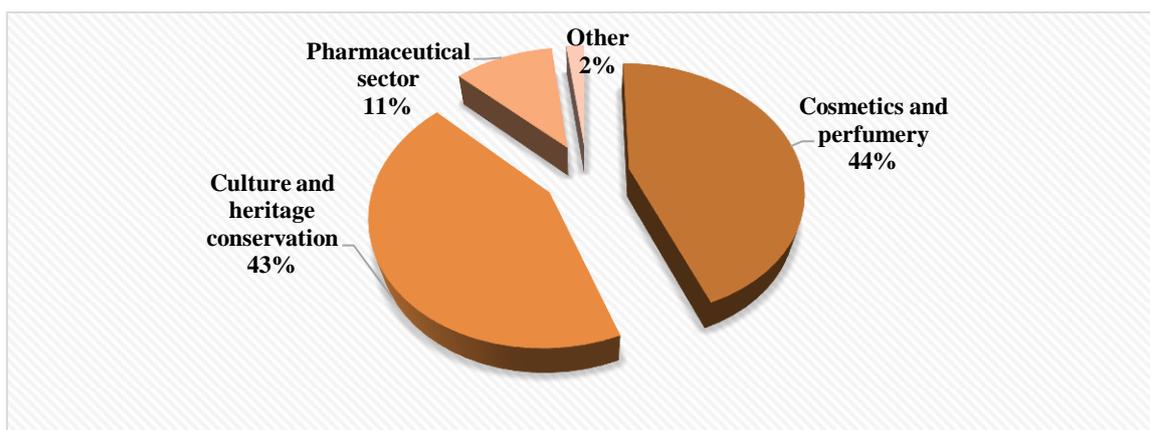


Figure 4. Structure of sectoral state aid

According to figure 4, it is noted that a significant share of the aid was directed towards the culture and heritage conservation sector, which is about 43% of the total. The significant share of the mentioned indicator was determined by the value of the state aid schemes implemented by the Ministry of

Education, Culture and Research, which cumulatively constituted about 99% of the total value of the aid for culture and heritage conservation.

The most significant state aid scheme for culture and heritage conservation consisted in the granting of grants to theatrical-concert institutions by the Ministry of Education, Culture and Research (*authorized by Decision of the Plenum of the Competition Council no.ASS-100 of 19.12.2019*). At the same time, the relevant Ministry continued to provide support for film projects (*authorized by the Decision of the Plenum of the Competition Council no.ASS-01 as of 18.01.2019*) and aid for the financing of periodical publications for children and adolescents (*Decision of the Plenum of the Competition Council no.ASR-19 as of 15.05.2020, authorized by no.ASR-31 as of 25.06.2021*).

In 2020, the granting of state aid to the State - Owned Enterprise - the Periodical Publication-to the newspaper "Вести Гагаузии" by the General Directorate of Finance of ATU Gagauzia of the Executive Committee of Gagauzia by the Comrat City Hall continued (*Decision of the Plenum of the Competition Council no.ASO-96 of 19.12.2019*).

As regards the support measures provided for the pharmaceutical sector, they represent existing state aid and are to be aligned in the context of the commitments made by the Association Agreement.

Over 50% of the amount of sectoral state aid (about 56%) was reported in the form of tax and customs advantages.

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 2020, the share of the value of state aid for regional development was about 30% of the total value of state aid reported, which represented a significant decrease compared to previous years. The negative dynamics of the share of state aid for regional development was determined, in particular, by the reduction in the value of the state aid scheme "Moldova IT Park" implemented by the State Tax Service, as a result of the decrease in the number of enterprises beneficiary of the given scheme and the value of the support measure granted to some residents of the park compared to the previous periods.

Another support measure that contributed to the decrease of both the share and the amount of state aid for regional development was the state aid scheme

oriented towards agricultural producers, which aims to stimulate 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, according to 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, implemented by AIPA. This decrease was determined by the reduction of about 2 times the number of beneficiaries of the state aid scheme.

The share of state aid authorized by the Competition Council was 79.18%, the difference being the aid implemented until the entry into force of the Law on state aid and the support measures under consideration at the Competition Council. The largest share of the authorised state aid was targeted at the Centre and North region, accounting for about 67% of the total.

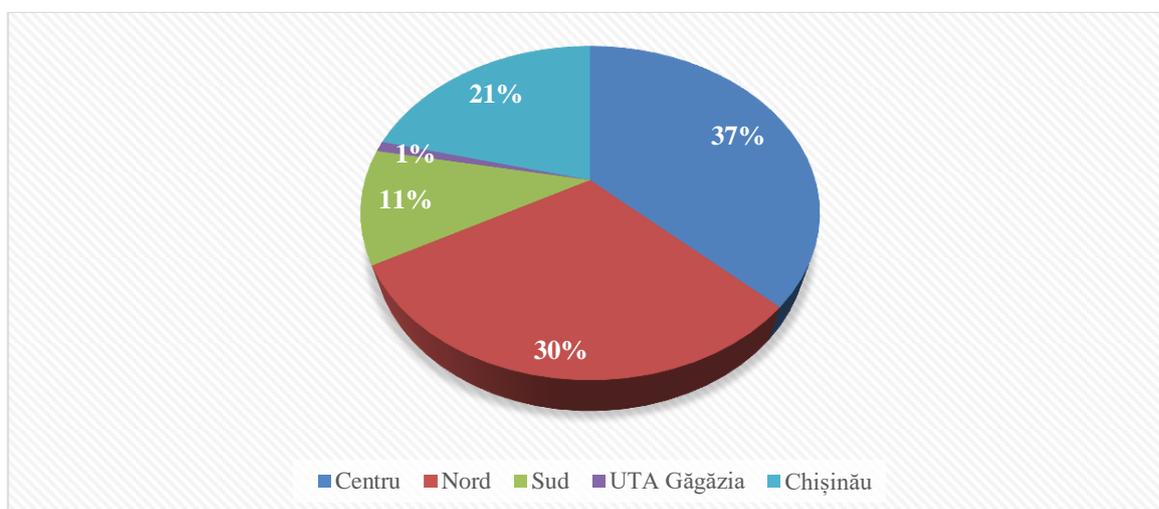


Figure 5. Distribution of authorised state aid by region

The above - nominated distribution of the authorized state aid by region was determined, in particular, by the subsidies offered through the state aid scheme oriented towards agricultural producers, which aims to stimulate investments for the development of post-harvest and processing infrastructure, implemented by AIPA (*Decision of the Plenum of the Competition Council no. ASS-73 as of 01.10.2018*).

In 2020 the implementation of other support measures authorized by the Competition Council continued:

- State aid scheme provided 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 the realization of projects in the field of Agriculture, Food Processing and related infrastructure, in the form of loans under

preferential conditions (*Decision of the Plenum of the Competition Council no. ASO-4 as of 02.02.2017*).

- State aid granted for the creation/development of industrial parks IP” Edinet ” and IP " Comrat” (*Decisions of the Plenum of the Competition Council no. ASO-20 as of 16.06.2014 and no.ASER - 36 as of 16.10.2014*).
- State aid scheme " Moldova IT Park” (*Decision of the Plenum of the Competition Council no. ASS-17 as of 29.03.2018*).

In 2020 the largest share of regional development aid was reported in the form of grants and/or subsidies (making up 82.22% of the total state aid for regional development).

In 2020, the structure of state aid was substantially changed compared to previous years. Thus, the largest share of the reported aid was targeted towards sectoral objectives. This trend of the aid was also determined by the effects of the COVID-19 pandemic.

According to international experience in the field of state aid, as a rule, horizontal state aid and regional development aid have a less harmful impact on the competitive environment and for these reasons are more accepted compared to sectoral state aid. Based on international practice and the structure of state aid for 2020, it is appropriate, for the state, to reorient future support measures towards horizontal and regional development objectives.

2.6. State aid providers

According to state aid legislation, state aid suppliers have the obligation to submit annually to the Competition Council, by March 31, the information on state aid granted in the year preceding the reporting year.

State aid providers, 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.

For 2020, 45 support measures provided under the general framework were reported, by the CPA - 38 measures, respectively LPA - 7. According to the amount of State Aid reported for 2020, about 99% of the total amount was provided by PCA, which is due to a higher number of support measures reported by them and the higher volume of resources allocated to support enterprises.

Table 8 shows the amount of State Aid reported per state aid provider.

Table 8

State aid reported per provider during the years 2018-2020

No.	Provider	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	State Tax Service	231 508	23.91	317 739	32.40	279 033	34.67
2.	Ministry of Education, Culture and Research	192 872	19.92	189 142	19.29	194 660	24.19
3.	AIPA	274 010	28.30	233 386	23.80	157 189	19.53
4.	Customs Service	77 403	7.99	117 655	12.00	106 230	13.20
5.	LPA	7 710	0.80	7 332	0.75	4 798	0.60
6.	Other suppliers	184 842	19.09	115 472	11.77	62 908	7.82
	TOTAL	968 345	100	980 726	100	804 817	100

From the data of Table 8 it is noted that in 2020 the largest providers of state aid were the State Tax Service, the Ministry of Education, Culture and Research, AIPA and the Customs Service, which cumulatively implemented about 92% of the total aid amount reported.

The State Tax Service provided all support measures through state aid schemes. Thus, the most significant state aid schemes reported by the State Tax Service are "Moldova IT Park" and "exemptions from excise duty on undistorted ethyl alcohol from tariff heading 220710000, intended for use in the perfumery and cosmetics industry".

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

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 in Annex no.1 to the Government Decision No. 455/2017 on how to distribute the funds of the National Fund for the development of Agriculture and Rural Environment.

As for the state aid reported by the Customs Service, it increased by 37.24% in 2020 compared to 2018. This dynamic in the value of support measures was mainly due to the alignment of state aid schemes and the implementation of new measures. The Customs Service provided support measures through state aid schemes. State aid was targeted in particular at the Free Economic Zones, the pharmaceutical sector and transport. Data on the amount and forms of State Aid reported by state aid providers can be found in Annex 4.

In 2020 of the total number of measures reported by the CPA - 36 measures represented state aid schemes, constituting about 95% of the total number of

support measures reported by the CPA. In turn, LPAs provided all support measures as individual aid.

According to the main forms of granting state aid, it is stated that the Ministry of Education, Culture and Research and AIPA provided the largest share of the support measures as a grant and/or subsidiary, which constituted about 88% of the total value. As for the reported state aid in the form of tax and customs advantages, all these were implemented by the Tax Service and the Customs Service.

In conclusion, the amount of State Aid reported for 2020 was up to 1% of GDP, which is in line with pct. 40 of the National Program in the field of competition and state aid for 2017-2020. A priority direction in the field of state aid is the realization of the commitments assumed by the Association Agreement and the national program in the field of competition and state aid in the part related to the alignment of existing state aid schemes with the EU acquis in this field. In this respect, the alignment of existing state aid schemes and, in particular, the support measures provided under tax and customs legislation continued.

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.

In 2020 the new Regulation on de minimis aid was approved (Decision of the Plenum of the Competition Council no. 01 as of 06.08.2020). The new Regulation partially transposes regulation (EU) no.1407/2013 of the European Commission of December 18th, 2013 on the application of articles 107 and 108 of the Treaty on the functioning of the European Union to de minimis aid, published in the Official Gazette of the European Union no.L352 of 24 December 2013. The mentioned regulation establishes the method for calculating the 3-year term established by the law on state aid, the procedure for granting de minimis aid, the method for qualifying de minimis aid, the cumulation and the record of de minimis aid granted.

In order to obtain the most comprehensive picture of the reported de minimis aid, the total amount of the reported de minimis aid and the amount of de minimis aid, with the exception of the support measures provided for the provision of the SGEIs, are presented separately in Table 9.

Table 9

The value of de minimis aid reported during 2018-2020

No.	Indicator	2018	2019	2020
1.	Value of de minimis aid (except SGEIs) expressed in:			
1.1	<i>thousand MDL</i>	90 850	178 972	145 733
1.2	<i>thousand EUR**</i>	4 579	9 099	7 383
2.	The amount of de minimis aid (including SGEIs) expressed in:			
2.1	<i>thousand MDL</i>	131 279	202 043	163 776
2.2	<i>thousand EUR**</i>	6 617	10 272	8 297

** calculated on the basis of the average annual exchange rate of the leu in relation to the euro, the NBM source (lei/euro year 2018=19.84, year 2019=19.67; year 2020=19.74)

The data reported for the period 2018-2019 have been updated and corrected in accordance with the information presented by the providers. Further, the amount of de minimis aid offered to SGEIs will be examined under Section 3.2. of this chapter.

From the data presented in Table 9, in 2020 it is attested that *the total amount of de minimis aid* registered a reduction of 18.94% compared to 2019, at the same time, increasing compared to 2018 by 24.75%. The decrease in the amount of aid compared to 2019 was determined, including by the budget reduction of some de minimis aid schemes reported compared to the previous year.

The amount of de minimis aid reported, except for aid aimed at providing SGEIs., also decreased during the period under review. Thus, in 2020 the amount of de minimis aid (except for SGEIs) decreased by 18.57% compared to 2019.

Expressed in euro, the amount of de minimis aid decreased in 2020 compared to 2019. This trend was determined by the reduction in the volume of reported aid and the fluctuation of the exchange rate.

Of the total amount of de minimis aid reported for 2020, the largest share (about 75%) was de minimis aid granted from *state sources*. As regards de minimis aid reported from *external funds*, it constituted 25% of the total value. The most significant de minimis aid scheme financed from external funds is the pilot program "Women in business", implemented by the Organization for the Development of the Sector for Small and Medium Enterprises.

For 2020, suppliers reported *76 de minimis aid measures* with the exception of aid provided for the provision of SGEIs. Most de minimis aids have been reported by *LPA*, these constituting *48.68% of the total number* of measures reported, the other support measures were provided by PCA and business incubators. According to the amount of de minimis aid reported for 2020, about 95% of the total amount was provided by the PCA.

According to figure 6, in 2020 the largest share of de minimis aid (60.53%) was implemented through *de minimis aid schemes*.

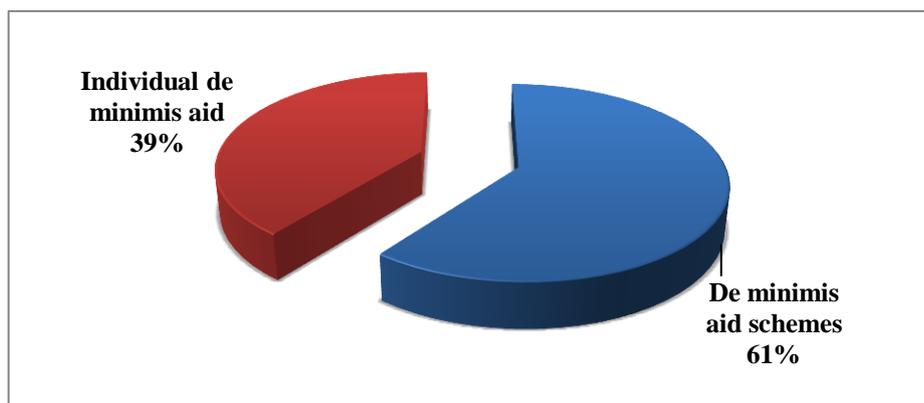


Figure 6. De minimis aid structure (excluding SGEIs) reported for 2020 as individual de minimis aid / de minimis aid schemes

A comparative analysis of de minimis aid (except for SGEIs) reported for the period 2018-2020 according to *method of granting* it is shown in the table

below. The information on the aid provided for the provision of SGEIs will be analysed in Section 3.2. of this chapter.

Table 10

Value and structure of de minimis aid (except for SGEIs) reported according to the methods for granting during 2018-2020

No.	Type of de minimis aid	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Individual de minimis aid	8 114	8.93	5 216	2.91	3 375	2.32
2.	De minimis aid scheme	82 736	91.07	173 756	97.09	142 358	97.68
	TOTAL	90 850	100	178 972	100	145 733	100

From the data presented in Table 10, it is observed that in 2020 the amount of de minimis aid implemented through de minimis aid schemes decreased compared to previous years, due to the reduction of the budget allocated to some support measures.

The de minimis aid scheme that recorded the major amount of the total volume of de minimis aid reported in 2020, about 27%, was the Economy Remittance Attraction Program “ERAP 1+1”, implemented by the Organization for the Development of the Sector for Small and Medium Enterprises. . The support measure was provided to stimulate the establishment and development of small and medium-sized enterprises by migrant workers and remittances beneficiaries. In the reporting year, 167 enterprises benefited from de minimis aid under the nominated programme. Compared to previous years, the number of beneficiaries of the de minimis aid scheme has decreased, which has also contributed to the reduction of the volume of public resources allocated within it.

The value of *de minimis aid* reported *depending on the form of granting* is shown in Table 11.

Table 11

Amount and structure of de minimis aid (except for SGEIs) reported in the period 2018-2020, depending on the form of granting

No.	Form of granting	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Grants and / or subsidies	75 614	83.23	158 867	88.77	105 779	72.58
2.	Budget allocations	0	0	0	0	0	0
3.	Cancellation and takeover of debts	0	0	858	0.48	0	0
4.	Exemptions and/or reductions in the payment of taxes, fees and other compulsory payments	2 803	3.09	8 525	4.76	26 568	18.23
5.	Loans on preferential terms	1 754	1.93	5 671	3.17	4 247	2.91
6.	State guarantees, guarantees	24	0.03	0	0	432	0.30

No.	Form of granting	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
	granted by public authorities/institutions and persons assimilated to public authorities, state/municipal enterprises and by companies with full or majority public capital						
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	186	0.13
8.	Price reductions on goods and services provided, including the sale of movable and immovable property below market	10 654	11.73	5 050	2.82	8 522	5.85
	TOTAL	90 850	100	178 972	100	145 733	100

The largest share of de minimis aid reported for 2020 continued to be provided in the form of *grants and / or subsidies*, recording 72.58% of the total reported value. The share of de minimis aid reported in the form of grants and/or subsidies in the total amount reported decreased compared to 2019, which was caused by the reduction in the amount of state aid allocated to some support measures reported in this form.

About 79% of the de minimis aid reported in the form of grants and/or subsidies was provided by the Organization for the Development of the Sector for Small and Medium Enterprises through the de minimis aid schemes: the the "1+1" ERAP Economy Remittance Attraction Program, the pilot program "Women in business", the program "START for YOUNG PEOPLE: a sustainable business at home", Digitization of Small and Medium-sized Enterprises and the Program to Promote the participation of economic agents in fairs and exhibitions. It is noted that all of these de minimis aid schemes have been implemented to support the SMEs.

In 2020 the amount of de minimis aid reported as *exemptions and / or reductions in the payment of taxes, fees and other mandatory payments* it increased significantly compared to previous years, namely about 3 times compared to 2019 and about 9.5 times compared to 2018. This dynamic was determined, including by the support measure provided by the Customs Service through the de minimis aid scheme on exemptions applied to imports of motor vehicles of tariff headings 8702 and 8704 with an operating term of up to 7 years. This de minimis aid scheme also held the largest share of the amount of de minimis aid reported in the form of tax and customs advantages, registering 87.63%. At the same time, it is noted that the aforementioned support measure

constitutes an existing state aid scheme, which was aligned by the Decision of the Plenum of the Competition Council no.ASR - 63 as of 27.11.2020. According to the Decision of the aforementioned Plenum of the Competition Council, the support measures granted in the form of exemptions from the customs duty applied on the basis of pt.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 the customs duty on the import of motor vehicles specified in tariff headings 8702 and 8704, with an operating term of up to 7 years inclusive, from countries with which the Republic of Moldova has not concluded an international treaty, constitutes de minimis aid scheme within the meaning of the Law on state aid.

During the reporting period there was a tendency to increase the aid provided in the form of *reductions in goods and services* (including the sale of goods and services below market price), constituting about 6% of the total amount of aid reported. Thus, in 2020 the amount of de minimis aid reported in the given form increased by 68.75% compared to 2019. This fact was determined by the increase in the amount of the de minimis aid scheme granted under the Small and Medium-Sized Enterprises Sector Support and Development Program, implemented through the Grant Implementation Unit granted by the Government of Japan, as a result of the increase in the number of beneficiaries of the given support measure by about 5 times.

As regards the amount of de minimis aid granted in the form of *loans on preferential terms*, it decreased by 25.12% compared to 2019, at the same time increasing by about 2 times compared to 2018. This dynamic of the aid was also determined by the fact that in 2020 the Material Reserves Agency did not grant food grain from the State Material Reserves as a time-delayed refreshment, respectively the support measure established under Law no.No. 589/1995 on state material reserves and mobilization was not reported. Also, the decrease in the value of the examined support measures was partially offset by the increase in the volume of public resources provided through the de minimis aid scheme, on the application of preferential interest rates within the Youth Lending Facility for the promotion and support of business development of young entrepreneurs, implemented by the public institution “Office for the Management of External Assistance Programs”. The value share of the measure reported in the total aid reported in the form of loans on preferential terms was 97.25%.

In 2020, de minimis aid was granted in the form of *state guarantees* through the Credit Guarantee Fund, implemented by the Organization for Small and Medium-Sized Enterprises Sector Development . As for de minimis aid provided in the form of *provider's investments*, this was

offered by Falesti City Hall in order to facilitate the activity of a municipal enterprise.

In 2020, de minimis aid was reported to support SMEs, environmental protection, employees training and creating new jobs, 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 2018-2020

No.	Objective	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Horizontal objectives	75 731	83.36	101 126	56.50	134 029	91.97
1.1.	<i>SMEs support</i>	74 072	81.53	91 982	51.39	110 044	75.51
1.2.	<i>Environment protection</i>	1 390	1.53	8 676	4.85	23 538	16.15
1.3.	<i>Research-development and innovation</i>	0	0	0	0	0	0
1.4.	<i>Aid for employee training and job creation</i>	269	0.30	468	0.26	447	0.31
2.	Regional development aid	3 022	3.33	1 773	0.99	925	0.63
3.	Sectoral objectives*	9 838	10.83	7 223	4.04	8 198	5.63
3.1.	<i>Aid for the promotion of culture and the conservation of cultural heritage</i>	2 254	2.48	68 850	38.47	2 582	1.77
5.	Other objectives	5	0.01	0	0	0	0
	TOTAL (except for SGEIs)	90 850	100	178 972	100	145 733	100

* the amount of sectoral aid was recalculated, including the aid granted for the promotion of culture and preservation of cultural heritage, taking into account the provisions of the Decision of the Plenum of the Competition Council no. 3/2016 on the approval of normative acts on the evaluation of sectoral state aid

In 2020 the basic share of de minimis aid was directed to **horizontal objectives**. Thus, in relation to the years 2018-2019, the value and share of de minimis aid for horizontal objectives recorded an essential increase. The amount of de minimis aid for horizontal objectives increased by 32.54% in 2020 compared to 2019 and by about 77% compared to 2018. This trend was determined both by the increase in the amount of state aid granted to support SMEs and Environmental Protection, and by the reduction in the amount of state aid oriented towards other objectives compared to 2019.

The largest contribution to the increase in the amount of de minimis aid for horizontal targets in 2020 compared to previous years was the reported aid to support SMEs. De minimis aid to support SMEs increased by 19.64% in 2020 compared to 2019 and by 48.56% compared to 2018. This positive development of the indicator was driven in particular by the increase in the volume of public

resources allocated under de minimis aid schemes and the implementation of new de minimis aid. One of the new support measures implemented in 2020 is the Program "Start for Young People: a sustainable business at home"¹³, implemented by the Organization for Small and Medium-Sized Enterprises Sector Development, which aims to develop entrepreneurship among young people and encourage business start-up, especially in rural areas, by facilitating access to financial resources, training, consultancy in business management and expansion.

As in 2019, the most significant support measure implemented in the reporting year for SME support is the program on attracting remittances in the national economy "PARE 1 + 1", intended for migrant workers and / or their first-degree relatives who want to invest in launching or / and developing their own business¹⁴.

There is a significant increase in the amount of de minimis aid granted for environmental protection, namely about 3 times in 2020 compared to 2019. About 99% of the amount of de minimis aid for Environmental Protection is attributed to the de minimis aid scheme on exemptions applied to imports of motor vehicles of tariff headings 8702 and 8704 with an operating term of up to 7 years, implemented by the Customs Service.

De minimis aid for **Regional Development** registered a negative evolution in 2020 compared to previous years. Thus, for the reporting period, the amount of the analyzed aid decreased by 47.84% compared to 2019. This dynamic of aid was determined by the completion of the implementation period of some support measures.

As regards the amount of de minimis aid for **sectoral objectives**, this significantly decreased in the reporting period compared to previous years. Thus, in 2020 the value of the nominated indicator decreased by about 86% compared to 2019. This development was determined by the reduction in the amount of aid provided for the promotion of culture and the preservation of cultural heritage.

The decrease in the volume of de minimis aid for the promotion of culture and the preservation of cultural heritage was determined, including by the significant decrease in the number of beneficiaries of these support measures (about 3 times compared to 2019) and the alignment of existing state aid schemes.

The amount of de minimis aid registered a negative trend compared to 2019. This development was determined by several factors, including the

¹³ <https://www.odimm.md/ro/despre-program-start-petru-tineri>

¹⁴ <https://www.odimm.md/ro/component/content/article/70-programul-pare.html>

reduction in the number of beneficiaries of some de minimis aid schemes and the completion of the implementation of some support measures. Regarding the structure of the de minimis aid according to the form of granting and its objective, it has not changed substantially, being respected the international recommendations in the field of state aid.

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

Value of support measures for the provision of SGEIs during 2018-2020

No.	Indicator	2018	2019	2020
1.	Value of support measures for the provision of SGEIs			
<i>1.1.</i>	<i>thousand MDL</i>	256 285	489 600	502 761
<i>1.2.</i>	<i>thousand EUR*</i>	12 918	24 891	25 469

** calculated based on the average annual exchange rate of the leu in relation to the euro, NBM source (MDL/EUR year 2018=19.84, year 2019=19.67; year 2020=19.74)

The data reported for the period 2018-2019 have been updated and corrected in accordance with the information presented by the providers.

The value of support measures shown 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 state aid provided for the provision of SGEIs in 2020 was 484 718 thousand MDL, which constituted 96.41% of the total amount of support measures reported for SGEIs. The difference was the amount of de minimis aid provided for the provision of SGEIs.

The value of support measures reported for the provision of SGEIs in the period 2018-2020 showed an increasing trend. Thus, in 2020 the value of the support measures granted for the provision of SGEIs increased by 2.69% compared to 2019. This increase was determined by the increase by 18,189 thousand MDL in the amount of state aid provided for the provision of SGEIs. At the same time, the decrease by 5 028 thousand MDL of the amount of de minimis aid conditioned the reduction of the amount of support measures granted for the provision of SGEIs.

Of the total value of support measures reported for the provision of SGEIs in 2020, respectively 502 761 thousand MDL, *amount of state aid authorised* by the Competition Council it was 335 760 thousand MDL (66.78% of the total value), the difference being determined by the de minimis aid, the aid implemented until the entry into force of the Law on state aid and the support measures under consideration at the Competition Council.

The following are briefly presented *the support measures authorised* in 2020 by the Competition Council for the provision of SGEIs:

- *The support measure notified by the City Hall of Balti* on the allocation of subsidies, the transfer in management for free of charge of some material goods to JV "Balti Road Maintenance and Construction Department". The state aid is necessary for the operation of the municipal waste collection and transport service. The amount of state aid in the form of subsidies for the period 2017-2018 amounted to 4 461.3 thousand MDL. As regards the transmission into economic management of fixed assets, the amount of state aid for the period 2018-2024 constitutes 7 531.37 thousand MDL (*Decision of the Plenum of the Competition Council no.ASR-08 as of 10.03.2020*).
- *Support measure notified by Rezina City Hall* on the transmission in economic management of some fixed assets and material goods related to the Sewerage and Aqueduct network to JV "Rezina Residential-Communal Services" without charging an equivalent consideration. The value of state aid for the provision of the public service of water supply and sewerage for the period 2016-2023 is 866.42 thousand MDL (*Decision of the Plenum of the Competition Council no.ASR - 18 as of 15.05.2020*).

- ***Support measure notified by Baurci Village Hall, Ceadir-Lunga district, ATU Gagauzia*** on the transmission in economic management of the water supply networks (40.82 km) and of the infrastructure involved in water supply to JSC "Apa-Termo", necessary for the operation of the public water supply service. The value of state aid for the period 2019-2025 is 2 457.16 thousand MDL (*Decision of the Plenum of the Competition Council no.OTG-21 as of 04.06.2020*).
- ***Support measure notified by the General Directorate of Finance of ATU Gagauzia***, which consists in the annual transmission of financial means in the form of subsidies to the Public Company "GAGAUZIA RADIO TELEVISIONU". The state aid is directed to support the provision of the Regional Public Service Broadcasting. The amount of state aid granted for the provision of public service broadcasting granted to the public company "GAGAUZIYA RADIO TELEVISIONU" for the period 2018-2024 is about 45 785.8 thousand MDL (*Decision of the Plenum of the Competition Council no.ASR-31 as of 09.07.2020*).
- ***Support measure notified by Leova District Council*** on the transmission in economic management of fixed assets related to water supply and sewerage infrastructure to S. A. "Apa-Canal Leova". The value of state aid for the period 2020-2044 is 41 991.48 thousand MDL, necessary for ensuring the public service of water supply and sewerage in Leova city and other localities (*Decision of the Plenum of the Competition Council no.ASS-32 as of 09.07.2020*).
- ***Support measure notified by Tartaul Village Hall, Cantemir district***, on the transmission in economic management of water supply networks (16 km) to JV "Tart-Local-Service" in order to operate the public water supply service in the locality. The amount of state aid for the period 2019-2028 represents 2 956.99 thousand lei (*Decision of the plenum of the Competition Council OTS-36 of 04.08.2020*).
- ***Support measures notified by Balti City Hall*** consists of: (I) the granting of the guarantee for contracting by M. E. "Directorate of Trolleybuses of Balti" of the loan on preferential terms by the European Bank for Reconstruction and Finance in the amount of EUR 2.5 million, for a term of 12 years, as well as a grant of EUR 1.2 million; (ii) the allocation of annual subsidies from the municipal budget; (iii) exemption from payment for the lease of fixed assets. The support measures are intended to rehabilitate the infrastructure and ensure the service of electric transport in Balti municipality. The total amount of state aid for the period 2018-

2020 accumulated 114 307.5 thousand MDL (*Decision of the Plenum of the Competition Council no.ASR-45 of 17.09.2020*).

- **Support measure notified by Cazaclia Village Hall, Ceadir-Lunga district, ATU Gagauzia** on the transmission in economic management of water supply networks (30.39 km) and the infrastructure involved in water supply to S. A. "Apa-Termo", in order to ensure the public service of water supply to the inhabitants of the locality. The amount of state aid for the period 2019-2025 is 3 842.43 thousand MDL (*Decision of the Plenum of the Competition Council no.OTG-57 from 19.11.2020*).
- **Support measure notified by the Iscalau Village Hall, Falesti district** on the transmission in economic management of water supply networks to JV "Iscalau utilities" for ensuring the administration of the public water supply service. The amount of state aid in the period 2017-2026 is 4 495.4 thousand MDL (*Decision of the Plenum of the Competition Council no.ASR-66 as of 03.12.2020*).

During the reporting period, SGEIs companies benefited from support measures granted as individual aid, either through state aid/de minimis aid schemes. In 2020, the largest share of them (98.59% of the total number) were implemented as *individual aid*.

According to the amount of aid provided for the provision of SGEIs, the largest share was granted to JV "Urban Bus Park", being about 30% of the total reported value. The nominated support measures were granted in order to ensure the provision of the public transport service within the limits of Chisinau municipality.

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

Table 14

The amount and structure of SGEIs support measures reported depending on the granting form, during 2018-2020

No.	Form of granting	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
1.	Grants and / or subsidies	73 506	28.68	144 373	29.49	124 215	24.71
2.	Budget allocations	609	0.24	146 112	29.84	147 093	29.26
3.	Cancellation and takeover of debts	1 710	0.67	0	0	0	0
4.	Exemptions and/or reductions in the payment of taxes, fees and other mandatory payments	7 215	2.82	18 476	3.77	8 321	1.66
5.	Loans on preferential terms	56 511	22.05	79 772	16.29	98 375	19.57
6.	State guarantees, guarantees granted by public	19 121	7.46	17 368	3.55	32 672	6.50

No.	Form of granting	2018		2019		2020	
		thousand MDL	%	thousand MDL	%	thousand MDL	%
	authorities/institutions and persons assimilated to public authorities, state/municipal enterprises and by companies with full or majority public capital						
7.	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	5 675	2.21	3 551	0.73	18 728	3.73
8.	Renunciation of revenues from state resources or resources of administrative-territorial units granted preferentially	0	0	0	0	4 554	0.91
9.	Price reductions on goods and services provided, including the sale of movable and immovable property below market price	91 939	35.87	79 949	16.33	68 803	13.69
	TOTAL	256 285	100	489 600	100	502 761	100

In 2020, the share of support measures for the provision of SGEIs in the form of *grants and / or subsidies and budget allocations* have accumulated about 54% of the total value reported by suppliers. The amount of aid granted in the form of *grants and / or subsidies* decreased by about 14% compared to 2019, which was also caused by the completion of the implementation of support measures during the reporting period and the decrease in the volume of individual aid granted to enterprises. The most significant measure of support in the form of grants and/or subsidies was granted to the Republican Experimental Prosthetics, Orthopedics and Rehabilitation Center by the Ministry of Health, Labor and Social Protection. It is noted that this support measure represents existing state aid.

Support measures for the provision of SGEIs reported for 2020 in the form of *budget allocations* registered an increase of 992 thousand MDL or 0.67% compared to the previous reporting year. The level of the aid amount nominated was determined by the support measure offered to JV "Urban Bus Park" in order to compensate the public transport services provided in Chisinau municipality.

In 2020, the amount of aid offered in the form of *exemptions, reductions, postponements or instalments for the payment of taxes, fees and other mandatory payments* in relation to 2019 was reduced by about 55%, which was determined by the completion of the application of the tax facility granted to bus imports for JV "Urban Bus Park", Chisinau municipality.

Support measures for the provision of SGEIs were reported at a rate of 19.57% in the form of *loans on preferential terms*, granted as a result of

accessing external funds provided by the International Bank for Reconstruction and Development, the International Development Association, the European Bank for Reconstruction and Development and the European Investment Bank. In 2020, loans continued to be granted at preferential interest under state aid schemes authorized by the Competition Council, namely for: 1) improving the efficiency of the centralized Heat Supply System, the purpose of the loan being to improve the efficiency of the centralized Heat Supply System – beneficiary S. A. "Termoelectrica"; 2) realization of the project "thermo energetic system of Balti municipality (JSC "CET-Nord"), with the aim of improving energy efficiency, reducing operational costs and improving the provision of heat supply services in the municipality Balti-beneficiary JSC "CET-Nord".

The amount of state aid and minimis offered in 2020 in the form of *guarantees on preferential terms* recorded a share of 6.50% of the total aid volume provided for the provision of SGEIs. The value of the support measures provided in this form had a positive evolution compared to previous years, which was determined in particular by the increase in the amount of state aid offered to JSC "Apa-Canal Chisinau" within the implementation of the priority investment program provided by the Feasibility Study for the Water Supply and Wastewater Treatment Program in Chisinau municipality. At the same time, in 2020, has continued the state aid provided to JV "Balti Trolleybuses Directorate" in order to modernize the electric public transport.

The increase in 2020 of the aid provided in the form of *provider's investments* (if the profit rate of these investments is lower than normal, anticipated by a prudent private investor) was determined by the implementation of new state aid measures for the provision of water supply, sewerage, etc.

The amount of aid granted in the form of *price reductions on goods and services provided* decreased by about 14% in 2020 compared to 2019. This trend has been determined, including by the completion of application of support measures. The support measures consisted in the transmission in economic management of aqueduct networks, sewerage, artesian wells and other fixed assets and goods, as well as the transmission in use of rooms and landscaped areas, etc. The main beneficiaries of these support measures are enterprises that provide services: water supply and sewerage, sanitation, postal, public transport, etc.

For the reporting period, information on state aid provided in the form of *waiver of revenues from state resources or the resources of the administrative-territorial units granted preferentially*" this was about 1% of the reported value. The support measure consisted the waiver of the profit obtained by JV "Regia Autosalubritate", during the years 2018-2019, for the purchase of utility equipment, for the collection and transportation of waste.

In 2020, **89 central and local public authorities** provided support measures for the provision of SGEIs. It is noted that both by the number of support measures reported and by the amount of aid, the largest share was provided by LPA. Of the total number of reported support measures, about 99% were provided by LPA. As a value share, about 70% of the aid amount reported for SGEIs was granted by LPA.

Aid provided for the provision of SGEIs continues to be one of the priority directions of the state towards which support measures are aimed to correct market failures.

3.3. Support measures provided in the context of the COVID-19 pandemic

In the year 2020, all economies in the world were affected by the COVID-19 pandemic crisis. The various restrictions adopted by states had an immediate impact on both demand and supply and affected enterprises and their employees. Thus, an immediate economic response from the state was crucial to mitigate these negative repercussions on the economy.

The effects of the COVID-19 pandemic also had an impact on the economy of the Republic of Moldova. In order to support the business environment in the Republic of Moldova, the state provided state aid to enterprises.

It is noted that according to art. 4 of the Law on State Aid, aid intended to remedy damage caused by natural disasters or other exceptional situations is considered to be compatible with the normal competitive environment and is exempted from the obligation to notify the Competition Council. So, the support measures offered to businesses in the context of the COVID-19 pandemic were only reported to the competition authority.

Value of support measures granted in the context of the COVID-19 pandemic amounted to 64 524 thousand MDL or 0.03% of GDP, which represented 4.73% of the total volume of State Aid reported.

State aid providers reported **50 support measures** offered to support businesses in the context of the COVID-19 pandemic. Out of the total number of support measures reported, three aid schemes were implemented by the PCA. Therefore, most of the aid was provided by LPA. In terms of value, LPA provided about 8% of the total reported value.

2,257 enterprises received these support measures, and **median aid amount** per entity was 1 764 MDL. The main beneficiaries of the state aid provided in the context of the COVID-19 pandemic were SMEs, being about 97% of the total number. Such a structure of the beneficiaries of the aid, **according to their type** is explained by the fact that SMEs are subject to a higher risk in relation to the effects of the pandemic on the economy. In this regard, support measures were also provided directly to SMEs: "Financial

guarantee provided from the Credit Guarantee Fund for SMEs affected by the COVID-19 pandemic crisis” implemented by the Organization for the Development of Small and Medium-Sized Enterprises Sector; ”COVID-19-emergency response and support for Micro, Small and Medium Enterprises” implemented by the Office for Management of External Assistance Programs. Also, some LPAs have implemented aid schemes to support SMEs within the limits of its administrative-territorial unit.

According to the *sectors of the national economy*, the largest share of the support measures offered in the context of the pandemic was granted to the companies operating in the manufacturing sector (about 32% of the total value).

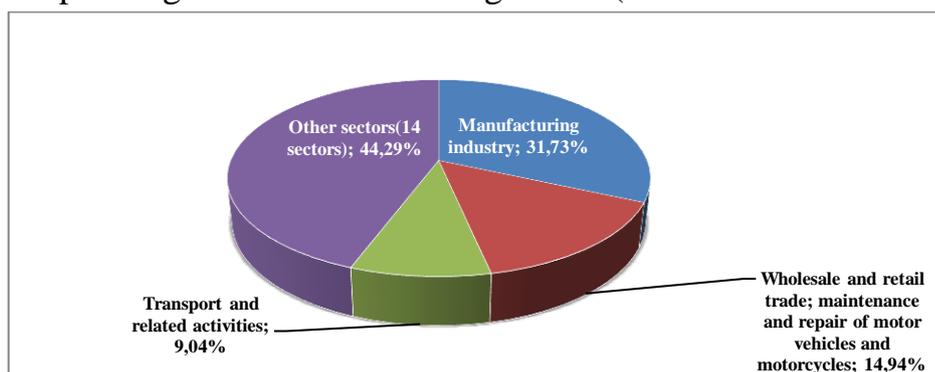


Figure 7. Structure of state aid provided in the context of the COVID-19 pandemic

According to the *method of implementation* of state aid, most support measures to support businesses in the context of COVID-19 were provided through state aid schemes, constituting about 62% of the total. In terms of value, the largest share of aid was also provided through state aid schemes (about 99%). The most significant state aid scheme, from the value point of view, was the ”Subsidization of technical and/or stationary unemployment during the state of emergency” implemented by the State Tax Service based on Law no. 56/2020 on establishing measures to support citizens and entrepreneurial activity during the state of emergency and amending some normative acts. This state aid scheme was accessed by 415 beneficiaries from different sectors of the economy.

According to *the form of granting* of the state aid for COVID-19, about 92.2% of the total amount was reported in the form of grants and/or subsidies. It was determined by the amount of public resources provided through the scheme ”Subsidization of technical and/or stationary unemployment during the state of emergency”, implemented by the State Tax Service.

About 7.5% of the state aid value was reported in the form of tax incentives, these being exemptions or price reductions on local taxes established by LPA. As for the other forms of state aid, they constituted cumulatively 0.3% of the total.

The state aid provided in the context of the COVID-19 pandemic was one of the instruments used by the state to support businesses. Mostly they were offered in the form of budget expenditures, which is in line with international good practices in the field. The main beneficiaries of these support measures were SMEs, being subjected to the highest risks in such conditions.

Chapter IV. MONITORING OF AUTHORISED STATE AID

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.

The main findings on state aid authorised and subject to monitoring in 2020, taking into account their risk of distorting the competitive environment, are set out below.

1) 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), and the conditions set out in the aid authorization decisions. In general, 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.

For 2020, 11 authorised state aids for regional development were subject to monitoring, including a support measure not implemented during the reporting period.

1.1. State aid granted for the creation/development of industrial parks (IP "Trivineta Cavi Development", IP" Edinet", IP" FAIP", IP" Comrat "and IP"CAAN")

Result indicators obtained by IP administrators (beneficiaries of state aid) taking into account the provisions of the Regulation on state aid for regional development, are presented in Table 15.

Table 15**Result indicators obtained as of the date of granting state aid up to 31.12.2020**

No.	Company name	IP's Name	Value of investments made within IP, thousand MDL	Beneficiary's contribution, %	Aid intensity, %
1.	LLC "La Trivineta Cavi Development"	IP "Trivineta Cavi Development"	535 398	92	8
2	LLC "Eco-Garant"	IP " Edinet"	566 901	6	4
3.	LLC "Venador-Prim"	IP "FAIP"	14 313	35	45
4.	JV " Residential-Communal Household"	IP " Comrat"	93 2020	0.001	33
5.	JSC " CAAN"	IP "CAAN"	12 187	39	6

Source: Information presented by the Ministry of Economy

Based on the information presented in Table 15, it was found that the contribution of two state aid beneficiaries is lower than the limit of 25% provided for in the Regulation on state aid for regional development. At the same time, during the state aid monitoring, other shortcomings in the implementation of the decisions authorizing the aid were identified, about which the Ministry of Economy is to be informed, including to be examined in more detail in the light of the legislation in the field of State Aid.

1.2. *Assistance credit provided to the Government of the Republic of Moldova by the Government of the Republic of Poland for the realization of projects in the field of Agriculture, Food Processing (decision of the Plenum of the Competition Council no. ASO-4 as of 23.02.2017).*

In 2020, the financing of the selected beneficiaries within the projects continued: BC "Victoriabank" SA and SRL "Euroforta". The loans granted to them were used according to the Operational Manual of the program, which was confirmed by the documents submitted by the provider.

1.3. *The support measure provided by the Executive Committee of Gagauzia-JV "Vitapharm-Com" S. R. L. (decisions of the Plenum of the Competition Council no. ASR-15/18-55 as of 05.07.2018 and no. ASR-35 as of 23.05.2019)*

With reference to the support measures granted to "Vitapharm-Com" S. R. L. found that the maximum allowable intensity for state aid for regional development, under the conditions of cumulation of state aid for the same beneficiary, is not exceeded. At the same time, in order to make the necessary investments for the implementation of the project (procurement of equipment for the manufacture of medicines in accordance with GMP requirements),

"Vitapharm-Com" SRL acquired and installed equipment and machinery necessary for the production activity.

1.4. State aid scheme " Moldova IT Park" (Decision of the Plenum of the Competition Council no. ASS-17 as of 29.03.2018).

In 2020, 342 residents of the park benefited from the support measures provided through the given state aid scheme. The volume of investments in residents ' activity reached the level of 116.8 million MDL registering an increase of 27% compared to 2019.

At the end of 2020, 12 024 employees have worked in Moldova IT Park resident companies, which exceeds by 2 318 employees or by 32.5% the value registered in 2019 and almost double compared to the first year of activity of the park. The share of employees directly involved in IT activities was kept at the same level during the 3 years considered (about 88% of the total number of employees in the resident companies).

1.5. State aid scheme on stimulating investments for the development of post-harvest and processing infrastructure (Decision of the Plenum of the Competition Council no. ASS-73 as of 11.10.2018)

In 2020, 249 enterprises benefited from support measures through this state aid scheme. The value of investments made in the development of post-harvest and processing infrastructure amounted to over 1 411.7 million MDL. As a result of investments made by agricultural producers, machines were purchased, as follows: refrigerators created and modernized, packaging houses created and modernized, fruit processing, fruit drying, grain processing and drying, primary/finished milk processing, primary/finished meat processing and primary/finished honey processing.

2) State aid granted for the provision of SGEIs

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

The 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 poor state or did not exist at all) for the provision of water supply, sewerage, sanitation for the inhabitants, improvement of the living conditions of the population, improvement of Water Quality, Environmental Protection, raising the social and hygienic level of the population; provision of public broadcasting service; provision of public transport services, being necessary to operate under normal conditions of continuity and safety of the public service.

Therefore, state aid provided for the provision of SGEIs, in particular those aimed at securing/improving infrastructure, entails lower risks of distorting the competitive environment in relation to aid granted for other objectives.

For the year 2020, 13 support measures granted for the provision of SGEIs were monitored. More than 50% of the total number of State Aids subject to monitoring were provided for the provision of water supply and sewerage services. The implementation of the nominated support measures, in a general way, contributed to the increase in the number of consumers of the respective services, the improvement of the infrastructure in the locality, etc. At the same time, state aid was provided for waste disposal, electric public transport and provision of regional public service broadcasting and other public services.

It is specified that all support measures have been reported to the Competition Council in accordance with art. 19 of the Law on state aid.

3) State aid for training employees and creating new jobs

Monitoring of state aid for the training of employees and for the creation of new jobs is carried out taking into account the evaluation criteria of the Regulation on state aid for the training of employees and for the creation of new jobs, approved by the Decision of the Plenum of the Competition Council no. 5/2013 (published in OG no. 228-232 art. 1531 as 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 shall not exceed 50% of the eligible costs for the employment of disadvantaged workers and 75% of the eligible costs for the employment of disabled workers;
- employment of disadvantaged workers with disabilities;
- minimum duration of job retention, etc.

3.1. The state aid scheme regarding the granting of subsidies for the training of employees and for the creation of new jobs, based on the provisions of art. 33, 34, 36, 38, 40 of Law no. 105/2018 on Employment Promotion and Unemployment Insurance (Competition Council Plenum Decision no.ASR - 14 of 29.04.2020)

As a result of the implementation of the state scheme on the provision of subsidies for the training of employees and for the creation of new jobs, based on the provisions of art. 33, 34, 36, 38, 40 of Law no. 105/2018 on Employment Promotion and Unemployment Insurance the following result indicators were obtained, according to the table below:

Indicators of the result of the implementation of the state aid scheme

No.	Purpose of the support measure	Amount allocated, thousand MDL	Indicators
1.	On-the-job training within the facility (art. 33)	58	Contracts were concluded on on-the-job training within the facility with 14 economic agents, 48 unemployed being registered.
2.	Professional internship (art. 34)	400	Contracts were concluded with 34 economic agents to train 80 unemployed people to professional training through professional internship, of which 34 unemployed people were employed.
3.	Subsidizing jobs (art.36)	1 894	250 unemployed people were employed (114 women or 45.6%). Most people employed by this measure belong to the category 50 years+ (191 people) and 41 people with disabilities, etc.
4.	Subsidies for the creation or adaptation of workplaces for people with disabilities (art. 38)	172	4 companies benefited from aid to create or adapt jobs and employ 4 people with disabilities.
5.	Supporting local initiative projects (art. 40)	-	-

Source: information provided by the National Employment Agency

In 2020, the total amount of state aid granted under art. 33, 34, 36 and 38 of Law no. 105/2018 on Employment Promotion and Unemployment Insurance amounted to 2 524.5 thousand MDL.

3.2. State aid scheme on granting subsidies for job creation (Decision of the Plenum of the Competition Council no. ASS-46-18-27 as of 24.04.2019)

The sole beneficiary of this state aid scheme was " SE Bordnetze " SRL, the amount of state aid granted to it being 21 240 thousand MDL. During the state aid monitoring, some shortcomings in the implementation of the decision authorizing the state aid scheme were identified, which are to be examined in more detail in the light of the state aid legislation.

4) Aid for small and medium-sized enterprises

De minimis aid for SMEs is provided in compliance with the Regulation on state aid granted to small and medium-sized enterprises, approved by the Decision of the Plenum of the Competition Council no. 10/2013 (published in OG no. 252-257 of 08.11.2013) and the Regulation on de minimis aid, approved

by the Decision of the Plenum of the Competition Council no. 01/2020 (published in OG no. 279-284 of 30.10.2020).

Support measures granted from the Credit Guarantee Fund for the guarantee product active enterprises and newly created enterprises (Decision of the Plenum of the Competition Council no. ASER - 25 as of 18.06.2020)

Within the framework of the alignment of existing state aid schemes, it was found that the support measures granted from the Credit Guarantee Fund for the guarantee product active enterprises and newly created enterprises, constitute de minimis aid scheme granted to SMEs, within the meaning of Law no. 139/2012 on state aid (by Decision of the Plenum of the Competition Council no. ASER - 25 as of 18.06.2020) According to the same decision, the Organization for the Development of the Sector of Small and Medium-Sized Enterprises was to establish the market fee to the financial guarantees issued by it.

With reference to the fact that the analyzed support measure constitutes de minimis aid, its impact on the competitive environment being insignificant, during its monitoring it was checked compliance with the conditions imposed in the Decision of the Plenum of the Competition Council.

Following the monitoring of aforementioned aid , it was found that the supplier has established the estimated market fee for the financial guarantees issued, which will be adjusted annually based on the costs incurred. It is specified that the amount of the estimated market fee is a reference value for determining the amount of aid granted to enterprises by the State.

5) 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, published in Official Gazette 258-261 as of 15.11.2013). 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.

For 2020, 3 state aid schemes implemented by the Energy Efficiency Agency were monitored. In general, the state aid schemes implemented by the Energy Efficiency Agency were oriented towards the field of energy efficiency and recovery of renewable resources.

Through the state aid scheme "Pilot Projects in the field of energy efficiency and capitalization of renewable energy sources" (Decision of the Plenum of the Competition Council no. ASO - 19 of 22.05.2017) and the state aid scheme "Call for project proposals no. 1 in the field of energy efficiency and capitalization of renewable energy sources" (Decision of the Plenum of the Competition Council no. ASO-43 as of 09.09.2020) two projects were financed, which are under execution.

As regards the implementation of the state aid scheme "call for project proposals no. 3 in the field of energy efficiency and capitalization of renewable energy sources addressed to applicants for financing from the public sector" (Decision of the Plenum of the Competition Council no. ASO - 09 AS of 15.03.2016), within the monitoring was observed compliance with the level of intensity and contribution provided in the regulation on state aid for Environmental Protection (approved by the Decision of the Plenum of the Competition Council no. 9/2013) by the beneficiaries of the project.

6) *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, published in Official Gazette 276-280 as of 29.11.2013). 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.

Subsidies for innovation and technology transfer projects and innovation infrastructure development projects (Decision of the Plenum of the Competition Council no. ASO-9 of 03.04.2017)

During the monitoring of this state aid scheme, it was found that 12 entities benefited from this support measure, totaling 5 512 thousand MDL. The intensity of the state aid granted to the 12 reported beneficiaries did not exceed 50% of the project value, thus the conditions set out in the authorization decision were respected.

7) *Aid for rescuing beneficiaries in difficulty*

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, published in OG 243-247 of 01.11.2013).

7.1. *State aid granted to JSC "Banca de Economii", BC" Banca Sociala "JSC and BC" UNIBANK" JSC (Decision of the Plenum of the Competition Council no. ASER-68 of 11.12.2015)*

In 2020, the monitoring of the Decision of the Plenum of the Competition Council no. ASER - 68 of 11.12.2015 on the recovery of state aid by the NBM and the Ministry of Finance has continued.

According to the information presented by the NBM, from the date of license withdrawal until 31.12.2020, including the 3 commercial banks made cumulative repayments in the total amount of 2 557 million MDL, as follows: JSC "Banca de Economii" - 1 472 mln.MDL, BC "Banca Sociala"JSC-764 mil.MDL and BC" UNIBANK " JSC -321 mil.MDL The Decision is to be further monitored by the Competition Council until the total recovery of the state aid by the NBM and the Ministry of Finance.

7.2. *The measure of support provided by the Executive Committee of Gagauzia - JV "Marigold" LLC (Decision of the Plenum of the Competition Council no. ASR-14/18 - 50 as of 28.06.2018)*

According to the information presented, by the Decision of the Comrat Court, Ciadir-Lunga Office as of 02.07.2021 (file no. 2i-14/2019), the insolvency court ordered the application of the restructuring procedure plan (approved by the meeting of creditors JV "Marigold" LLC) and was appointed administrator of the insolvency procedure JV "Marigold" LLC in the restructuring procedure plan. With reference to the restructuring plan, the company initiated the production of new types of products. At the same time, during the monitoring were presented the main economic and financial indicators of JV "Marigold" LLC for 2020. According to the information in the declaration on the amount of de minimis aid received as of 05.08.2021, JV "Marigold" LLC did not benefit from another state aid for restructuring, thus being complied with the provisions of pt. 9 of the Regulation on aid to rescue beneficiaries in difficulty.

7.3. c) *State aid granted for the recovery of the financial-economic situation of the SE Airline "Air Moldova " (Decision of the Plenum of the Competition Council no. ASS-43 as of 14.09.2017)*

In accordance with the provisions of the contract no. 1/17-AL of 15.09.2017, concluded by S.E. "Chisinau International Airport" and S.E A. C. "Air Moldova", S.E. "Chisinau International Airport" is to take the necessary measures in order to fulfill the obligation to return the loan granted. And, in case of impossibility to resolve disputes through negotiations, the dispute will be examined by the competent court of the Republic of Moldova according to the legislation in force at the time of the dispute. Within the meaning of art. 14

para. (1) of Law No.139/2012 on state aid, responsible for the return of state aid granted to S.E. A. C. "Air Moldova" is the state aid provider, in this case. S.E. "Chisinau International Airport".

8) State aid for sectoral objectives

8.1. *State aid granted to the State Enterprise the Periodical Publication-the newspaper "БЕСТИ ГАГАУЗИИ" (Decision of the Plenum of the Competition Council no. ASO-96 of 19.12.2019)*

In 2020, the State Enterprise Periodical Publication-the newspaper "БЕСТИ ГАГАУЗИИ" benefited from state aid amounting to 1,030 thousand MDL. The support measure was directed to the editing of the official bulletin "Ekspres-Kanon", 154 issues of magazines were published in 44 editions. Thus, the granting of the aid was carried out under the conditions of the decision authorizing the state aid.

8.2. *State aid granted to SE "Railways of Moldova" for the acquisition of locomotives and restructuring of railway infrastructure (Decision of the Plenum of the Competition Council no. ASS-44 as of 02.07.2015)*

In 2020, the implementation of the locomotive procurement project and the restructuring of the railway infrastructure continued. In this regard, 12 freight locomotives were purchased and the Basarabeasca locomotive depot was renewed.

8.3. *The state aid scheme for financing the production of films of all genres, the development of film projects, the distribution of films, the participation of domestic films and film makers from the Republic of Moldova in international festivals, the organization of film festivals and events in the Republic of Moldova (Decision of the Plenum of the Competition Council no. ASS-01 from 18.01.2019)*

The analyzed support measure contributes to the implementation of the Action Plan on the implementation of the Culture Development Strategy "Culture 2020". 11 enterprises benefited from the given support measure, in a total amount of - 5,026 thousand MDL.

8.4. *State aid scheme on the granting of subsidies to state theaters, circuses and concert organizations (Decision of the Plenum of the ASS-100 Competition Council of 19.12.2019)*

The support measure contributes to the protection, valorization and preservation of the country's cultural heritage. 18 enterprises benefited from the given support measure, in a total amount of - 187 708 thousand MDL. More than 50% of the reported amount of state aid was directed to theatres.

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. In this respect, the instruments provided for by the legislation in force are to be applied.

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

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.

In December 2020, the new version of SIRASM was launched, updated with the support of the World Bank, aiming to streamline the process of notification and reporting of state and de minimis aid, such as: submission of online notifications of state aid, reporting of state and de minimis aid; submission by providers of de minimis aid schemes; recording of de minimis aid granted; online communication between the Competition Council and suppliers; systematization of information on state and de minimis aid granted according to different criteria; presentation of information/generation of statistical reports based regarding the aids granted (table, graphs) etc. Another advantage is interoperability with other databases (e.g. Register of LPA's documents , register of enterprises, etc.).



Figure 8. SIRASM interface

During the year, access was granted to 140 state aid providers, a total of 1,245 providers being connected to the system.

During the reporting period, all state and de minimis aid providers reported support measures via the online system. During the years 2016-2020, the share of providers that reported state aid through SIRASM is shown in Figure no.9.

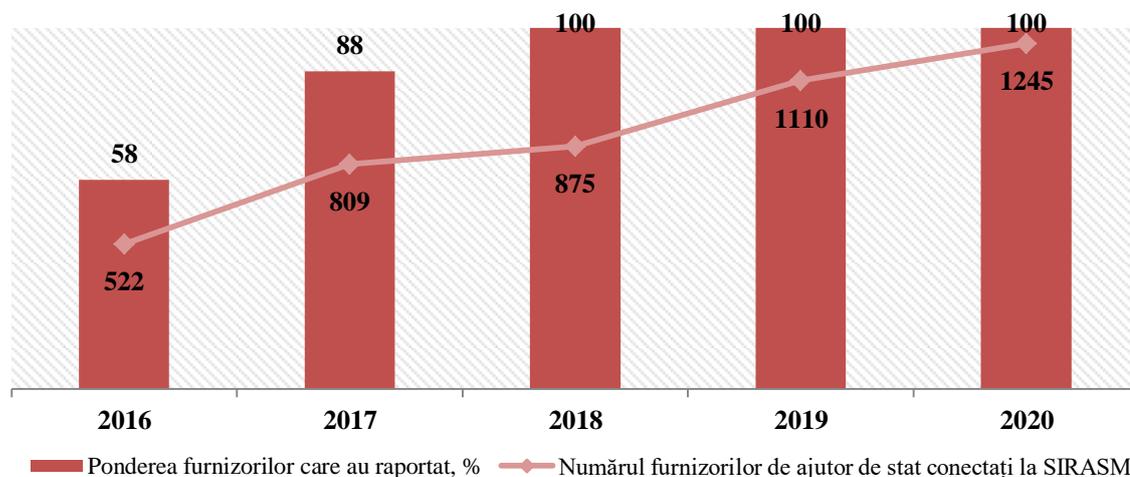


Figure 9. Providers using SIRASM

The trend of increasing the number of public authorities using SIRASM was also determined by the actions to promote the competitive culture in the field of state aid carried out by organizing online consultations and meetings with providers. This contributes to transparency in the collection and analysis of state and de minimis aid data granted.

The effective implementation of SIRASM in the process of notification and reporting of state aid by state aid providers will further contribute to: a) providing access data to state aid providers and providing permanent information support in order to use SIRASM efficiently; 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 implementation of state aid legislation; c) timely updating of the information in the State Aid Register.

DIRECTIONS FOR IMPROVING COMPETITION POLICY IN THE FIELD OF STATE AID

With reference to the state aid evolution reported for 2020 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 in the field of competition and state aid for the years 2017-2020;
- review by the Ministry of Finance of support measures granted in the form of tax advantages in the light of state aid legislation;
- drafting and amending the normative acts in force under the EU state aid acquis; In this regard, it is specified that EU state aid regulations are amended every certain period of years. Thus, in order to achieve the commitments assumed by the Association Agreement, the Competition Council will harmonize the normative acts with the new provisions of the EU legislation in this field;
- raising the competitive culture in the state aid part, both within public authorities and society as a whole.

Granting state aid in accordance with the provisions of state aid legislation will contribute to correcting market failures, increasing the competitiveness of enterprises, creating a normal competitive environment, as well as strengthening 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 analysed in the report
- II. Objectives of state aid and de minimis aid
- III. Sources of data collection and methods for assessing the aid element

I. Scope of state aid and de minimis aid analysed 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. 01 as of 06.08.2020
- Regulation on State Aid Register, approved by the Decision of the Plenum of the Competition Council No. 3 from 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 assessing 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*)
- Category of aid (*for state aid reporting*)
- Period during which State aid is granted under this measure (*for state aid reporting*)
- Date on which aid ceased to be granted (*for de minimis aid reporting*)
- Objectives of granting state/de minimis aid
- Region
- Origin of aid
- Form of granting state /de minimis aid
- Description of the form of granting state /de minimis aid
- Type of state /de minimis aid
- Grant conditions
- Beneficiaries and amount of state /de minimis aid
- Data on how to determine the amount of state /de minimis aid
- Comments (*for state aid reporting*)
- Other information and comments (*for de minimis aid reporting*)
- Statement (*for de minimis aid reporting*)

Information from the Official Web pages of the NBS and NBM:

- gross domestic product;
- population number;
- average annual exchange rate MDL/EUR.

Methods for assessing 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 AID UNDER THE GENERAL FRAMEWORK FOR 2020
WAS 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, art. 103 para. (1) pt. 26).
3. 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)
4. Tax Code of the Republic of Moldova no.1163/1997, art. 124 para. (18).
5. 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
6. 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
7. Tax Code of the Republic of Moldova no.1163/1997, art.53 para. (1); Government Decision No.182/2013 on the approval of the list of organizations and enterprises of companies of the blind, companies of the deaf and companies of the disabled, exempt from payment to the budget of VAT related to goods produced and services rendered.
8. Tax Code of the Republic of Moldova no.1163/1997, art. 53 para. (3).
9. Tax Code of the Republic of Moldova no.1163/1997, art.49 letters a), b) and c); Law No.440/2001 on free economic zones.
10. Tax Code of the Republic of Moldova no.1163/1997; Law no.77/2016 on Information Technology Parks.

11. 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
12. Customs Code of the Republic of Moldova no.1149/2000, art. 126.
13. Law no.1164/1997 for the implementation of titles I and II of the Tax Code, art.24 para. (17).
14. Law No 1515/1993 regarding the protection of the environment, Article 85.
15. 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.
16. 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"
17. Law No 1421/2002 on theaters, circuses and concert organizations.
18. Law No 1380/1997 regarding the customs tariff, Article 28 lit.1).
19. Law No 1417/1997 for the implementation of title III of the Tax Code, Article 4 para. (18); Government Decision No 819/2017 for the approval of the Regulation on the manner of granting certain categories of advantages 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.
20. 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.
21. Cinematography Law No. 116/2014
22. Press Law No.243/1994; Government Decision No.1128/2003 on the founding of the magazine "Moldova".
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.172/2019 State budget for 2020; Law no.72/2015 State budget for 2015; Law no.60/2012 on the social inclusion of people with disabilities.
25. 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.
26. Law no.344/1994 on the special legal status of Gagauzia (Gagauz-Yeri); ATU Gagauzia Law no.31/2018 on amending and supplementing the ATU Gagauzia Law no.16-IX / VI of 08.12.2017 on the budget for 2018; ATU Gagauzia Law no.32/2018 on the budget for the year 2019; ATU Gagauzia Law no.48 of 17.12.2019 on the budget for 2020; 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 no.23-XX / II of 26.09.2000 on the publication of the supplement to the newspaper "ВЕСТИ ГАГАУЗИИ" – "Bulletin of official acts of Gagauzia".
 27. Government Decision no.381/2019 on the approval of the National Program in the fields of research and innovation for the years 2020-2023 and of the Action Plan on its implementation; Government Decision No.382/2019 on the approval of the methodology for financing projects in the fields of research and innovation; Government Decision No.53/2020 on the approval of the methodology of institutional financing of Public Law organizations in the fields of research and innovation; order of the Ministry of Health, Labor and Social Protection no.233/2020 and no.666/2020 on the distribution of financial means for institutional consolidation projects in the fields of research and innovation for 2020.
 28. Government Decision no.1145/2017 for the approval of the Regulation on subsidizing job creation.
 29. 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.
 30. Decision CRD Center no.01/02 of 11.02.2016 on the approval of the Centru Regional Development Strategy 2016-2020; Orhei City Council Decision No.7/22 of 24.10.2014 on the approval of the Articles of Associations of JV "Orhei Communal-Housing Services"; Orhei City Council Decision No.44 of 04.05.2016 on the commissioning of the land; Orhei City Council Decision No.5/12 of 07.06.2016 on the Orhei sub-area of Balti Free Economic Zone; Orhei City Council Decision No.6/2 of 05.07.2016 on the negotiation and signing of contracts for entrepreneurial activity in the Orhei sub-area of Balti Free Economic Zone.
 31. Decision no.1/25 of 19.03.2015" on the foundation of the Municipal Enterprise Chisinau Municipal Dental Center", Decision no.3/15 of 19.05.2015 " on the operation of amendments in the Decision of the

Chisinau Municipal Council no.1/25 of 19.03.2015”on the foundation of the Municipal Enterprise "Chisinau Municipal Dental Center".

32. Edinet City Council Decision no.19/20 of 23.08.2013 ”On the creation of Edinet Industrial Park".

33. Land lease agreement no.166/2014 signed by ATU Gagauzia, Comrat City Hall.

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

(thousand MDL)

Objective	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of profit of 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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of profit of 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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of revenues from State resources or resources of administrative-territorial units granted in a preferential manner	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	12	13	14	15	16	17	18	21	22	23	24	25
Horizontal objectives	103661	10285	33183	214	0	0	1424	37093	76348	61633	5	0	0	6175	46170	10627	45340	0	0	0	0	0
Research - development and innovation	85948	10285	0	0	0	0	1424	0	76348	0	0	0	0	340	0	10627	0	0	0	0	0	0
Environmental Protection	11074	0	18363	0	0	0	0	8954	0	35502	0	0	0	0	15353	0	23235	0	0	0	0	0
To support SMEs	0	0	2227	214	0	0	0	0	0	2596	5	0	0	5835	0	0	0	0	0	0	0	0
Aid for employee training and job creation	6639	0	12593	0	0	0	0	28139	0	23535	0	0	0	0	30817	0	22104	0	0	0	0	0
Sectoral aid, depending on the sectors of activity of the national economy*	152930	38633	116698	142	0	30926	34121	179919	0	110705	2541	0	0	1593	195654	0	259053	0	3632	0	0	1684
Promotion of culture and the conservation of cultural heritage	122059	38633	0	0	0	0	0	163198	0	0	0	0	0	0	189634	0	0	0	0	0	0	0
State aid for regional development	274010	0	168301	84	1377	0	2358	234635	0	266777	146	1058	0	2099	157189	0	80870	0	146	0	0	3224
SGEIs	62882	0	5294	56511	18819	2242	70109	139681	145941	18015	79772	17365	0	65755	119378	146933	8130	3083	98375	31998	15136	61686

Objective	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of profit of 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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of profit of 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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of revenues from State resources or resources of administrative-territorial units granted in a preferential manner	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	12	13	14	15	16	17	18	21	22	23	24	25
Aid granted 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	60723	110	4817	0	3	13	22	67
TOTAL	593483	48918	323476	56951	20196	33168	108012	591328	222289	457130	82464	18423	0	75622	579114	157670	398210	3083	102156	32011	15158	66661

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

(thousand MDL)

State aid providers	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of income from state resources or administrative - territorial unit resources	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Agency for Intervention and Payments for Agriculture	274010	0	0	0	0	0	0	233386	0	0	0	0	0	0	157189	0	0	0	0	0	0	0
Investment Agency	23390	0	0	0	0	0	0	15727	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Agency on Intellectual Property	0	0	2227	0	0	0	0	0	0	2596	0	0	0	0	0	0	0	0	0	0	0	0
National Employment Agency	0	0	0	0	0	0	0	284	0	0	0	0	0	0	2525	0	0	0	0	0	0	0
National Agency for Research and Development*	0	10285	0	0	0	0	0	0	7670	0	0	0	0	0	0	5512	0	0	0	0	0	0
Public Property Agency	0	0	5919	0	0	30926	32600	0	0	0	0	0	0	5835	0	0	0	0	0	0	0	0
Civil Aviation Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

State aid providers	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of income from state resources or administrative - territorial unit resources	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Energy Efficiency Agency*	10475	0	0	0	0	0	0	8599	0	0	0	0	0	0	8621	0	0	0	0	0	0	0
Ministry of Agriculture, Regional Development and Environment*	19799	0	0	0	0	0	0	355	0	0	0	0	0	0	7940	0	0	0	0	0	0	0
Ministry of Economy and Infrastructure*	0	0	1125	0	0	0	0	0	0	1125	0	0	0	0	0	0	0	0	0	0	0	1125
Ministry of Education, Culture and Research	154239	38633	0	0	0	0	0	163198	25944	0	0	0	0	0	194660	0	0	0	0	0	0	0
Ministry of Finance	0	0	0	142	0	0	0	21240	0	0	2541	0	0	0	21240	0	0	0	3632	0	0	0
Ministry of Health, Labour and Social Protection*	47656	0	0	0	0	0	0	6615	42734	0	0	0	0	0	7052	5115	0	0	0	0	0	0
Office for the Management of External Assistance Programmes*	0	0	0	298	0	0	0	0	0	0	151	0	0	0	0	0	0	0	146	0	0	0
State Tax Service	0	0	231508	0	0	0	0	0	0	317739	0	0	0	0	0	0	279033	0	0	0	0	0
Customs Service	0	0	77403	0	0	0	0	0	0	117655	0	0	0	0	0	0	106230	0	0	0	0	0

State aid providers	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of income from state resources or administrative - territorial unit resources	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Chisinau Municipal Council	0	0	0	0	0	0	3170	0	0	0	0	0	0	1899	0	0	0	0	0	0	0	1648
Balti City Hall	0	0	0	0	1377	0	0	0	0	0	0	1058	0	0	0	0	0	0	0	0	0	0
Executive Committee of Gagauzia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Directorate of Finance of Gagauzia	1031	0	0	0	0	0	0	994	0	0	0	0	0	0	994	0	0	0	0	0	0	0
Economic Development Directorate of Gagauzia	0	0	0	0	0	0	0	1249	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Straseni City Hall	0	0	0	0	0	0	42	0	0	0	0	0	0	42	0	0	0	0	0	0	0	44
Straseni City Hall	0	0	0	0	0	0	39	0	0	0	0	0	0	39	0	0	0	0	0	0	0	39
Straseni City Hall	0	0	0	0	0	0	2052	0	0	0	0	0	0	2052	0	0	0	0	0	0	0	2052
Straseni City Hall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22	0
TOTAL	530601	48917	318182	440	1377	30926	37903	451647	76348	439115	2692	1058	0	9867	400221	10627	385263	0	3777	0	22	4908
SGEIs	62882	0	5294	56511	18819	2242	70109	139681	145941	18015	79772	17365	0	65755	119378	146933	8130	3083	98375	31998	15136	61686
Aid in the context of COVID-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	59514	110	4817	0	3	12	0	67

State aid providers	2018							2019							2020							
	Grants and / or subsidies	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Granting loans on preferential interest	Granting guarantees on preferential conditions	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	Budget allocations	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments	Waiver of income from state resources or administrative - territorial unit resources	Granting loans on preferential interest	Granting guarantees on preferential conditions	Provider's investments, if the rate of return on these investments is lower than normal, anticipated by a prudent private investor	Exemptions, reductions, deferrals or installments to the payment of taxes, fees and other mandatory payments
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
TOTAL (including SGEIs, Covid-19)	593482	48917	323476	56951	20196	33168	108011	591328	222288	457130	82463	18423	0	75622	579114	157670	398210	3083	102156	32011	15158	66661