

**REPORT**  
**ON STATE AIDS GRANTED IN THE**  
**REPUBLIC OF MOLODVA DURING**  
**2016**

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## **ABBREVIATIONS AND ACRONYMS**

Association Agreement	The 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, ratified by the Law no.112 of 02.07.2014 (published in the Official Gazette No 185-199 of 18.07.2014)
AIPA	Agency for Interventions and Payments in Agriculture
Reporting year	01.01.2016-31.12.2016 time framework
CPAs	Central Public Authorities
LPAs	Local Public Authorities
WBG	World Bank Group
EBRD	European Bank for Reconstruction and Development
NBM	National Bank of Moldova
BNS	Moldova National Bureau of Statistics
SMEs	Small and medium enterprises
Law on State Aid	Law no.139 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
IP	Industrial Park
GDP	Gross Domestic Product
EEA	European Economic Area
SGEIs	Services of general economic interest
SIRASM	The Automated Information System "State Aid Register", elaborated in accordance with the Government Decision No. 378 of 27.05.2014 for the approval of the Concept of the Automated Information System "State Aid Register" (published in the Official Gazette No. 142-146 of 03.06.2014)
EU	European Union
GVA	Gross Value Added

## **INTRODUCTION**

State aid policy is an important component of competition policy due to the effects of state intervention on the economic environment. The permanent monitoring of state aids is aimed at eliminating unjustified distortion of competition and better targeting support measures, thus contributing to the development of the entire economy.

The authority that is responsible for authorizing, monitoring and reporting state aid in the Republic of Moldova is the Competition Council.

In accordance with Article 21 (3) of the Law on State Aid, the Competition Council prepares an annual report on the granted aid. According to the state aid legislation, the providers were to submit information to the Competition Council on State aid and de minimis aid granted in 2016 and the updated information for 2014 and 2015 by 31 March 2017.

Based on the information submitted by the providers, this report, which is the fourth report in the field since the entry into force of the Law on State Aid, was elaborated.

The report analyses both existing aid, which continued to be granted in the reporting year, as well as new aid and de minimis aid.

In this context, it is to be mentioned that 187 providers informed the Competition Council about the support measures granted during the period 2014-2016. The information was presented by the CPAs and their subordinated institutions, LPAs of level I and II and legal entities.

This report is a statistical tool to ensure transparency in state aid, thus providing relevant information to the CPAs and LPAs for policy-making in various areas of the national economy and making decisions about efficient targeting of available public resources. At the same time, it can be an informational base for various scientific researches.

This report includes an analysis of the value, structure and trends over the last three years in granting state aid, de minimis aid, state aid granted for the provision of SGEIs, monitoring of authorized state aids, the elaborated state aid regulatory framework and adopted during the reporting period, and reflects the implementation of SIRASM. Many support measures have been granted for many years and in order to describe the actual state aid situation, a dynamic reflection of the state aid structure provided in 2014-2016 is needed.

The reported data for the years 2014 and 2015 were updated and corrected in accordance with the provisions of Government Decision no. 1112 of 06.10.2016 for the approval of the Regulation on the way of keeping the State aid Register. During the reporting period, the providers informed the Competition Council about other support measures granted in the years 2014 and 2015. It should be mentioned that the update of these data is also provided in the EU Methodology on the elaboration of the Scoreboard. Thus, the updating and correction of data on state

aid granted in the years preceding the reporting year is also carried out by the state aid authorities in the EU member states.

Taking into account that until now there is no evidence of the fiscal facilities granted under the Tax Code and the legislative acts that come into its application, the amount of state aid presented in the report is based on estimative data.

Chapter I of the report presents the socio-economic analysis of the Republic of Moldova for the reporting period, as well as the information on the normative framework in the field of state aid, adopted during the reporting period.

Chapter II presents the analysis of the value, structure and trends in the granting of state aid in the reporting year.

Chapter III presents an analysis of the value and trends in the provision of de minimis aid and state aid granted for the provision of SGEIs in the reporting year.

Chapter IV presents the main findings regarding the monitoring of state aids authorized by the Competition Council, which were in progress in 2016.

Chapter V is dedicated to the Automated Information System "State Aid Registry".

Annex I reflects information on the state aid field analysed in the report, state aid objectives and sources of data collection.

The legal acts under which the support measures were granted in 2016 are listed in Annex II.

The summary state aid reported in the reference year and for the 2014-2016 period by objectives and forms of grant is reflected in Annex III.

Annex IV provides information on state aid forms of granting and state aid providers.

## Chapter I. GENERAL CONSIDERATIONS

### 1.1. *Social-economic analysis of the Republic of Moldova*

In 2016, the world economy grew with 3.1%. Economic activity has impetuously risen in the second half of 2016, particularly in advanced economies. The economic performance of emerging markets and emerging economies has remained different<sup>1</sup>.

In 2016 in the Republic of Moldova the GDP amounted to 134 476 million MDL (current market prices), increasing (in real terms) with 4.1% compared to 2015 (semi-final)<sup>2</sup>.

Positive contributions to GDP growth in 2016 compared to 2015 had economic activities: agriculture, forestry and fishing (+ 2.2%); wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles (+ 0.9%); mining and quarrying, transport and storage, information and communications, professional, scientific and technical activities (+ 0.3%).

GVA on the economy increased with 4.8% compared to the previous year, contributing to 4.1% GDP growth. The volume of product taxes increased with 3.1% compared to 2015, contributing to 0.5% GDP growth.

The following economic activities had a negative impact on the physical volume index of GDP: construction (-0.2%); public administration and defence, compulsory social insurance, education, health and social care (-0.1%); other activities (-0.7%).

In terms of using GDP, the growth was mainly due to households' final consumption (+ 3.2%). The gross formation of fixed capital (-0.7%) and net exports (-0.5%) contributed negatively to GDP growth.

In 2016, exports of goods amounted 2 045.3 million USD, higher than the one realized in 2015 that was with 4.0%. Imports of goods amounted to 4 020.3 million USD, more than that achieved in 2015 by 0.8%. The trade balance ended with a deficit of 1 975.0 million USD, lower with 45.0 million USD (-2.2%) compared to the one registered in 2015<sup>3</sup>.

In 2016, the employed population constituted 1 219.5 thousand persons, increasing with 15.9 thousand compared to 2014 (+ 1.3%). The number of the unemployed, as defined by the International Labour Office, was 53.3 thousand, being with 8.8 thousand less than in 2015. The country unemployment rate constituted 4.2%, being lower than the one registered in 2015 (4.9%)<sup>4</sup>.

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<sup>1</sup> Provocările economice mondiale, aprilie 2017: Momentul câștigător?, Fondul Monetar Internațional, Aprilie 2017, <http://www.imf.org/en/Publications/WEO/Issues/2017/04/04/world-economic-outlook-april-2017>

<sup>2</sup> Produsul intern brut în anul 2016 și trimestrul IV 2016  
<http://www.statistica.md/newsview.php?l=ro&id=5562&idc=168>

<sup>3</sup> Activitatea de comerț exterior a Republicii Moldova în anul 2016  
<http://www.statistica.md/newsview.php?l=ro&idc=168&id=5526>

<sup>4</sup> Forța de muncă în Republica Moldova. Ocupare și șomaj 2017, Biroul Național de Statistică, Chișinău, 2017 [http://www.statistica.md/public/files/publicatii\\_electronice/Forța\\_de\\_munca/AFM\\_rom\\_2017.pdf](http://www.statistica.md/public/files/publicatii_electronice/Forța_de_munca/AFM_rom_2017.pdf)

The average annual inflation rate was 6.4%, being lower with 3.3 p.p compared to 2015. The downward trend in inflation was largely due to modest domestic demand, to the high level of the base period in 2015 and to a rich harvests in the agricultural sector that favoured the decline in food prices.

At the same time, the downward trajectory of inflation was also supported by the decrease in regulated price pressures as a result of a reduction in the gas and electricity tariffs in the first half of the year but also due to the gradual dissipation of the impact of the tariff increase on electricity from the summer of 2015<sup>5</sup>.

According to the State Budget Execution Report for 2016 (approved by the Parliament's Decision No. 126 of 06.07.2017), in the year 2016, revenues to the national public budget amounted to 45,953.9 million MDL that represents 98.7% of the annual provisions. Compared to the accumulations of 2015, revenue grew with 5.2%.

In the structure of national public revenues, the largest share held taxes and duties - 63.6% (29 231 million MDL), of which: taxes and duties on goods and services - 71.3%, income taxes - 22.4%, taxes on external commerce and external operations - 5% and property taxes - 1.3%. The main types of revenues, which are expected to increase, were: natural and legal persons income tax (with 270.4 million MDL), customs tax (with 118 million MDL), customs fees (with 21.4 million MDL), breakdowns of the net profit of state-owned enterprises and dividends received from share of public property in joint-stock companies (with 40 million MDL) and revenues collected by budgetary institutions as a result of services rendered and donations (with 20.2 million MDL).

In 2016, in the structure of national public budget revenues, grants accounted for about 3% (1,373 million MDL), compared to 4.4% (1,905.6 million MDL) in 2015. Of the total of grants, 30.6% are for the projects financed from external sources. Their share in GDP amounted to 1% compared to 2.5% in 2015.

Grants for financing projects from external sources were initially approved in the amount of 1,013.1 million MDL. During the year, as a result of the level of the executed works and of the acquisitions for on-going projects, as well as the initiation of the new projects and the fluctuation of the exchange rate, the disbursement amounts constituted 975.3 million MDL. The amount of disbursements of external grants amounted to 420.2 million MDL. Execution level was 43.1%. On the expenditure side, the national public budget was executed in the amount of 48 462.6 million MDL at the level of 94.2% of the annual provisions. Compared to the previous year, expenditures increased with 4.3%<sup>6</sup>.

The execution of the national public budget in 2016 under comparable conditions ended with a deficit of 2,508.7 million MDL or 1.8% of GDP.

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<sup>5</sup> Raport anual 2016, Banca Națională a Moldovei, Chișinău, 2017// [http://bnm.md/files/RA\\_ISBN\\_2016.pdf](http://bnm.md/files/RA_ISBN_2016.pdf)

<sup>6</sup> Raportul privind executarea bugetului de stat pentru anul 2016, aprobat prin Hotărârea Parlamentului nr. 126 din 06.07.2017 (publicat în Monitorul Oficial Nr. 253-264 din 21.07.2017)

## ***1.2. Elaborating the normative framework***

In order to complete the necessary normative framework for the implementation of the provisions of the Law on state aid and art.341 par. (1) of the Association Agreement, 11 regulations on the assessment of sectorial state aid in 2016 were adopted.

These normative acts are:

- The Regulation on Assessment of State Aid for the Rapid Development of Broadband Electronic Communications Networks (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation transposes the Commission Communication - EU Guidelines on the application of State aid rules to the rapid development of broadband networks 2013 / C 25/01, published in the Official Journal of the European Union no. C 25 of 26.01.2013.

The objective of controlling State aid in the broadband electronic communications sector is to ensure that State aid measures will result in a higher or faster pace of coverage and penetration of broadband electronic communications than would have been possible in the absence of aid.

- Regulation on the Assessment of State Aid for the Steel Sector (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation transposes the Commission Communication (2002 / C70 / 05) on rescue and restructuring aid and closure aid in the steel sector, published in Official Journal of the European Union C70 of 19.03.2002.

The Regulation sets out the modalities for assessing State aid for rescue and restructuring and closure aid in the steel sector.

- Regulation on the evaluation of the state aid granted for public broadcasting services (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No. 2-8 of 06.01.2017)

The Regulation transposes in part the Commission Decision of 20.12.2011 on the application of Article 106 (2) of the Treaty on the Functioning of the European Union in case of state aid in the form of public service compensation granted to certain undertakings entrusted with the provision of a service (2012 / C 257/01), published in the Official Journal of the EU of 11.01.2012, and the Commission Communication on the application of the state aid rules to public service broadcasting (2009 / C 257/01), published in Official Journal of the EU of 27.10.2009.

The Regulation provides the necessary framework for assessing the compatibility with the normal competitive environment of the conditions under which public service broadcasters are compensated for the provision of public service broadcasting. The assessment of state aid for public service broadcasting will be based on the rules established by the State Aid Law and the normative acts of the Competition Council on State Aid, in particular those relating to SGEIs.

- Regulation on the evaluation of the state aid granted for films and other audio-visual works (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation partially transposes the Commission Communication on State aid for films and other audio-visual works (Text with EEA relevance) (2013 / C 332/01), published in the Official Journal of the European Union C 332 of 15.11.2013.

The regulation provides for the assessment of state aids for film production, scenario writing, development, distribution of films or film promotion (including film festivals), other audio-visual works and cinemas.

- Regulation on the evaluation of the state aid granted for public transport services by rail and road transportation (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation partially transposes Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Regulations (EEC) No 1191/69 and 1107 / 70 of the Council, published in Official Journal of the European Union L 315 of 03.12.2007, and transposes Section 3 of Commission Notice 2012 / C 8/02 on the application of EU State aid rules to compensation for the provision of some services of general economic interest, published in the Official Journal of the European Union C 8 of 11.01.2012.

The Regulation provides the necessary framework for assessing the compatibility with the normal competitive environment of the conditions under which suppliers compensate public service operators for the costs incurred and / or grant exclusive rights in return for fulfilling their public service obligations when imposing or contracting public service obligations.

- Regulation on the assessment of the state aid granted to the ship management companies (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation transposes the Commission Notice on State Aid Guidelines for Ship Management Companies 2009 / C 132/06, published in the Official Journal of the European Union C132 of 11.06.2009.

The Regulation establishes the necessary framework for assessing the compatibility with the normal competitive environment of the eligibility conditions for State aid of the ship management companies.

- Regulation on the evaluation of the state aid granted for postal services (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The Regulation transposes partially the provisions of the Commission Communication on the application of the rules on competition to the postal sector and on the assessment of certain State measures relating to postal services (98 / C 39/02), published in the Official Journal of the European Union C 039 of 06.02.1998.

The Regulation establishes the necessary framework to assess the compatibility with the normal competitive environment of the conditions under which universal postal service providers are compensated for the costs incurred and / or are granted exclusive rights in return for the fulfilment of universal postal service obligations.

The Regulation on Evaluation of State Aid for Culture and Conservation of Heritage (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

Regulation transposes art. 107 (3) (d) of the Treaty on the Functioning of the EU transposes art. 8 and art. 53 of Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Text with EEA relevance), published in the Official Journal of the European Union L 187 of 26.06.2014 and Section 2.6. of the Commission Communication (2016 / C 262/01) on the concept of State aid as referred to in Article 107 (1) of the Treaty on the Functioning of the EU, published in Official Journal of the European Union C 262 of 19.07.2016.

The Regulation was developed to regulate how to assess the compatibility of State aid for culture and heritage conservation with the normal competitive environment.

- Regulation on the evaluation of the state aid granted for sports infrastructures and multifunctional recreational facilities (approved by the Competition Council Plenum Decision No. 3 of 08.09.2016, published in OJ No 2-8 of 06.01.2017)

The regulation transposes art. 107 (3) (c) of the Treaty on the Functioning of the EU and transposes Art. 2, 6, 8 and 55 of Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market pursuant to Articles 107 and 108 of the Treaty (Text with EEA relevance), published in the Official Journal of the European Union L 187 of 26.06.2014.

The Regulation has been developed to regulate how to assess the compatibility of State aid for sports facilities and multifunctional leisure facilities, including State aid for infrastructure serving multiple recreational purposes, to the normal competitive environment.

- The Regulation on State Aid Assessment for Railway Undertakings (approved by the Competition Council Plenum Decision No. 9 of 29.09.2016, published in OJ No. 149-154 of 12.05.2017)

The regulation transposes art. 3 (3); (6) to (7) and Annex I of Directive 2012/34 / EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area, published in the Official Journal of the European Union L 343 of 12.12.2012 and transposing the Commission Communication - Community guidelines on State aid to railway undertakings, published in Official Journal of the European Union C 184 of 22.07.2008.

The Regulation establishes assessment criteria for State aid to railway undertakings.

In accordance with Art. 339 and 341 of the Association Agreement was elaborated the Regulation on the organization and functioning of the Automated Information System "State Aid Registry" (approved by the Government Decision No. 1112 of 06.10.2016). At the same time, three regulations (approved by the Competition Council Plenum Decision No. 5 of 27.12.2016) were amended as follows:

- Regulation on the form of notification, the procedure for the examination and the adoption of decisions on State aid
- Regulation on de minimis aid
- Regulation on the State Aid Registry.

EU state aid law is in continuous dynamics. Thus, in order to honour the commitments assumed by the Association Agreement, the Competition Council will continue to take all necessary measures to align the national regulatory framework on state aid to the EU legislation in this field.

## Chapter II. ANALYSIS OF REPORTED STATE AID

### 2.1. Overall characterization

The state aid reflected by this chapter covers all the support measures reported for 2016, namely: the existing aids (state aid which started to be implemented before the entry into force of the State Aid Law) and new state aids (any state aid that is not an existing aid, including changes to existing aid).

In accordance with art. 342 par. (1) of the Association Agreement, as of 01.01.2016, the Republic of Moldova is to submit a report every two years, following the methodology and presentation of the EU annual state aid analysis. With reference to the above and in line with EU<sup>7</sup> experience in the State aid analysis, state aid granted under the general framework is examined separately from state aid granted for SGEI and de minimis aid.

In order to obtain a more comprehensive picture of the state aids reported, the value of the state aid presented in table no. 1 includes state aid granted to enterprises for the provision of SGEIs and the estimated value of the support measures granted under the Tax Code and the normative framework that comes into its application.

*Table nr.1*

#### *Reported state aid in the period 2014-2016 including state aid granted for the provision of SGEIs*

Nr.	Indicators	2014*	2015*	2016	
				Reported	Estimative (including the value of support measures granted in the form of tax incentives)
1.	<b>State aid expressed in:</b>				
1.1.	<i>Thousand MDL</i>	4 484 932	5 924 485	2 670 798	5 609 030
1.2.	<i>Thousand Euro**</i>	240 737	283 468	121 125	254 378
2.	<b>Share in GDP, %</b>	4.00	4.83	1.99	4.17
3.	<b>State aid per capita*** - MDL</b>	1 261	1 667	752	1 579
4.	<b>State aid per capita*** - Euro</b>	68	80	34	72

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

\*\* calculated on the basis of the average annual report of MDL to Euro, the NBM source (MDL / euro year 2014 = 18.63, year 2015 = 20.90, year 2016 = 22.05)

\*\*\* the number of inhabitants is in line with the information placed on the NBS web site

<sup>7</sup> Scoreboard- observații conceptuale și metodologice: [http://ec.europa.eu/competition/state\\_aid/scoreboard/index\\_en.html](http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html)

The information submitted for the years 2014 and 2015 is different from the data for the same year presented in the previous reports. This is due to the fact that some of the data reported for the years 2014 and 2015 were updated and corrected by the providers. At the same time, additional information was submitted by providers on new support measures granted during the 2014-2015 period.

The estimated aid value for the year 2016 was calculated taking into account the provisions of EU legislation in the field and the information submitted for the previous years. For the year 2016, the Ministry of Finance and the administrative authorities under its subordination (Customs Service and State Tax Service) presented incomplete information on support measures in the form of tax incentives. The Ministry of Finance has set up the Working Group on the Review of Tax and Customs Facility and the development of mechanisms to allow for an assessment of cost estimates and the impact of tax and customs facilities, from which also the representatives of the Competition Council take part.

The estimated value of state aid for 2016 was 5,609,030 thousand MDL, which constituted 4.17% of GDP.

Out of the total amount of state aid reported for 2016, out of 2,670,798 thousand MDL respectively, the amount of state aid authorized by the Competition Council was 54,444 thousand MDL (2.04% of the total value), the difference being represented by the existing aid and the support measures under examination at the Competition Council. In this respect, it is noted that the state aid authorized by the Competition Council in 2016 decreased significantly compared to 2015 both in value and as a weight in the total value of the reported state aid. The evolution of the nominated indicators was also influenced by the completion of the period of support for the financial sector.

In 2016 state aid was granted to 1 935 legal and physical persons carrying out an economic activity.

The evolution of the level of state aid in the period 2014-2016, taking into account the methodology and presentation of the annual state aid analysis of the EU, is presented below.

**Table nr.2**

**Reported state aid in the period 2014-2016**

Nr.	Indicators	2014*	2015*	2016
1.	<b>Reported state aid</b> (excluding SGEIs, the estimated state aid) <b>expressed in:</b>			
1.1.	<i>Thousand MDL</i>	2 914 071	4 811 600	2 463 151
1.2.	<i>Thousand Euro</i> **	156 418	230 220	111 708
2.	<b>Share in GDP, %</b>	2.60	3.93	1.83
3.	<b>State aid</b> (excluding SGEIs) <i>per capita</i> *** - MDL	819	1 354	693
4.	<b>State aid</b> (excluding SGEIs) <i>per capita</i> *** - Euro	44	65	31

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

*\*\* calculated on the basis of the average annual report of MDL to Euro, the NBM source (MDL / euro year 2014 = 18.63, year 2015 = 20.90, year 2016 = 22.05)*

*\*\*\* the number of inhabitants is in line with the information placed on the NBS web site*

The amount of state aid reported for the year 2016 decreased significantly compared to the year 2015, namely with 2 348 449 thousand MDL. At the same time, the amount of state aid decreased with 15.47% in 2016 compared to 2014. This decrease was largely due to the completion of the period of granting of support measures reported in the previous year (including the state aid granted to the financial sector ), but also the presentation of incomplete information on state aids granted under the Tax Code and the normative framework that comes into its application.

According to the provisions of Government Decision no. 1112 of 06.10.2016 for the approval of the Regulation on the way of maintaining the State Aid Register, the state aid providers were to present separately the value of the support measures granted from the state resources and from the external funds. In line with the EU State aid practice, the resources provided by the EU, the European Investment Bank, the European Investment Fund or international financial institutions are considered as State resources if the national authorities have discretionary powers on the use of those resources (in particular the selection of beneficiaries). In 2016, state aid from foreign funds accounted for about 0.12% of the amount of state aid reported.

In 2016, the share of the state aid in GDP in the Republic of Moldova was 1.83%. This indicator decreased with 2.10 percentage points compared to 2015 and with 0.77 percentage points compared to 2014. This was also determined by the significant decrease in the amount of the reported state aid over the previous years and by the increase in the GDP value.

Expressed in euro, the amount of reported state aid registered a downward trend over the 2014-2016. In this respect, it is specified that in 2016 the value of the state aid decreased with 51.48% compared to 2015 and with 28.58% as compared to 2014. This trend was determined, including by the fluctuation of the exchange rate.

In the reporting year, the state aid per capita decreased, it decreased with 48.78% in 2016 compared to 2015 and with 15.37% as compared to 2014.

According to the recommendations of the European Council (through the Lisbon Strategy), it is necessary to reduce the overall level of state aid so that this indicator is less than 1% of GDP without compromising the purpose of the support measures, namely the correction of market failures. In order to take good international practice it is necessary to reduce the share of state aid in GDP. Thus, the value of state aid at EU level was 0.67% of GDP in 2016<sup>8</sup>. This is one of the specific objectives of the National Competition and State Aid Program for 2017-2020 (approved by Law No 169 of 20.07 .2017, published in OJ No. 301 -315/533 of 18.08.2017).

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<sup>8</sup> Official page of the European Commission:

[http://ec.europa.eu/eurostat/tgm\\_comp/table.do?tab=table&init=1&language=en&pcode=comp\\_sa\\_02&plugin=1](http://ec.europa.eu/eurostat/tgm_comp/table.do?tab=table&init=1&language=en&pcode=comp_sa_02&plugin=1)

State aid can be classified according to several criteria, such as:

- the way of granting - individual aid, state aid scheme;
- the form of the granting - direct state aid (subsidies, grants, etc.), indirect state aid (debt cancellation, preferential loan, guarantee on preferential terms, etc.);
- Objectives pursued - State aid for horizontal objectives, State aid for sectoral objectives, regional aid, etc .;
- the state aid providers - CPA, LPA, legal entities that administer directly or indirectly the resources of the state or of the administrative-territorial units.

A more detailed presentation of State aid granted under that classification is set out below.

## ***2.2. Methods of granting state aid***

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

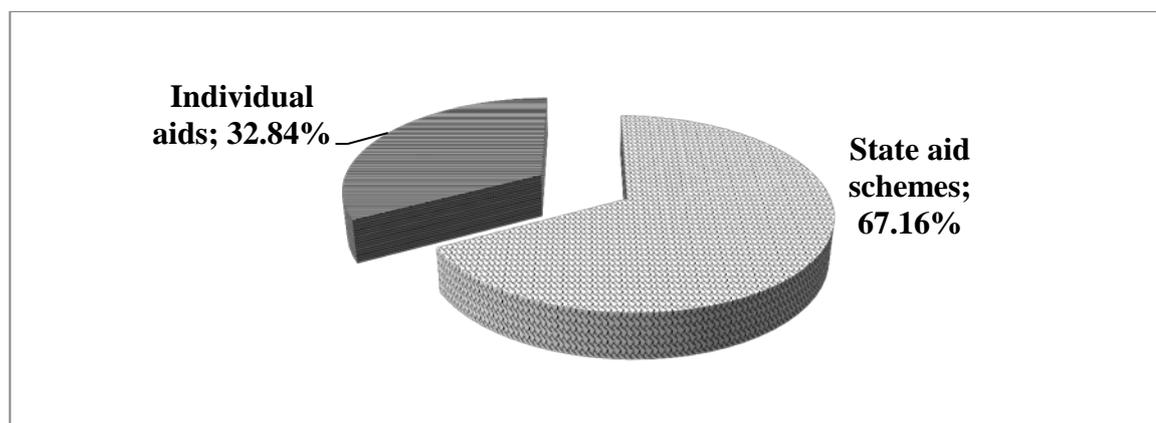
The State aid scheme within the meaning of the Law on State Aid is any act on the basis of which state aid may be granted to the beneficiaries defined in the act in a general and abstract manner without the need for additional application measures, or any act under which aid not linked to a specific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

Individual aid is the state aid which is not granted under a state aid scheme or is granted on the basis of a scheme to be notified individually.

For the year 2016, state aid providers reported 67 support measures under the general framework (excluding SGEIs). According to figure no. 1 regarding the structure of the measures managed by the providers in 2016, referring to the modalities for granting state aids, it is found that the providers chose the implementation of the state aid schemes, these being 67.16% of the total number of measures reported.

*Figure nr.1*

*Structure of state aid measures implemented in 2016 as individual aids or state aid schemes*



In 2016 the structure of the support measures related to the modalities of granting state aids compared to the previous years changed. This change was also determined by the exclusion of support measures granted for the provision of SGEIs, with the largest share of these being granted as individual aid.

In terms of value, several state aids were also reported through schemes. A comparative situation of these modalities of granting, taking into account the amount of state aid granted through schemes or as individual aid, is presented in table no. 3.

*Table nr.3*

*Value and structure of state aid depending on the modalities granted in 2014-2016*

Nr.	Type of state aid	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
<i>State Aid (excluding SGEIs)</i>							
1.	State aid schemes	2 609 103	89.53	3 957 985	82.26	2 435 622	98.88
2.	Individual state aid	304 968	10.47	853 615	17.74	27 529	1.12
	<b>TOTAL</b>	<b>2 914 071</b>	<b>100</b>	<b>4 811 600</b>	<b>100</b>	<b>2 463 151</b>	<b>100</b>
<i>State Aid (including SGEIs)</i>							
1.	State aid schemes	3 946 684	88.00	4 723 961	79.74	2 461 471	92.16
2.	Individual state aid	538 248	12.00	1 200 524	20.26	209 327	7.84
	<b>TOTAL</b>	<b>4 484 932</b>	<b>100</b>	<b>5 924 485</b>	<b>100</b>	<b>2 670 798</b>	<b>100</b>

According to the data presented in table no. 3 it is noticed that the share of state aid granted through schemes considerably increased, namely with 16.62 p.p.

versus 2015 and with 9.35 p.p. in relation to 2014. This was also determined by the completion of the state aid granting period in the financial sector.

The EU experience shows that state aid granted through schemes is, as a rule, less harmful to the competitive environment. The granting of support measures, mainly through state aid schemes, increases the accessibility of support measures, thus increasing the number of eligible economic operators and creating the necessary premises for sustainable social and economic development.

In this regard, in order to make state aid more effective and to apply good international practices in the field of state aid, it is necessary to continue the implementation of the support measures through the state aid schemes.

### ***2.3. Forms of granting state aid***

In order to grant state aid, providers may use different ways of supporting beneficiaries. Depending on public policy in a given area and the specific nature of the businesses to be supported, the provider chooses a form of state aid that offers the best possible way to achieve the proposed objective.

State aid can be expressed through the transfer of public goods, including in the form of financial means, to a beneficiary, or by giving up by the provider of certain future definite or potential income that he would obtain from a beneficiary. The notion of state aid is an objective notion that does not take into account the form of granting, but its effects on the national economy.

State aid providers have granted support measures to enterprises operating on the territory of the Republic of Moldova in the form of:

- 1) budget revenue waivers,
- 2) budget expenditures.

In 2016, the amount of State aid reported as a budget revenue waivers constituted 87.91% of the total amount of the reported state aid.

The amount of state aid reported as budgetary expenditure was much lower than in the case of budget revenue waivers. In the reported year, the value of the nominated indicator was 12.09% of the total value of the reported state aid, maintaining the trend of the previous years. The amount of state aid reported as budgetary expenditure decreased significantly in 2016 as compared to 2015 and 2014. It is noted that the value of the mentioned indicator in 2016 decreased with 43.26% compared to 2015 and with 61.74% as compared to 2014. This decrease was also influenced by the decrease of state aid granted in 2016 in the form of subsidies and / or subsidies.

The amount of state aid in terms of budget expenditures and waivers in the period 2014-2016 is presented in table no.4.

*Table nr.4*

*Value and structure of the reported state aid from the perspective of budget expenditure / waivers in 2014-2016*

Nr.	Category	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
<i>State Aid (excluding SGEIs)</i>							
1.	Budget revenue waivers	2 136 041	73.30	4 286 905	89.10	2 165 443	87.91
2.	Budget expenditures	778 030	26.70	524 695	10.90	297 708	12.09
	<b>TOTAL</b>	<b>2 914 071</b>	<b>100</b>	<b>4 811 600</b>	<b>100</b>	<b>2 463 151</b>	<b>100</b>
<i>State Aid (including SGEIs)</i>							
1.	Budget revenue waivers	3 574 728	79.71	5 259 879	88.78	2 330 898	87.27
2.	Budget expenditures	910 204	20.29	664 606	11.22	339 899	12.73
	<b>TOTAL</b>	<b>4 484 932</b>	<b>100</b>	<b>5 924 485</b>	<b>100</b>	<b>2 670 798</b>	<b>100</b>

The tendency of the increase of the state aid granted in the form of waivers to the budget revenues in 2016 was determined also by the form of the granting of the state aid by the suppliers.

Under Article 6 (2) of the Law on State Aid, state aid may be granted in the form of:

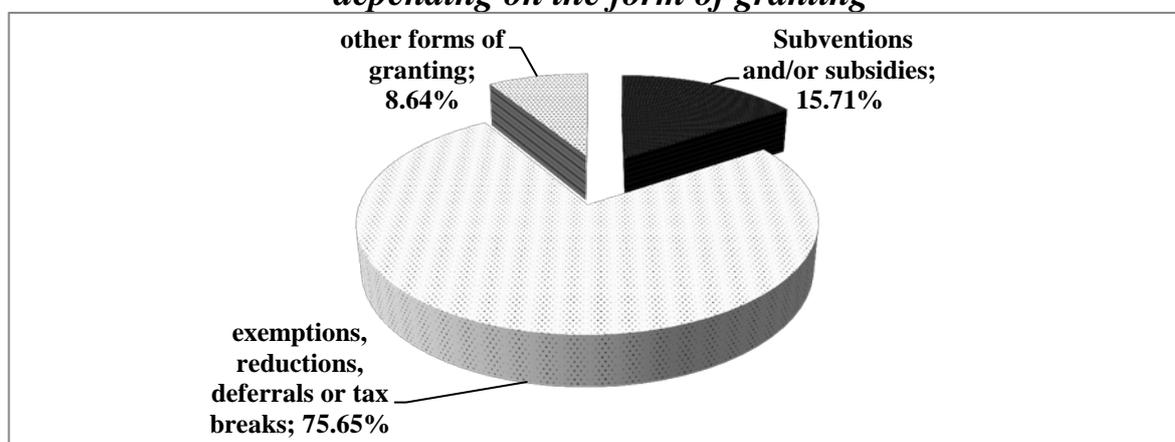
- a) subsidies and / or subsidies;
- b) cancellation or takeover of debts;
- c) exemptions, reductions, deferrals or tax breaks;
- d) granting loans with preferential interest;
- e) granting of guarantees on preferential terms;
- f) investment by the supplier if the profit rate of these investments is lower than the normal rate anticipated by a prudent private investor;
- g) discounts on the price of the provided goods and services, including the sale of movable and immovable property below the market price.

The largest share of state aid reported for the 2014-2016 period was granted as exemptions, reductions, deferrals or tax breaks, accounting for 75.65% of the total amount of reported state aid. Although in 2016 there were changes in the amount of state aid reported in various forms, its structure continued to remain the same as in the previous years.

Figure 2 shows the structure of the state aid reported in the period 2014-2016, depending on the form of granting.

*Figure nr.2*

*The structure of state aid reported in 2014-2016,  
depending on the form of granting*



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

*Table nr.5*

*Value and structure of reported state aid according to the form of granting in the period 2014-2016*

Nr.	Form of granting	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1.	Subventions and / or subsidies	778 030	26.70	524 695	10.90	297 708	12.09
2.	Cancelling or taking over debt	0	0	0	0	0	0
3.	Exemptions, reductions, deferrals or tax breaks	2 053 516	70.47	3 500 748	72.76	2 153 132	87.41
4.	Providing loans with preferential interest	61 338	2.10	755 051	15.69	881	0.04
5.	Granting of guarantees under preferential conditions	5 191	0.18	6 568	0.14	6 656	0.27
6.	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	0	0	0	0	0	0
7.	Price reductions in the goods and services provided, including the	15 996	0.55	24 539	0.51	4 774	0.19

Nr.	Form of granting	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
	sale of movable and immovable goods below the market price						
	<b>TOTAL</b>	<b>2 914 071</b>	<b>100</b>	<b>4 811 600</b>	<b>100</b>	<b>2 463 151</b>	<b>100</b>

In 2015, the amount of state aid reported as subsidies and / or subsidies decreased significantly compared to previous years, namely with 43.26% compared to 2015 and with 61.74% over 2014. This was determined, including by the end of the support period.

The share of state aid reported as subsidies and / or subsidies increased with 1.18 pp. in the year 2016 as compared to 2015, but decreased with 14.61 p.p. in relation to 2014. The largest share of state aid in the form of subsidies and / or subsidies was provided in 2016 for the promotion of culture and the preservation of cultural heritage.

In 2016, the amount of state aid reported as exemptions, reductions, deferrals or tax breaks decreased with 38.50% compared to 2015 and increased with 4.85% compared to 2014. The trend of diminishing the value the nominated indicator in 2016 as compared to the year 2015 was determined also by the incomplete presentation of the information regarding the state aids granted under the Tax Code and the normative framework that comes into its application.

The share of state aid reported in the nominated form increased in 2016 as compared to 2014 and 2015, due to the significant decrease in the value of support measures granted under other forms. The highest share of state aid in the form of exemptions, reductions, deferrals or tax breaks, granted on the basis of the Fiscal Code and Law No.1380 of 20.11.1997 on customs tariff, continued to be qualified by providers as state aid for regional development. The measures under support constitute existing aid and therefore have not been notified to the Competition Council and have not been examined in the light of the provisions of the Law on State Aid.

The amount of the reported state aid in the form of preferential interest loans declined significantly in 2016 compared to previous years. The decrease in the amount of the reported state aid in the form of preferential interest loans was also determined by the completion of the state aid grant period in the financial sector and the application of the methodology and presentation of the EU annual state aid analysis.

The share of state aid in the form of loans with preferential interest in the total amount of the reported state aid for 2016s has decreased compared to 2015 and 2014. In 2016, most of the granted state aid in the nominated form was to support SMEs.

The amount of the reported state aid as collateral under preferential terms increased with 1.34% 20% in 2016 as compared to 2015 and with 28.22% in comparison with 2014. At the same time, in the reporting year the weight of the

granted state aid in the nominated form increased. The largest share of the amount of the reported state aid as collateral under preferential conditions was for regional development.

The amount of the reported state aid in the form of price reductions for the provided goods and services (including free of charge) registered a downward trend. In 2016, the indicator's value decreased with 80.55% compared to 2015 and by 70.16% compared to 2014. The share of state the reported state aid in the analysed form also decreased during the analysed period. This was also determined by the completion of the period of support measures reported for previous years. The largest share of state aid in the form of price reductions for provided goods and services (including free of charge) was granted for regional development.

As regards state aid granted as a provider's investment (if the rate of return on these investments is lower than the normal rate anticipated by a prudent private investor), it was granted to beneficiaries of SGEIs.

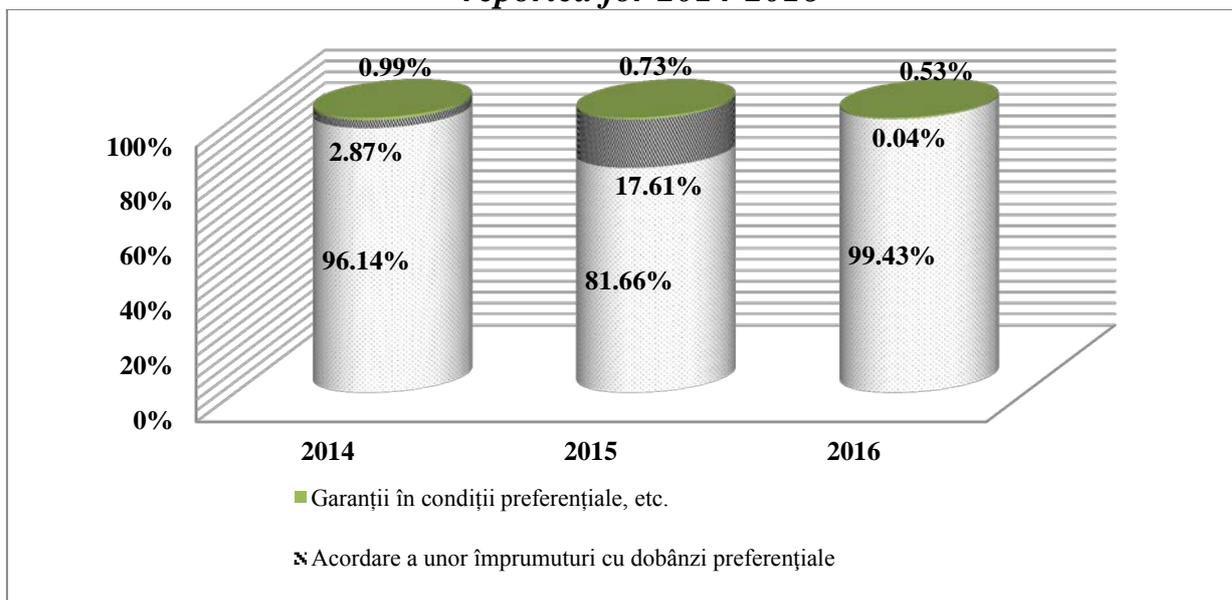
Data on the amount of the reported state aids on granting forms and objectives can be found in Annex III.

The significant share of state aid due to the waived fiscal revenues recorded in 2016 was due in particular to the high amount of State aid reported as exemptions, reductions, deferrals or staggered payments of state taxes and duties.

The share of the amount of state aid in the form of tax exemptions, reductions, delays or reshuffles increased from 96.14% of the state aid amount of the waived fiscal revenues for 2014 to 99.43% of the total value of the nominated indicator in 2016. At the same time, the share of state aid reported in the form of preferential interest loans decreased significantly from 17.61% in 2015 to 0.04% in 2016 as a result of the end of the period of state aid granting in the financial sector.

The structure of the state aid, due to the state revenue waiver, according to the forms of granting, is presented in figure no.3.

*The structure of state aid such as state revenue waiver, reported for 2014-2016*



As stated, state aids such as budget expenditures constituted 12.09% of the amount of State aid, being totally represented by the amount of State aid granted in the form of subsidies and / or subsidies.

It is worth noting that the experience of EU member states shows that state aid such as the waiving of budgetary revenues (exemptions and reductions from taxes and duties, cancellation of penalties and late payment of state obligations etc.) is usually , more damaging to the market economy than those in the form of budget expenditures (subsidies, subsidies, etc.). State aid in the categories of budgetary expenditure (subsidies, subsidies, etc.) is considered less damaging to competition and more transparent and easier to quantify in the case of state aid schemes or individual aid.

In 2016, the share of state aid granted at EU level in the form of tax incentives constituted 30.8% of the total<sup>9</sup>.

With reference to the above mentioned in order to take over the best international practices in the field of state aid, it is necessary to redistribute the modalities for granting state aid, namely by gradually decreasing the value of the state aid granted in the form of waiving of budget revenues and the increase of the granted state aid in the form of budget expenditures, considered more transparent, easier to quantify and less harmful to the competitive environment.

## 2.4. Objectives of State Aid

<sup>9</sup> Official page of European Commission:

[http://ec.europa.eu/eurostat/tgm\\_comp/refreshTableAction.do?tab=table&plugin=1&pcode=comp\\_ai\\_sa\\_02&language=en](http://ec.europa.eu/eurostat/tgm_comp/refreshTableAction.do?tab=table&plugin=1&pcode=comp_ai_sa_02&language=en)

According to the Law on State Aid, except for the derogations set out in Articles 4 and 5, the granting of State aid is considered incompatible with the normal competitive environment.

The categories of state aid, which according to Article 5 (1) of the Law on State Aid can be considered compatible with the competitive environment are: aid intended to remedy a serious disturbance of the economy; aid for training of employees and for creating new jobs; aid to support SMEs; aid for research, development and innovation; aid for environmental protection; aid to SGEI beneficiaries; aid for rescuing beneficiaries in difficulty; aid for business start-up by female entrepreneurs; sectorial 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.

In this report, State aid is analysed in the following categories, depending on the main objective of the grant:

1. **State aid for horizontal objectives** refers to state aid granted to legal and natural persons engaged in economic activity, irrespective of its field of activity, for the good execution of actions such as: promotion of investments, SMEs for consultancy and participation in fairs, employee training, job creation, research and development, innovation, environmental protection and other objectives.

2. **State aid for sectorial objectives** refers to State aid to a particular economic activity, for example: the rapid development of broadband electronic communications networks, public passenger transport services by rail and road, for railway undertakings, financial sector, etc.

3. **Regional development aid** is intended to support regional development by supporting investment and job creation by expanding and diversifying the economic activities of enterprises located in underdeveloped regions and encouraging businesses to set up new ones in these regions. Regional aid includes investment aid to large, small and medium-sized enterprises, regional aid for newly created small enterprises and, in exceptional circumstances, operating aid.

4. **State aid granted to beneficiaries for the provision of SGEIs** is State aid in the form of compensation granted to beneficiaries entrusted with the provision of SGEIs.

5. **State aid for other purposes**: social aid granted to individual consumers provided that they are granted without discrimination as to the origin of the goods or services, aid to recover the damage caused by natural disasters or other exceptional situations and others .

The amount of state aid reported by objectives is summarized in table no.6.

*Table nr.6*

*The value and structure of State aid reported on objectives,  
in 2014-2016*

Nr.	Objective	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
<b>1.</b>	<b>Horizontal objectives</b>	<b>354 105</b>	<b>12.15</b>	<b>362 206</b>	<b>7.53</b>	<b>109 463</b>	<b>4.44</b>
1.1.	Research-development and innovation	252 488	8.66	284 791	5.92	49 599	2.01
1.2.	Environment protection	23 211	0.80	42 097	0.87	20 937	0.85
1.3.	To support SMEs	59 362	2.04	10 788	0.22	9 844	0.40
1.4.	Support for staff training and job creation	19 043	0.65	24 530	0.51	28 961	1.18
1.5.	Rescue support	0	0	0	0	123	0.00
<b>2.</b>	<b>Sectorial aid, depending on the sectors of national economy activity</b>	<b>680 562</b>	<b>23.35</b>	<b>2 018 470</b>	<b>41.95</b>	<b>136 504</b>	<b>5.54</b>
2.1.	Auto transport	0	0	367 249	7.63	0	0
2.2.	Railway transport	0	0	0	0	0	0
2.3.	Airline transport	21 542	0.74	226	0	0	0
2.4.	Financial services	53 969	1.85	733 900	15.25	0	0
2.5.	Other sectorial objectives	605 052	20.76	917 095	19.06	136 504	5.54
<b>3.</b>	<b>State aid for regional development</b>	<b>1 719 429</b>	<b>59.00</b>	<b>2 267 154</b>	<b>47.12</b>	<b>2 056 638</b>	<b>83.50</b>
<b>4.</b>	<b>Social aid granted to individual consumers, provided that they are granted without any discrimination based on the origin of the goods or services</b>	<b>40 957</b>	<b>1.41</b>	<b>51 146</b>	<b>1.06</b>	<b>0</b>	<b>0</b>
<b>5.</b>	<b>Promoting culture and preserving cultural heritage</b>	<b>105 958</b>	<b>3.64</b>	<b>112 624</b>	<b>2.34</b>	<b>122 059</b>	<b>4.96</b>
<b>6.</b>	<b>Aid to recover damage caused by natural disasters or other exceptional situations</b>	<b>13 060</b>	<b>0.45</b>	<b>0</b>	<b>0</b>	<b>38 487</b>	<b>1.56</b>
<b>7.</b>	<b>State aid value</b>	<b>2 914 071</b>	<b>100</b>	<b>4 811 600</b>	<b>100</b>	<b>2 463 151</b>	<b>100</b>

Nr.	Objective	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
	<i>(excluding SGEIs)</i>						
8.	<b>SGEI</b>	1 570 861	35.03*	1 112 884	18.78*	207 647	7.77*
9.	<b>State aid value</b> <i>(including SGEIs)</i>	<b>4 484 932</b>	<b>100</b>	<b>5 924 485</b>	<b>100</b>	<b>2 670 798</b>	<b>100</b>

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

The largest share of state aid reported in 2016 was for regional development. This constituted 83.50% of the amount of reported state aid, increasing with 36.38 pp. versus 2015 and 24.50 p.p. compared to 2014. This increase was due to including a significant decrease in the value and the share of state aid granted for sectorial objectives.

The value of state aid for regional development decreased with 9.29% in 2016 compared to 2015, but it increased by 19.61% compared to 2014. The increase of the state aid for regional development in 2016 was due to including the increase in the value of some support measures granted by providers in the reporting year as compared to 2014.

State aid granted for horizontal objectives diminished with about 70% in 2016 compared to previous years. This was determined by including the decrease in the amount of state aid granted for research and development and innovation. At the same time, the share of state aid granted for horizontal objectives decreased from 12.15% in 2014 to 4.44% in 2016.

A significant decrease was recorded for state aid reported for sectorial targets. This decrease was also determined by including the end of the period of granting state aid in the financial sector.

The share of state aid for sectorial objectives decreased in 2016 compared to previous years, namely with 36.41 pp. compared with 2015 and with 17.81 pp. compared to 2014.

State aids reported on other objectives included aid to recover damage caused by natural disasters or other exceptional situations and other aid, representing less than 7% of the total amount of reported State aid.

Within the information provided by the providers, the highest share of state aid was directed towards SMEs and constituted more than 50% of the total amount of the reported state aid.

With reference to the above, it is noted that in 2016, the value of the state aid granted for sectorial objectives was significantly reduced. This trend is in line with good international practices in the field of state aid. According to international experience in the field of state aid, horizontal state aid and state aid for regional development, as a rule, have a less harmful impact on the competitive environment and are therefore more accepted in comparison with sectorial state aids. Therefore,

the state policy on state aid must be aimed at reducing State aid to sectorial targets and targeting state aid to horizontal and regional objectives, which have a less harmful impact on the competitive environment, and for these reasons are more accepted in comparison with sectorial state aid.

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

### *Horizontal objectives*

The structure of the amount of state aid on horizontal objectives varied during the period 2014-2016. The data presented in Table no. 7 show that in 2016 the largest share of the value of the state aids granted on horizontal objectives had state aid for research, development and innovation, being 45.31% of the reported value. At the same time, the value of the nominated indicator diminished compared to the previous years, namely with 33.32 pp. versus 2015 and with 25.99 pp. in relation to 2014. This decrease was also determined by the decrease in the reported state aid for research, development and innovation reported for 2016.

The amount of state aid for research, development and innovation decreased with 82.58% in 2016 compared to 2015 and with 80.36% as compared to 2014. The decrease in the reported amount of state aid for research and development and innovation was determined including by the significant decrease in the value of the support measure reported by the Academy of Sciences of Moldova.

*Table nr.7*

*The value and structure of state aid on horizontal objectives,  
in 2014-2016*

Nr.	Horizontal objective	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1	To support SMEs	59 362	16.76	10 788	2.98	9 844	8.99
2	Research-development and innovation	252 488	71.30	284 791	78.63	49 599	45.31
3	Environment protection	23 211	6.55	42 097	11.62	20 937	19.13
4	Support for staff training and job creation	19 043	5.38	24 530	6.77	28 961	26.46
5.	Rescue support	0	0	0	0	123	0
	<b>TOTAL</b>	<b>354 105</b>	<b>100</b>	<b>362 206</b>	<b>100</b>	<b>109 463</b>	<b>100</b>

State aids for SMEs support decreased from 59,362 thousand MDL in 2014 to 9,844 thousand MDL in 2016. At the same time, the share of state aid to support SMEs decreased with 7.77 p.p. in 2014, but increased with 6.01 p.p. compared to 2015.

The decrease in the amount of State aid to support SMEs was also determined by the lower amount of reported support measures. About 56% of the state aid provided for SMEs support was granted in the form of subsidies and / or subsidies.

The amount of state aid for environmental protection diminished in 2016 with 50.26% compared to 2015 and with 9.80% compared to 2014. This decrease was also determined by the end of the support period. Regarding the share of state aid granted for environmental protection, it registered an increase in 2016 compared to previous years. It increased with 7.51 p.p. versus 2015 and with 12.58 p.p. compared to 2014.

State aid for environmental protection was reported in 2016 as subsidies and / or subsidies. In 2016, the Energy Efficiency Fund notified to the Competition Council the support measures granted under the Call for Proposals No. 3 in the field of energy efficiency and valorisation of renewable energy sources addressed to the applicants for public sector financing. Following the examination of the notified support measures, the Competition Council found that the notified aid measures constitute State aid within the meaning of the State Aid Law for beneficiaries carrying on an economic activity (ASO-09 Competition Council Decision of March 15, 2016).

In the years 2014-2016, the value and the share of state aid for training of employees and for creating new jobs increased. This increase was due to the increase in the value of support measures reported by suppliers. It is stated that the reported support measures are existing aids and therefore have not been authorized by the Competition Council.

In conclusion, it is noted that the largest share of the state aid on horizontal objectives was granted for research, development and innovation.

### ***Sectorial objectives***

In 2016, State aid for sectorial objectives has decreased significantly over previous years. This trend of diminishing the value of state aids for sectorial objectives was determined by the end of the period of granting state aid for the financial sector.

The highest share of state aid for sectorial objectives was granted to stimulate investments for the post-harvest and processing infrastructure, accounting for about 71% of the reported value. At the same time, state aids were reported for other sectors of the national economy, such as pharmaceuticals, sports, etc.

In 2016, most state aids on sectorial targets were reported as subsidies and / or subsidies, representing 71.46% of the total value. The modification of the structure of the value of the state aid for sectorial objectives according to the form of granting compared to the previous years was also determined by the incomplete

presentation of the information regarding the support measures granted under the Tax Code and the normative framework that comes into its application.

A significant share of the amount of state aid per sectorial objective is the existing aid. Taking into account that some of these support measures have been implemented through state aid schemes, they are to be aligned with the EU state aid acquis in line with the commitments made under the Association Agreement by the Republic of Moldova.

### *State aids 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 analysed objective, with a maximum admissible intensity of 50%. In line with EU practice in the field, it is determined by the economic development of the region, population density, unemployment levels in the regions concerned and other indicators. Under EU rules, the entire territory of the Republic of Moldova is considered to be a less favoured region.

In 2016, the share of the value of state aid for regional development was 83.50% of the total amount of reported state aid (according to table 6). Most of the state aid measures for regional development were implemented until the entry into force of the Law on State Aid. As for the newly granted aid, they constituted 4 767 thousand MDL, being authorized by the Competition Council.

Table no.8 reflects the value of the notified state aid for regional development, authorized by the Competition Council, allocated to the development regions of the Republic of Moldova.

**Table nr. 8**

#### *Value and structure of the notified State aid on development regions in 2014-2016*

Nr.	Development regions	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1.	North	49 260*	24.80	604*	5.33	39	0.82
2.	Center	49 102	24.72	8 436	74.42	4 720	99.01
3.	South	14 024	7.06	0	0	0	0
4.	Teritorial Unit Găgăuzia	64 468	32.46	8	0.07	8	0.17
5.	Chişinău Municipality	21 760	10.96	2 287	20.18	0	0
6.	Transnistria	lack of data	lack of data	lack of data	lack of data	lack of data	lack of data
	<b>TOTAL</b>	<b>198 614</b>	<b>100</b>	<b>11 335</b>	<b>100</b>	<b>4 767</b>	<b>100.00</b>

\* The data were corrected according to the information provided by the State aid provider

From the information presented in table no. 8, it is noted that in 2016 the highest share of the state aid authorized by the Competition Council for regional development was granted for the Center region. This was determined by the amount of State aid granted to SA "CAAN". In 2016, the Ministry of Economy notified the measure of support granted in the form of the exemption of SA "CAAN" from compensation for the losses caused by the exclusion of the land from the category of agricultural land, with the transition to the category of land for industry, transport, telecommunication and other special destinations. Following the examination of the notified measure, the Competition Council found that the aid measure granted constitutes State aid within the meaning of the State Aid Law and is compatible with the normal competitive environment (ASO-22 Competition Council Decision No. 19 of 20.05.2016 ).

In the year 2016, two individual aids, which were notified and authorized by the Competition Council in 2014, namely the state aid granted for the creation of the "Comrat" IP and the "Edinet" IP, continued to be granted.

The significant decrease in the amount of authorized state aid granted in 2016 compared to previous years was due to the completion of the grant period granted by AIPA authorized by the Competition Council.

In 2016, the largest share of regional development aid continued to be granted in the form of exemptions, reductions, delays or tax breaks (accounting for 99.54% of total state aid for regional development). Most of these are existing aids, which were qualified as state aid for regional development by the providers, but were not notified to the Competition Council and therefore were not examined under the State Aid Law. In this respect, the aforementioned state aids will be reviewed in the light of the State aid legislation.

## ***2.5. State aid providers***

According to the state aid legislation, state aid providers are required to submit annually the information on State aid granted in the year preceding the reporting year.

State aid provider under the State Aid Law is any central government authority or administrative-territorial unit or any legal person directly or indirectly managing the resources of the State or of the administrative-territorial units. The Law on State Aid also provides for the notion of State aid initiator, which is the authority empowered to initiate draft legal acts involving the granting of State aid.

Most of the support measures reported for the year 2016 were granted by the CPA, which accounted for about 88% of the total reported measures, and those granted by LPA - about 7%. There is a change in the structure of state aid reported by providers that was determined by including the fact that LPAs reported the measures they granted as de minimis aid and for the provision of SGEI.

Similarly, support measures were provided by legal entities, accounting for about 5% of all reported measures.

According to the state aid figure reported for 2016, it is noted that 99.71% of the total value was provided by CPA. Table 9 shows the amount of reported state aid depending on the providers.

**Table nr.9**

**Value of the reported state aid depending on the providers, in 2014-2016,  
thousands MDL**

<b>Nr.</b>	<b>Provider</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1.	Customs Service	1 974 254	3 481 620	2 108 473
2.	Ministry of Economy	58 425	1 125	5 845
3.	Ministry of Environment	228 094	83 889	4 175
4.	Ministry of Culture	105 958	112 624	122 059
5.	Moldova National Bank	53 969	733 900	0
6.	Agency for Intervention and Payments in Agriculture	141 268	11 343	97 549
7.	Moldova Academy of Sciences	243 344	275 967	3 037
8.	LPA	5 245	6 598	6703
9.	Other providers	103 514	104 534	115 311
	<b>TOTAL</b>	<b>2 914 071</b>	<b>4 811 600</b>	<b>2 463 151</b>

For the year 2016, the Ministry of Finance and its subordinate administrations presented incomplete information on support measures in the form of tax incentives. The incomplete information on the value of state aid granted in the form of tax incentives and their beneficiaries affects the veracity of the submitted information, making it impossible to determine the exact amount of state aid provided in the reporting year.

Regarding the issue of granting State aid in the form of tax incentives to indirect taxes and duties (VAT, excise duties, customs duties), the Ministry of Finance was informed that the examination of tax measures is not exempted from the State aid rules as demonstrated of the practice of examining EU institutions. At the same time, the Competition Council mentioned the necessity of aligning the tax legislation of the Republic of Moldova with the provisions of the EU legislation, as this will adequately fulfil the commitments assumed by the Republic of Moldova under the Association Agreement.

In the context of the above and according to the Action Plan of the Government for the years 2016-2018, approved by the Government Decision no. 890 of 20.07.2016 (published in OJ No 217-229), until the third quarter of 2018, tax and customs legislation will be harmonized by developing and adopting new legislation (Fiscal Code and Customs Code), ensuring predictability, transparency, security, fairness and clarity of fiscal and customs policies.

The share of the value of state aid to providers in the total state aid for the reporting period is presented in table no.10.

According to the information presented in the table, it is found that the largest providers of state aid, according to the value of the reported support measures, are the CPA. In 2016, the Customs Service provided information on 86% of the total amount of State aid reported. The share of the State aid amount reported by the Customs Service has increased in relation to the previous years, this increase was also determined by the decrease in the value of the support measures reported by other providers and the completion of the support period.

**Table nr.10**

***The structure of the value of the reported state aid depending on providers in 2014-2016, %***

<b>Nr.</b>	<b>Provider</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1	Customs Service	67.75	72.36	85.60
2	Ministry of Economy	2.00	0.02	0.24
3	Ministry of Environment	7.83	1.74	0.17
4	Ministry of Culture	3.64	2.34	4.96
5	Moldova National Bank	1.85	15.25	0.00
6	Agency for Intervention and Payments in Agriculture	4.85	0.24	3.96
7	Moldova Academy of Sciences	8.35	5.74	0.12
8	LPA	0.18	0.14	0.27
9	Other providers	3.55	2.17	4.68
	<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Data on the amounts and forms of State aid granted by State aid providers can be found in Annex IV.

In the reporting year support measures and business incubators were also provided, representing 0.01% of the total amount of the reported of state aid.

In 2016, the CPA reported the most support measures through state aid schemes, accounting for about 70% of the total support measures granted by the CPA. LPAs provided support measures as individual aid, which accounted for 100% of the total reported measures.

Next, an analysis of the amount of State aid reported by the state aid providers on the main form of granting them during the reference period, namely exemptions, reductions, deferrals or tax breaks, will be presented.

The main State aid provider that reported support measures in the form of exemptions, reductions, deferrals or tax breaks in the reporting year is the Customs Service, which holds 97.93% of the total state aid reported in the nominated form. This significant value of the indicator under analysis was determined by including the significant amount of support measures reported by the Customs Service. Referring to the fact that the largest share of the reported state aid is existing aid, it is to be reviewed in the light of the state aid legislation.

Most of the state aid granted in the form of tax and customs facilities had been implemented until the entry into force of the Law on State Aid and were therefore offered without being classified as one of the categories of State aid that can be considered compatible with the normal competitive environment. To this end, the above-mentioned state aids will be reviewed in the light of the state aid legislation and taking into account the commitments assumed through the Association Agreement by the Republic of Moldova, these support measures will be aligned to the EU acquis in State aid.

## Chapter III. OTHER SUPPORT MEASURES

### 3.1. *De minimis aid*

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

With the entry into force of the State Aid Law, de minimis aid is to be granted in accordance with the Regulation on de minimis aid (approved by the Competition Council Plenum Decision No. 2 of 30.08.2013, published in Official Gazette No. 222 -227 of 11.10.2013).

Under the de minimis Regulation, de minimis aid can be granted in all sectors of the national economy, except for:

(a) aid to undertakings active in the primary production of agricultural products;

(b) aid granted to undertakings active in the processing and marketing of agricultural products in the following cases:

- when the amount of the aid is established on the basis of the price or quantity of the products concerned purchased from primary producers or put on the market by the undertakings concerned;

- when the aid is conditional upon its partial or full transfer to primary producers;

(c) aid for export-related activities or aids directly linked to the quantities exported, aid for the establishment and operation of a distribution network or for other current expenditure related to export activity;

(d) aid to firms in difficulty.

The value of the de minimis aid is considered to be relatively small and does not affect the competition between the enterprises and the international treaties to which the Republic of Moldova is a party, thus being exempted from the notification obligation.

In 2016, the value of de minimis aid reported was of 90,924 thousand MDL and this constituted an increase of 1.5 times compared to 2015 and with 0.04% compared to 2014. The significantly higher value of the de minimis aid reported for the year 2016 compared to 2015, was due to the higher value of support measures reported by providers.

Expressed in euro, the value of de minimis aid increased significantly in 2016 compared to 2015, but decreased compared to 2014. This trend was determined, including by the variation in the exchange rate.

**Table nr.11**

***The value of de minimis aid reported,  
in 2014-2016***

Nr.	Provider	2014	2015	2016
1.	<i>The value of de minimis aid, Thousand MDL</i>	90 890	36 696	90 924
2.	<i>The value of de minimis aid, Thousand Euro</i>	4 879	1 756	4 124

The reported data for the years 2014 and 2015 were updated and corrected according to the information submitted by the providers.

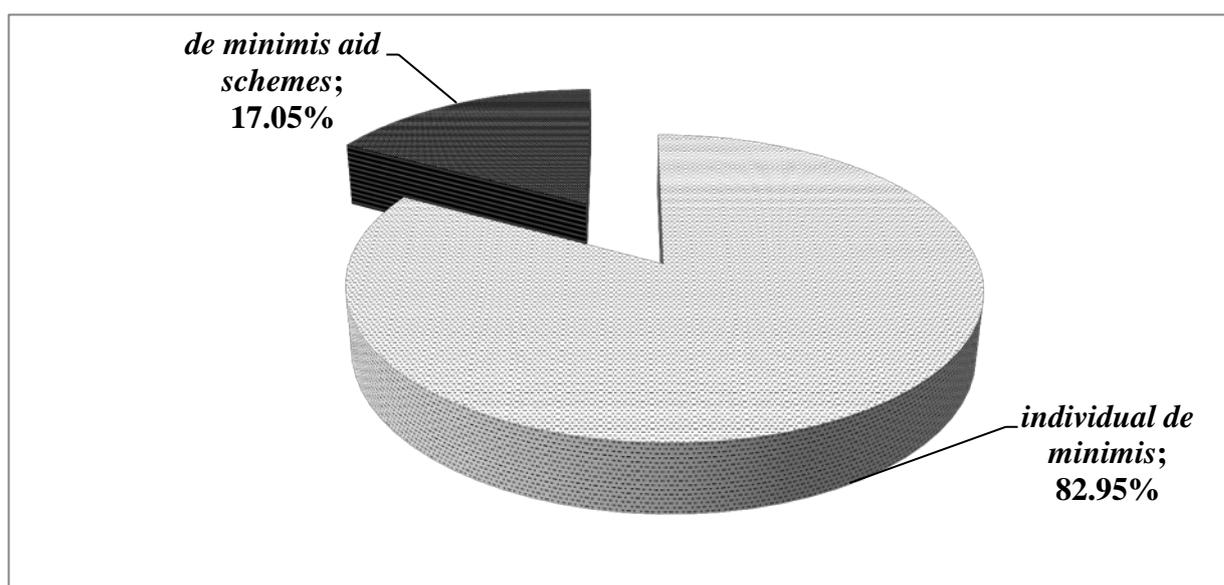
Of the total de minimis aid reported for 2016, the highest share (97.31%) was de minimis aid from state sources. As regards de minimis aid from external funds, it constituted 2.69% of the total amount.

For 2016, providers reported 264 de minimis aid measures. The most of de minimis aids were reported by the LPAs, which accounted for 87.50% of the total reported measures for 2016. According to the de minimis aid value reported for 2016, 67.90% of the total value was granted by CPAs.

According to figure no. 4, the providers reported the most individual de minimis aid in 2016 that accounting for 82.95% of the total reported measures.

**Figure nr. 4**

***The structure of de minimis aid implemented in 2016 as individual de minimis aid / de minimis aid schemes***



A comparative analysis of these granting modalities, with reference to the value of de minimis aid reported individually or through schemes, is presented in table no. 12.

From the point of view of the value of reported de minimis aid, the largest share of de minimis aid was granted through the schemes, being 67.35% of the total.

**Table nr. 12**

***The value and the structure of de minimis aid  
according to the modalities of granting in 2014-2016***

Nr.	Type of de minimis aid	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1.	De minimis aid scheme	68 024	74.84	14 808	40.35	61 240	67.35
2.	Individual de minimis aid	22 866	25.16	21 888	59.65	29 684	32.65
	<b>TOTAL</b>	<b>90 890</b>	<b>100</b>	<b>36 696</b>	<b>100</b>	<b>90 924</b>	<b>100</b>

From the data presented in table no. 12, it is noted that in 2016 the value of de minimis aid granted under de minimis aid schemes increased significantly in relation to 2015. This was also determined by the increase in the number of support measures implemented as de minimis aid schemes in the reporting year.

At the same time, the amount of de minimis aid implemented under schemes diminished in 2016 as compared to 2014, which was determined by the higher value of support measures reported for 2014 compared to 2016.

One of the most significant de minimis aid schemes reported for 2016 is the support measure granted through the "PARE 1 + 1" Programm to attract remittances in the economy.

The reported de minimis aid for 2016 covered various forms of which de minimis aid in the form of subventions and / or subsidies; exemptions, reductions, deferrals or tax breaks; granting loans with preferential interest; guarantees on preferential terms; provider investment, if the profit rate on these investments is less than the normal rate anticipated by a prudent private investor and price cuts in the provided goods and services, including the sale of movable and immovable goods below the market price.

The value of the reported de minimis aid, according to the form in which the enterprises benefited from these advantages, is presented in table no. 13.

**Table nr. 13**

***Value and structure of the reported de minimis aid  
in the 2014-2016 period, depending on the granting form***

Nr.	Granting form	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1	Subventions and / or subsidies	66 992	73.71	16 326	44.49	65 767	72.33
2	Exemptions, reductions, deferrals or tax breaks	3 243	3.57	1 816	4.95	3 210	3.53
3.	Loans with preferential interest	0	0	0	0	1 862	2.05
3	Providing guarantees on preferential terms	692	0.76	445	1.21	120	0.13
4	Provider's investments if the profit rate on these investments is lower than the normal rate anticipated by a prudent private investor	2 031	2.23	1 090	2.97	940	1.03
5	Price reductions on provided goods and services, including the sale of movable and immovable goods below market price	17 931	19.73	17 019	46.38	19 024	20.92
	<b>TOTAL</b>	<b>90 890</b>	<b>100</b>	<b>36 696</b>	<b>100</b>	<b>90 924</b>	<b>100</b>

According to the information presented in table no. 13, there is a significant increase in the amount of de minimis aid granted in the form of subventions and / or subsidies compared to 2015. This increased about by 3 times the value recorded in 2015, which was determined including by the increase of the number of support measures reported as subventions and / or subsidies. At the same time, the value of the reported de minimis aid for 2016 decreased with 1.83% as compared to 2014.

An oscillating trend has also been registered in de minimis aid granted in the form of tax exemptions, reductions, delays or breaks. In 2016, the value of the reported de minimis aid in the nominated form increased with 76.76% compared to 2015, but decreased with 1.02% as compared to 2014.

In 2016, the value of de minimis aid granted in the form of price reductions on provided goods and services (including the sale of movable and immovable property below market price) increased with 11.78% compared to 2015 and with 6.10% reported to 2014.

As regards the value of de minimis aid granted in the form of guaranties under the preferential conditions and the provider's investments (if the profit rate on these investments is lower than the normal rate anticipated by a prudent private

investor), there is a diminution in their value related to previous years. This decrease was determined, including by the end of the granting period of de minimis.

There is also a change in the structure of the reported de minimis aid for 2016 compared to 2015. This was determined by the significant increase in the value of state aid reported as subventions and / or subsidies.

It is noted that in the reporting year, the largest share of de minimis aid was reported as budgetary expenditures, accounting for 73.37% of the total of the reported de minimis aid. Thus, in 2016, the structure of the reported de minimis aid in terms of the impact on the state resources and the resources of the administrative-territorial units changed, being in line with good international practices in the field of state aid.

In 2016, de minimis aid has been reported to support SMEs, SGEIs provision, environmental protection, regional development, research, development and innovation, sectorial objectives, etc. The value of de minimis aid reported by objectives is summarized in table no. 14.

**Table nr.14**

***The value and the structure of the reported de minimis aid  
depending on objectives, in 2014-2016***

Nr.	Objective	2014		2015		2016	
		Thausand MDL	%	Thausand MDL	%	Thausand MDL	%
<b>1.</b>	<b>Horizontal objectives</b>	<b>88 048</b>	<b>96.87</b>	<b>29 318</b>	<b>79.89</b>	<b>80 523</b>	<b>88.56</b>
1.1.	<i>Support to SMEs</i>	64 986	71.50	9 326	25.41	53 184	58.49
1.2.	SGEIs	22 816	25.10	18 746	51.08	25 707	28.27
1.3.	<i>For environmental protection</i>	146	0.16	726	1.98	0	0
1.4.	<i>For Research, Development and Innovation</i>	100	0.11	320	0.87	1 432	1.57
1.5.	<i>For personnel training and creating new jobs</i>	0	0	200	0.55	200	0.22
<b>2.</b>	<b>Aid for regional development</b>	<b>1 126</b>	<b>1.24</b>	<b>295</b>	<b>0.80</b>	<b>2 158</b>	<b>2.37</b>
<b>3.</b>	<b>Sectorial objectives</b>	<b>1 603</b>	<b>1.76</b>	<b>1 586</b>	<b>4.32</b>	<b>5 495</b>	<b>6.04</b>
<b>4.</b>	<b>Promoting culture and preserving cultural heritage</b>	<b>113</b>	<b>0.12</b>	<b>5 469</b>	<b>14.90</b>	<b>2 632</b>	<b>2.90</b>
<b>5.</b>	<b>Other objectives</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>0.08</b>	<b>115</b>	<b>0.13</b>
	<b>TOTAL</b>	<b>90 890</b>	<b>100</b>	<b>36 696</b>	<b>100</b>	<b>90 923</b>	<b>100</b>

In 2016, around 90% of the value of the reported de minimis aid was granted for horizontal objectives. The share of de minimis aid reported for horizontal objectives in the total amount of de minimis aid increased with 8.67 p.p. compared

to 2015, but decreased with 8.31 p.p. compared to 2014. The value of de minimis aid for horizontal objectives increased about by 2 times compared to 2015 and decreased with 8.55% compared to 2014. The significant increase of the de minimis aid value on horizontal objectives was determined including by the increase of the value of the granted support measure for SMEs, namely through the PARE 1 + 1 Program.

De minimis aid for regional development and for sectorial objectives increased in 2016 compared to the previous two years both in terms of value and share.

The significant increase in the number of reported de minimis aids shows the growth of the competition advocacy in the part related to the enforcement of the provisions of the state aid law.

### ***3.2. State aid granted for services of general economic interest***

SGEIs are economic activities generating results for the general public that the market would not provide (or would provide in other terms of quality, safety, accessibility, equal treatment or universal access) without public intervention. The public service obligation is imposed on the provider by assignment of a task and on the basis of a criterion of general interest intended to ensure that the service is provided under conditions which enable him to carry out his task.

The obligations incumbent on undertakings entrusted with the provision of SGEIs generally address issues such as: continuity in terms of quantity and quality, adaptability to consumer requirements, equal and non-discriminatory access to public service, decision-making transparency and user protection, health and quality of life, etc. The imposition of these conditions by public authorities may be accompanied by measures to support the activities of those undertakings. The main condition for granting support measure should be to compensate, in whole or in part, the difference between the costs resulting from the provision of the service and the company's relevant revenue, taking into account a reasonable profit in fulfilling those obligations.

The amount of state aid granted for the provision of SGEIs is presented in table no.15.

***Table nr.15***

***The value of State aid for the provision of SGEIs,  
in 2014-2016***

<b>Nr. ord.</b>	<b>Indicator</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>1.</b>	<b><i>The value of State aid for the provision of SGEIs</i></b>			
<i>1.1.</i>	Thousand MDL	1 570 861	1 112 885	207 646
<i>1.2.</i>	Thousand Euro	84 319	53 248	9 417

2.	<b>The share of SGEI aid in the total amount of State aid reported (including SGEI), %</b>	35.03	18.78	7.77
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The amount of state aid for SGEI provision decreased with 81.34% in 2016 compared to 2015 and with 86.78% in 2014. This significant decrease was determined, including by the end of the support period and the presentation of the incomplete information support measures in the form of tax incentives. At the same time, the share of SGEI aid in the total amount of State aid reported (including SGEI) has also diminished from 35.03% in 2014 to 7.77% in 2016.

During the period under review, undertakings which have provided SGEIs benefited from support measures either as individual aid or through state aid schemes. The largest share of these (91.80% of the total) was granted as individual aid.

In 2016, the Plenum of the Competition Council authorized state aid for the provision of the public service of water supply and sewerage, collection and treatment of waste water and sanitation service. Below are summarized the support measures authorized by the Competition Council for the provision of SGEIs:

- Transmission to the management of SA "Floresti Communal Services" with the free title of the aqueduct and pumping stations, owned by the Village Hall of Rogojeni, Soldanesti District (*Decision of the Competition Council Plenum No ASR-08 of 01.03.2016*).

- Transmission of fixed assets and material assets of Straseni City Hall to the management of ÎM "Stășeni Water - Canal". (*Decision of the Competition Council Plenum No ASR-10 of 24.03.2016*).

- Transmission to the management of the ÎM "Deservcom-Ciuciuleni" of the aqueduct network and the catchment, treatment and pumping station of the village of Ciuciuleni, Hâncești District (*Decision of the Competition Council Plenum No ASR-39 of 27.07.2016*).

- Transmission to the management of the ÎM „Crisbolțun” of water supply system and sewerage system of the Cristesti Village Hall, Nisporeni District (*Decision of the Competition Council Plenum No ASR-42 from 26.08.2016*).

- Transmission to the management of ÎM "Samascani-Services" of the water supply network of the Sămășcani Village Hall, Șoldănești District (*Decision of the Competition Council Plenum No ASR-41 of 26.08.2016*).

- Transmission to the management of ÎM "Ruseștii Noi" of the water supply and fountains, owned by the Ruseștii-Noi Village Hall, Ialoveni District (*Decision of the Competition Council Plenum No ASR-53 from 15.12.2016*).

- Transmission to the management SA „Apă Canal-Chișinău” of the water supply and sewerage networks of Chisinau City Hall (*Decision of the Competition Council Plenum No ASR-55 of 22.12.2016*).

• Exemption from VAT on the importation of goods in accordance with Article 103 (1) (31) of the Fiscal Code, in the benefit of undertakings providing waste collection, processing and recycling services. State aid recipients are enterprises that are not registered as VAT payers, providing waste collection, processing and recycling services in order to provide SGEIs. (*Decision of the Competition Council Plenum No ASS-21 of 21.04.2016*).

With reference to the concrete form in which enterprises providing SGEIs benefited from state aid, the following forms were used: subventions and / or subsidies; exemptions, reductions, deferrals or tax breaks; granting loans with preferential interest; provision of guaranties on preferential terms; if the profit rate on these investments is less than the normal rate anticipated by a prudent private investor and price reductions in the provided goods and services, including the sale of movable and immovable goods below the market price.

The annual amount of State aid for the provision of SGEI, according to the form in which the enterprises benefited from these support measures, is presented in table no.16.

**Table nr.16**

***The value and the structure of state aid for SGEIs according to the form of granting, 2014-2016***

Nr.	Form of granting	2014		2015		2016	
		Thousand MDL	%	Thousand MDL	%	Thousand MDL	%
1.	Subsidies and / or subsidies	124 731	7.94	122 001	10.96	39 925	19.23
2.	Canceling or taking over debt	0	0	0	0	0	0
3.	Exemptions, reductions, deferrals or tax breaks	1 335 692	85.02	764 605	68.70	22 197	10.69
4.	Providing loans with preferential interest	44 753	2.85	44 322	3.98	48 137	23.18
5.	Providing guaranties on preferential terms	5 463	0.35	3 674	0.33	181	0.09
6.	Provider's investments if the profit rate on these investments is lower than the normal rate anticipated by a prudent private investor	7 443	0.47	17 910	1.61	2 266	1.09
7.	Price reductions in the provided goods and services, including the sale of movable and immovable goods below the market price	52 779	3.36	160 373	14.41	94 940	45.72
	<b>TOTAL</b>	<b>1 570 860</b>	<b>100</b>	<b>1 112 885</b>	<b>100</b>	<b>207 646</b>	<b>100</b>

The largest share of state aid was granted in the form of price reductions for the provided goods and services. In this respect it is stated that the state aid providers transferred goods (aqueduct, purification station, etc.) into management to undertakings, with the free title (eg. water supply, sanitation, etc.) for the provision of SGEIs.

In 2016, the main state aid providers for SGEIs were LPAs. Thus, about 82% of the reported support measures were granted by the LPAs. In terms of value, about 52% of the amount of state aid reported for SGEIs was granted by the CPAs.

In the reporting year, the LPAs started to delegate SGEIs management by an awarding act to grant state aid to beneficiaries of SGEIs, which is in line with the provisions of the Regulation on State aid to beneficiaries providing services of general economic interest, approved by the Competition Council Plenum Decision no.11 of 30.08.2013 (published in OG No. 243-247 of 01.11.2013). Thus, 14 LPAs have delegated SGEIs management by an awarding act in 2016. This provision is to be implemented by the providers of state aid for the provision of SGEIs and will continue to be a priority action of the Competition Council in order to implement the state aid provisions.

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

### ***4.1. Overall characterization***

The monitoring of state aid in progress is one of the attributions of the Competition Council. According to art. 20 of the Law on State Aid and point 84 of the Regulation on the form of notification, the procedure for examining and adopting the decisions on state aid (adopted by the Competition Council Plenum Decision No. 1 of 30.08.2013), the Competition Council monitors state aids in progress to verify compliance with the provisions of the legal acts under which they were granted and the authorizing decisions it has issued.

In this respect, 19 support measures authorized by the Plenum of the Competition Council in the period 2014-2016, which were in progress in 2016, were monitored. In order to carry out the monitoring of the authorized state aids, information was requested from the state aid providers and beneficiaries, the public information placed on the state aid beneficiaries' web pages on authorized support measures and other available sources was examined.

During the analysed period, 4 support measures authorized by the Competition Council were not implemented. At the same time, one of the measures authorized by the Competition Council was cancelled by the provider.

### ***4.2 State Aid for Regional Development***

Monitoring of state aid for regional development is carried out taking into account the evaluation criteria presented in the Regulation on State aid for regional development, approved by the Competition Council Plenum Decision no. 4 of 30.08.2013 (published in OG No 228-232 of 18.10.2013). The main conditions for granting state aid for regional development are:

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

State aid for regional development was granted for the creation and development of industrial parks.

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

In 2014, 4 state aids for regional development granted for the creation of industrial parks were approved: IP "Trivineta Cavi Development", IP "Edinet", IP "FAIP" and IP "Comrat". In 2016, the Competition Council authorized the state aid for the development of the IP"CAAN".

In the following table are shown the main indicators for the activity of industrial parks: IP "Trivineta Cavi Development", IP "Edineț", IP "FAIP", IP "Comrat" and IP "CAAN".

*Table nr. 17*

**Key indicators on the activity of industrial parks**

Nr.	Company name	IP name	Planned		Accomplished	
			Investment volume	Number of jobs	Investment volume at the beginning of the IP activity, Thousand MDL	Number of employees on 31.12.2016, persons
1.	SRL "La Trivineta Cavi Development"	IP "Trivineta Cavi Development"	25 mln. euro	1 000	316 801	44
2	SRL "Eco-Garant"	IP "Edineț"	355.2 mln. MDL	2 000	228 996	94
3.	SRL "Venador-Prim"	IP „FAIP"	5 mln. euro	100	3 090	12
4.	ÎM „Gospodăria Locativ – Comunală"	IP "Comrat"	1 801.8 mln.MDL	2 260	-	1
5.	S.A. "CAAN"	IP "CAAN"	41.5 mln.MDL	2 000	1 624	44

*Source: Information submitted by the Ministry of Economy*

During the years 2014-2016, investments were made and jobs were created in the IP "Trivineta Cavi Development", IP "Edineț", IP "FAIP" and IP "CAAN".

It is noted that in 2016 the maximum admissible intensity was not exceeded by the beneficiaries of the state aid.

In 2016, the technical project on the creation of the technical infrastructure within the PI "Comrat" and its connection to the public utilities was developed.

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

The monitoring of State aid for the provision of SGEIs is carried out taking into account the evaluation criteria in the Regulation on State aid granted to beneficiaries providing services of general economic interest. Under the provisions of that Regulation, in order for the State aid to be compatible with the competitive environment, it must comply with the following conditions:

- State aid is necessary for the operation of SGEIs;

- State aid does not unjustified distort competition.

For the year 2016, 10 State aid measures authorized by the Competition Council for the provision of SGEIs were monitored. The state aid monitored by the Competition Council is presented below classified on the types of SGEIs for which they were granted.

a) State aid granted to the State Enterprise "Poșta Moldovei"

By the Decision of the Competition Council Plenum no. ASO - 31 of 25.09.2014 it was decided to authorize the State aid for the provision of SGEI to "Poșta Moldovei" by exempting from the state budget a part of the company's net profit, which is a necessary compensation for the continuous realization in the the viable conditions of the service of general economic interest;

As a result of the use of state aid by the State Enterprise "Poșta Moldovei", continuous SGEI continued to be achieved in viable conditions. In order to avoid overcompensation, several measures were taken: ensuring analytical evidence in separate financial accounts for each reserved and unsecured sector, approving the methodology for allocating production costs for reserved and non-reserved universal postal services, developing the methodology used for the allocation of production costs.

b) State aid granted to SA "Termoelectrica"

By the Decision of the Competition Council Plenum no. ASS-75 of 24.12.2015 was authorized the State aid for the provision of SGEI offered to SA "Termoelectrica" for the improvement of the thermal energy supply infrastructure.

The modernization project of S.A. "Termoelectrica" is in the process of implementation. As a result of the examination of the information received from the providers regarding the investments made, the positive effect of the authorized state aid is concluded. In the long term, the state aid measure will have a positive impact on the welfare of the consumers of S.A. "Termoelectrica".

c) State aid granted for the provision of public utilities

In 2016, the Competition Council Plenum adopted 8 decisions regarding the authorization of the state aid granted for the provision of public utilities, including: 7 individual aids and 1 state aid scheme.

The beneficiaries of the individual aids are: "Floresti Communal Services" JSC, MC "Deservcom-Ciuciuleni", MC "Samascani-Services", MC "Apa Canal Straseni", MC "Crisboltun", JSC "Apa Canal Chisinau".

The notified state aids were granted for the provision of the public water supply and sewerage service (table 18).

**Table nr. 18**

**State aid authorized by the Competition Council in 2016  
for the provision of SGEIs**

<b>Nr.</b>	<b>Competition Council Decision</b>	<b>Support measure</b>	<b>SIEG type</b>	<b>The amount of the aid, Thousand MDL</b>	<b>Expected results</b>
1	ASR-08 of 01.03.2016	Transmission into management the aqueduct network and pumping stations	Drinking water supply	3 855	Providing the infrastructure for the provision of drinking water service to the inhabitants of Rogojeni village, Soldanesti district
2	ASR-39 of 27.07.2016	Transmission into management the material assets (the patrimony of the project "Drinking water supply of the inhabitants of Ciuciuleni village, Hincesti district") - the aqueduct network and the collection, treatment and pumping station	Drinking water supply	2 895	Access to a source of quality water for the inhabitants of Ciuciuleni village, water collection, treatment and distribution
3	ASR-41 of 26.08.2016	Transmission into management the material assets (the patrimony of the project "Drinking water supply of the inhabitants of the village of Șămășcani, Șoldănești district") - the aqueduct network	Drinking water supply	4 861	Ensuring the infrastructure for the provision of the drinking water service of the inhabitants of Șămășcani village, Șoldănești district, improving the living conditions of the population, raising the social and hygienic level of the population.
4	ASR-10 of 24.03.2016	Transmission into management the fixed assets and material goods	Drinking water and sewerage	1 209	Continuous and safe provision of the centralized public service of water supply and sewerage
5	ASR-42 of 26.08.2016	Transmission into management the water supply system and the sewage system	Drinking water and sewerage	6 099	Providing infrastructure for the provision of drinking water service. Connecting to the water supply network of all households, institutions and businesses in the locality, improving health, living conditions and the quality of life of the population
6	ASR- 55 of 22.12.2016	Transmission into management the water supply system and the sewage system	Drinking water and sewerage	85 574	Improvement of the water supply and sewage treatment services in Chisinau municipality
7	ASR-53 of 15.12.2016	Transmission into management the aqueduct and artesian fountains	Drinking water supply	7 455	Ensuring the infrastructure for the provision of the drinking water service in Ruseștii - Noi, Ialoveni district. Access

Nr.	Competition Council Decision	Support measure	SIEG type	The amount of the aid, Thousand MDL	Expected results
					to a quality water source for institutions, businesses and residents of Ruseştii - Noi, Ialoveni district.

The state aids analysed were granted by the LPAs by providing free of charge goods necessary for the provision of SGEIs.

The support measures outlined in table no. 18 were granted to enterprises in order to provide the infrastructure (which at the moment of granting the state aid was in a precarious state or not at all) for the provision of the water supply / sewerage service for the inhabitants, the improvement of the living conditions of the population, water quality, protection of the environment, raising the social and hygienic level of the population, being necessary to operate the public service under normal conditions of continuity and safety.

By the Decision of the Plenum of the Competition Council no. ASS-21 of 21.04.2016 authorized the state aid granted by exemption from payment of VAT, having as beneficiaries the enterprises not registered as VAT payers, in order to provide the service for collection, processing and recycling of household waste. Thus, VAT exemptions were applied to the import of machinery and equipment for enterprises in the field of collection, processing and recycling of household waste, used directly in their field of activity. The legal basis for granting state aid is art.103, par. (1) point 31) of the Tax Code no.1163 of 24.04.1997. The taxpayer's facility can benefit the companies that are authorized to carry out the collection, processing, recycling of household waste and use the equipment and the technique directly named in their field of activity. According to the information submitted by the Customs Service, in 2016, two companies benefited from the nominated support measure. The state aid measure analysed has determined the purchase of the fixed assets necessary for the undertakings providing the sanitation service to provide SGEIs.

Delegation of water and sewerage service, etc. was awarded by LPA directly without the organization of public auctions, within the meaning of Art. 21 paragraph (2) of Law no. 1402 of 24.10.2002 of the public utilities and art. 13 par. (2) of the Law no. 303 of 13.12.2013 on the public service of water supply and sewerage.

The direct attribution of the management of public utility services to an enterprise is likely to have anticompetitive effects on the markets of public utility services.

In order to reduce the value of the state aid it is necessary:

- 1) defining and financing SGEIs based on an awarding act;
- 2) the entrustment of SGEIs under an open and unconditional public tender procedure, in which case any incidence with state aid rules is also excluded.

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

Monitoring of state aids for environmental protection is carried out taking into account the evaluation criteria in the Regulation on State aid for environmental protection (approved by the Competition Council Plenum Decision No. 9 of 30.08.2013). Under 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 that which would be achieved without the aid in question and the positive effects of the aid is greater than its negative effects in terms of distortion of competition, taking into account the "polluter pays" principle.

*State aid scheme "Call for proposals no. 3 in the field of Energy Efficiency and Renewable Energy Sources addressed to the applicants from Public Sector".*

By the Decision of the Competition Council Plenum no. ASO - 09 of 15.03.2016 was decided the authorization of the state aid scheme *"Call for proposals no. 3 in the field of Energy Efficiency and Renewable Energy Sources addressed to the applicants from Public Sector"*.

In 2016, on the basis of the authorized state aid scheme, the support measure was granted to 11 beneficiaries, totalling 9794.59 thousand MDL. At the same time, on the basis of the information submitted by the Energy Efficiency Fund, compliance with the requirements of the Regulation on state aid for environmental protection, regarding the classification of State aid granted within the maximally admissible intensity thresholds, according to the decision of the Plenum of the Competition Council for authorization, is observed.

#### ***4.5. State aid for rescuing beneficiaries***

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

Government Decision No. 938 of 13.11.2014 on ensuring macroeconomic stability in the context of the regional conjuncture accepted the proposal of the National Financial Stability Committee to grant, if necessary, by the NBM to the licensed banks, emergency credits in the sum of up to 9,500 million MDL, in order to ensure the stability of the financial system and to issue state guarantees (guarantees) for guaranteeing the emergency loans granted by the NBM.

NBM has notified the Competition Council the intention to grant state aid to banks: S.A. "Banca de Economii", B.C. "Social Bank" S.A. and B.C. UNIBANK SA. The Competition Council Plenum decided that the notified measure by the NBM constituted state aid within the meaning of the State Aid Law and authorized the rescue aid measure for the three banks (Competition Council Plenum Decision No. 01 SS from 27.11.2014).

Under the Law on State Aid and the Competition Council Plenum Decision, the NBM was to submit to the Competition Council within 6 months of the granting of the state aid, a restructuring plan or the liquidation of the beneficiaries. As the above-mentioned plan was not submitted by the deadline, the Competition Council Plenum ordered the initiation of the investigation based on the signs of the violation of the state aid law by the NBM.

Following the investigation, it was found that, in the absence of a restructuring plan, the use of State aid by the beneficiary commercial banks after the expiration of 6 months after granting it is abusive, and commercial banks are due to reimburse the state aid in question. At the same time, the non-notification of state aid by the Ministry of Finance in the form of state guarantees under preferential conditions for SA "Banca de Economii" SA, BC "Banca Sociala" SA and BC "UNIBANK" SA is a violation of the Law on State Aid.

By the Decision of the Competition Council Plenum no. ASER-68 of December 11, 2015, it was decided to recover the state aid granted to JSC "Banca de Economii", BC "Banca Sociala" SA and BC "UNIBANK" SA. To this end, the NBM and the Ministry of Finance are to take the necessary measures to recover the aid from the three banks.

According to the information submitted by the NBM, from the date of withdrawal of the license and up to 30.11.2016<sup>10</sup>, the three commercial banks made cumulative repayments in the total amount of 836.6 million MDL, as follows: Banca de Economii SA - 210.1 million MDL, BC "Social Bank" SA. - 336.0 million MDL and BC "UNIBANK" SA - 290.5 million MDL.

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

In conclusion, in order to establish competitive principles in the provision of services of public utility, there is a need to amend the legal acts related to the provision of public utility services as well as the legislation on public procurement in the utilities sector (ie the entrustment of SGEIs following a public procurement procedures, the imposition of the obligation to set performance indicators in the allocation of public service management, the delegation of the right to manage the public service on the basis of the awarding act, etc.).

At the same time, some projects (IP "Trivineta Cavi Development", IP "Edinet", PI "CAAN", etc.) have begun to be implemented by the beneficiaries. Taking into account that the approved support measures are to be implemented over a longer period, they will be further monitored by the Competition Council.

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<sup>10</sup> The information was presented by NBM in December 2016

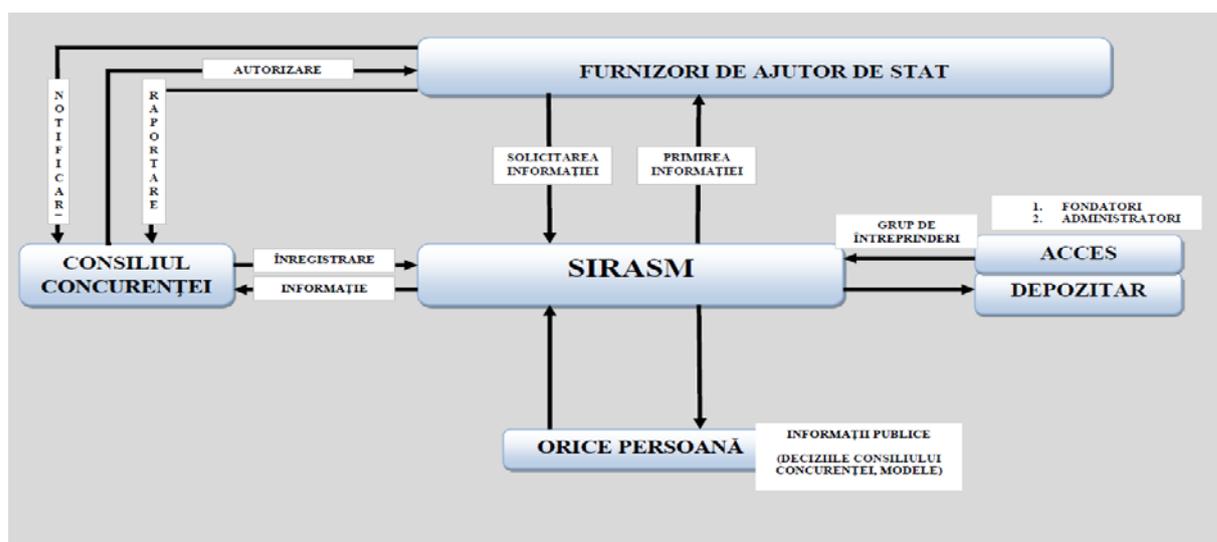
## Chapter V. IMPLEMENTATION OF THE AUTOMATED INFORMATION SYSTEM "STATE AID REGISTER"

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

SIRASM represents all the software, hardware, information, organizational, data transmission systems, their use technologies, legal norms and infrastructure for the informational support of the notification, recording, monitoring and reporting of state aids. The baseline scenarios through which SIRASM functions are performed are divided into the following groups: to enter and update information and to provide information.

*Figure nr. 5*

### *Operation of the Automated Information System "State Aid Registry"*



In order to ensure the operative and automatic updating of SIRASM's informational content with true information, the interaction and synchronization of the data with the following automated information systems is achieved:

- 1) The State Registry of the population, which gives access to the data on individuals, home address and documents issued to them;
- 2) The State Register of Legal Units, which provides access to data on all categories of legal units, established on a legal basis, legal address, rights to exercise various licensed activities.

Implementation of SIRASM started at the end of 2015 and in the year 2016, in order to implement the system, the Regulation on the way of maintaining the State Aid Register, approved by the Government Decision no.1112 of 06.10.2016, was elaborated and adopted.

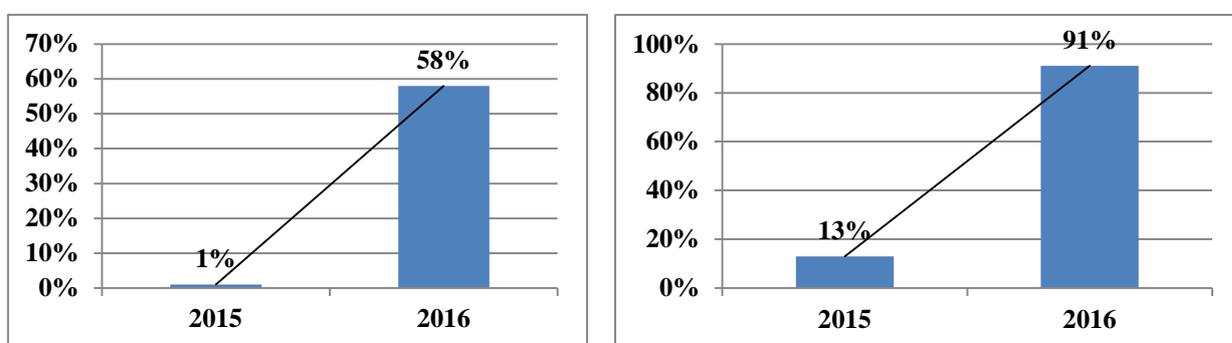
At the same time, in order to ensure the security of the stored information, the system is hosted by the Public Services Agency. Also, in order to facilitate the process of using the system and the implementation of the Law on State Aid, two informative materials for State aid providers were developed, the information being placed on the Competition Council's electronic page.

In order to use SIRASM by the state aid providers, during the year 2016, access to 107 state and de minimis state aid providers (all of them being LPAs) was granted, with 522 providers (about 54% of the total number of potential providers), namely: CPAs-33, LPAs-485 and other providers -4. It is specified that according to the Concept of the Automated Information System "State Aid Registry", approved by the Government Decision no. 378 of 27.05.2014, it was planned to connect 183 state aid providers until 2015. Referring to the above, it is clear that the planned indicator has been exceeded.

Through SIRASM, out of all providers reporting state aid / de minimis in 2016, around 58% used the system for this purpose. At the same time, it is noted that 88% of the providers, who notified the support measures to the Competition Council, did so through SIRASM. The nominated indicators increased compared to 2015 (Figure 6).

**Figure nr. 6**

**Share of providers who notified and reported state aid  
in the period 2015 \* -2016**



\* SIRASM started to be implemented at the end of 2015

In the process of examining the notifications both the Competition Council and state aid providers communicated via the system, thus the correspondence costs by using the messaging option and the transmission time of the documents were reduced.

The Competition Council will continue to develop and optimize SIRASM in order to streamline the notification, reporting and monitoring of state aid.

## CONCLUSIONS AND PRIORITIES

State aid is an important component of economic policy and, in particular, of competition policy due to its impact on the competitive environment. State aid policy seeks to correct market failures and strengthen the national economy.

This report has been prepared in accordance with the methodology and presentation of the EU Annual State Aid Statement.

According to the provisions of the Law on State Aid, in 2017, the state aids granted in 2016 were reported.

In 2016, the number of providers that made notifications and reports of state aid through SIRASM increased. This *information system* was created in order to fulfil the commitments made under the Association Agreement and to increase the efficiency of the state aid notification, authorization, monitoring and reporting process, ensuring the transparency of the state aid operations.

In order to achieve the most comprehensive picture of reported state aids, the value of the state aid included the state aids reported by providers, including those for SGEIs, as well as the estimated value of the state aid granted as tax incentives. Thus, the total estimated value of state aid for 2016 was 5,609,030 thousand MDL, which constituted 4.17% of GDP. The reported state aid, including state aid for SGEIs, is 2,670,798 thousand MDL, which represents 1.99% of GDP.

From the total amount of state aid reported for 2016 (including SGEIs), the value of state aid authorized by the Competition Council was 54,444 thousand MDL (2.04% of the total value), the difference being the existing aid and the new support measures examined by the Competition Council. In this respect, it is noted that the state aid authorized by the Competition Council in 2016 decreased significantly compared to 2015 both in value and as a weight in the total value of the reported state aid.

According to the mode of granting, most of the measures were offered in 2016 as state aid schemes (67.16% of the total). In terms of value, also, more state aids have been reported through schemes. In this respect, it is worth mentioning the experience of the EU, according to which, as a rule, state aid granted through schemes is less harmful to the competitive environment.

In the reporting year, the largest share of state aids was in the form of waiving budget revenues, accounting for about 88% of the total amount. This was due, in particular, to the high amount of state aid granted in the form of exemptions, reductions, deferrals or tax breaks. International experience shows that state aid measures in the form of income waivers (exemptions and reductions from taxes and duties, cancellation of late payment and payment penalties, etc.) are usually more damaging to economy than those in the form of budget expenditures (grants,

subsidies). With reference to the ones outlined and in order to take over the best international practices in the field of state aid, it is necessary to redistribute the modalities of granting state aid, namely by gradually decreasing the value of the state aid granted in the form of waiving budget revenues and the increase of the granted in the form of budget expenditures, which will contribute to more efficient use of public resources.

The largest share of state aid granted in the form of tax and customs facilities is implemented until the entry into force of the State Aid Law and was therefore granted without being classified as one of the categories of State aid may be considered compatible with the normal competitive environment. It is noteworthy that the Working Group on the Review of Tax and Customs Facility has been created and the development of mechanisms that would allow for an assessment of cost estimates and the impact of tax and customs facilities, including the Competition Council representatives. Thus, regarding the issue of granting State aid in the form of tax incentives to indirect taxes and duties (VAT, excise duties, customs duties), the Ministry of Finance was informed that the examination of tax measures is not exempted from State aid rules, as is demonstrated by the practice of examining EU institutions. At the same time, the Competition Council mentioned the necessity of aligning the tax legislation of the Republic of Moldova with the provisions of the EU legislation, as this will adequately fulfill the commitments assumed by the Republic of Moldova under the Association Agreement.

In 2016, most of the state aid reported was for regional development, accounting for about 84% of the total. At the same time in terms of value, it is noted that the amount of state aid granted on sectorial targets was significantly reduced as a result of the completion of the granting state aid period for the financial sector. In this respect, horizontal and regional state aids usually have a small impact on the competitive environment.

According to information submitted by state aid providers, for the year 2016 state aid for research, development and innovation makes up about 45% of the amount of state aid reported on horizontal objectives.

Most of the support measures reported for 2016 were granted during the reporting period by the CPAs, which accounted for about 88% of the total reported measures, and those granted by the LPAs - about 7%. There is a change in the structure of state aid reported by providers, this was determined including by the fact that LPAs reported more de minimis aid and state aid for the provision of SGEIs. Similarly, support measures were provided by legal entities, accounting for about 5% of all reported measures.

According to the state aid value reported for 2016, it is noted that 99.71% of the total value was provided by CPAs.

Not all providers submitted information on state aids granted during the reporting period, this being determined also by the lack at some providers of records of the state aid per beneficiary.

For 2016, providers reported 264 de minimis aid measures. Most of the de minimis aid was reported by the LPAs, which accounted for 87.50% of the total number of measures reported in 2016. According to the de minimis aid value for 2016, 67.90% of the total value was provided by APCs. In 2016, the highest value of de minimis aid was targeted to support SMEs and provide SGEIs.

The value of state aid for the provision of SGEIs amounted to 207 646 thousand MDL in 2016, decreasing in 2016 with 81.34% compared to 2015 and with 86.78% compared to 2014. During the analysed period, the enterprises that provided SGEIs benefiting from support measures granted either as individual aid or through State aid schemes. The largest share of these (91.80% of the total) was granted as individual aid.

The largest share of state aid for SGEIs provision was granted in 2016 in the form of price reductions for provided goods and services (around 46%).

In order to monitor the existing state aids, information was requested from state aid providers, the public information placed on the webpages of suppliers and beneficiaries of state aid on authorized support measures and other available sources was examined. During the monitoring it was found that the projects (IP "Trivineta Cavi Development, IP" Edineț ", IP" CAAN ", etc.) started to be implemented by the beneficiaries. However, given that authorized support measures are to be implemented over a longer period, they will continue to be monitored by the Competition Council.

The main problems identified during the year remained to be as follows:

1) the largest share of state aid granted as fiscal and customs facilities, implemented until the entry into force of the Law on State Aid, were offered without being classified as one of the categories of state aid which can be considered compatible with the normal competitive environment, and have not been examined in order to align them with the provisions of the Law on State Aid;

2) lack of evidence from the Ministry of Finance of the state aid granted in the form of fiscal facilities to each beneficiary;

3) insufficient knowledge in the field of state aid of the representatives of the public administration authorities;

4) Granting state aids without considering other options, including without identifying the most effective solutions (eg lack of contests for SGEIs entrustment).

For this purpose, priority actions in the field of state aid for the following periods are:

- Efforts to align state aid schemes established before 16.08.2013 with the EU state aid acquis within 8 years of the entry into force of the Association Agreement. The state aid schemes established pursuant to the Law no. 440 of 27.07.2001 on Free Economic Zones for which the period was extended to 10 years from the date of entry into force of the Association Agreement;

- Collaboration with the Ministry of Finance in order to streamline the reporting and notification mechanism of the state aid granted in the form of fiscal facilities;

- working with providers to modify the normative acts regulating the way of providing SGEIs, by imposing the obligation to set the performance indicators to the allocation of the right to manage the public service on the basis of the awarding act. Providing support to providers to ensure the provision of SGEIs on the basis of the awarding act, which must comply with the provisions stipulated in the state aid regulatory framework;

- development and optimization of SIRASM in order to streamline the notification, reporting and monitoring of state aid;

- continue to raise the competition culture in the state aid part of both authorities and society.

Compliance with state aid provisions will contribute to achieving the objectives, correcting market failures, increasing the competitiveness of enterprises, and reducing regional disparities.

### *TECHNICAL ANNEX*

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

The above mentioned information was grouped into the following chapters:

- I. The scope of State aid and de minimis aid analyzed in the Report;
- II. Objectives of state aid and de minimis aid;
- III. Sources of data acquisition and assessment methods of the help element.

#### **I. The scope of State aid and de minimis aid analyzed in the Report**

The Report on state aids granted in the Republic of Moldova was prepared on the basis of the "State Aid Register" prepared according to the reports submitted by state aid providers; according to the Government Decision no. 1112 of 06.10.2016 for the approval of the Regulation on the way of keeping the State aid Register.

The state aid and de minimis aid reported, which are the subject of this report, fall within the scope of:

- Law on state aid;
- Government Decision no. 1112 from 06.10.2016 for the approval of the Regulation on the way of maintaining the State aid Register;
- The Regulation on de minimis aid, approved by the Competition Council Plenum Decision no. 2 of 30.08.2013;
- The Regulation on the State Aid Registry, approved by the Competition Council Plenum Decision no.3 of 30.08.2013.

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

State aid objectives (both aid and individual aid allocations) were in line with the primary objective of allocating them.

#### **III. Sources of data collection and assessment methods of the support element**

##### **Sources of data**

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

The average annual MDL / euro exchange rate used was taken from the NBM website.

For State aid information and de minimis aid granted during the reference period, normative acts containing state aid schemes and / or individual aids and de minimis aid schemes and / or de minimis individual aid schemes reported by providers were used.

The reports were requested in the 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 the Government Decision no. 1112 of 06.10.2016 and contained the following elements:

- Title of the aid;
- Legal basis;
- Aid number (for reporting state aid);
- Category of aid (for reporting state aid);
- The period during which State aid is granted under this measure (for State aid reporting);
- The date when aid was ceased (to report de minimis aid);
- Objectives of state aid / minimis;
- The region;
- Origin of aid;
- Form of state aid / minimis;
- Describe the form of granting state aid / minimis;
- Type of State aid / minimis;
- Terms of Grant;
- Beneficiaries and the amount of state aid / minimis;
- Data on how to determine the amount of state aid / minimis;
- Remarks (for state aid reporting);
- Other information and comments (for reporting de minimis aid);
- Statement (for reporting de minimis aid).

Information on NBS and NBM web pages:

- the gross domestic product;
- Population number;
- the average annual MDL / euro exchange rate.

#### **Methods of evaluating the help element**

The amount of the state aid was determined according to the provisions of the normative acts establishing a state aid / minimis aid scheme or individual aid was granted, taking into account the secondary legislation, namely the Regulation on the notification form, examining and adopting the decisions on state aid (approved by the Competition Council Plenum Decision no.1 of 30.08.2013)

**LIST OF LEGAL ACTS BASED ON WHICH STATE AID HAS BEEN REPORTED FOR 2016**

1. Tax Code no. 1163 of 24.04.1997 art. 104 par. (2) letter c<sup>1</sup>); Government Decision no. 246 of 08.04.2010 on the application of the zero rate of VAT on supplies of goods, services performed on the territory of the country and on granting tax and customs facilities for on-going technical and investment assistance projects falling within the scope of international treaties to which the Republic of Moldova is a party, with the subsequent amendments and additions to point 9 of Annex no. 2 on the Ministry of Economy, the project "Promotion of the Economic Structural Adjustment Efforts and Fund Partner Funding" on the basis of the Exchange Rates between the Government of the Republic of Moldova and the Government of Japan of 09.03.2005, 03.03.2006, 05.03.2007 and 05.03.2008;
2. Tax Code no. 1163 of 24.04.1997, art.103, par. (1) point 26); Law no.1380 of 20.11.1997 on the customs tariff, art. 28, letter (o) and point 2 of the Note to Annex no.2;
3. Tax Code no. 1163 of 24.04.1997, art.103, par. (1) point 10); Law no.1380 of 20.11.1997 on the customs tariff, art.28 let. z1); Government Decision no. for the approval of lists of medicinal raw materials, materials, articles, primary and secondary packaging used in the preparation and manufacture of medicinal products;
4. Tax Code no. 1163 of 24.04.1997, art.103, par. (7); Government Decision no. 124 of 15.02.2013 for the approval of the Regulation on the granting of certain categories of VAT facilities according to the provisions of art.103 par. (7) of the Fiscal Code no. 1163-XIII of April 24, 1997 and art. 4 par. (18) letters a) and b) of Law no. 1417-XIII of 17 December 1997 for the implementation of Title III of the Fiscal Code; Government Decision no. 1085 of 22.11.2010 approving the list of organizations and enterprises of the companies of the blind, deaf and disabled companies, exempt from VAT on the import of raw materials, materials, accessories and accessories needed for their own production process;
5. Tax Code no. 1163 of 24.04.1997, art. 96, lit. b) lin. 5; Law no. 172 of 25.07.2014 on the approval of the Combined Nomenclature of Goods, item 9;
6. Tax Code no. 1163 of 24.04.1997, art.103, par. (1) point 29); Law no.1380 of 20.11.1997 on the customs tariff. art.28 lit.q2); Government Decision no.145 of 26.02.2014 for the approval of the Regulation on the application of the fiscal facilities set out in Article 103 (1) (29) of the Tax Code no.1163 of 24.04.1997 and Article 28 lit. .q2) of the Law no. 1380 of 20.11.1997 on the customs tariff;

7. Customs Code no. 1149 of 20.07.2000, art. 34; Tax Code no. 1163 of 24.04.1997, art. 104 par. (2) letter c<sup>1</sup>); Law no. 1380 of 20.11.1997 on the customs tariff art. 28, letter n) and point 1 of the note to appendix no. 2; Government Decision no. 246 of 08.04.2010 on the application of the zero rate of VAT on supplies of goods, services performed on the territory of the country and on granting tax and customs facilities for ongoing technical and investment assistance projects falling within the scope of international treaties to which the Republic of Moldova is a party, point 9 of Annex no. 2 on the Ministry of Economy, the project "Promotion of the Economic Structural Adjustment Efforts and Fund Partner Funding" on the basis of the Exchange Rates between the Government of the Republic of Moldova and the Government of Japan of 09.03.2005, 03.03.2006, 05.03.2007 and 05.03.2008; Order Ministry of Economy and Commerce no. 37 of 28.06.2005, Program for support and development of the small and medium enterprises sector;
8. Code no. 259 of 15.07.2004 on Science and Innovation of the Republic of Moldova; Law no. 154 from 01.07.2016 to the state budget for 2016; Law no. 138 of 21.07.2007 regarding the scientific-technological parks and innovation incubators; Government Decision no. 809 of 29.10.2015 regarding the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for 2015; Government Decision no. 1452 of 30.12.2016 regarding the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for the year 2016; Government Decision no. 952 of 27.11.2013 on the approval of the Republic of Moldova's Innovation Strategy for the period 2013-2020 "Competitiveness Innovations"; Government Decision no. 685 from 13.09.2012 regarding the approval of the Small and Medium Enterprises Development Strategy for the years 2012-2020; Government Decision no. 920 dated 07.11.2014 regarding the approval of the R & D Strategy of the Republic of Moldova until 2020; Decision of the Supreme Council for Science and Technological Development of the ASM no. 37 of 19.02.2016 on the financing of technology transfer projects in 2016; Decision of the Supreme Council for Science and Technological Development of the ASM no. 249 of 30.09.2016 on the financing of the project of innovation and technological transfer "Recycling and recovery of waste from poultry slaughtering, preparation of fodder proteocogluclid concentrate; Decision of the Supreme Council for Science and Technological Development of the ASM no. 154 of 26.05.2016 on the financing of the technology transfer project "Implementation of Innovative Technology for the saving of energy resources in wine production with IG and DOP"; Decision of the Supreme Council for Science and Technological Development of the ASM no. 322 from 15.12.2016 regarding the amendment of the annexes of some decisions of the Supreme Council for Science and Technological Development of the ASM; Decision of the Supreme Council for Science and Technological Development of the ASM no. 36 of 19 February 2016 on the financing of innovation infrastructure development projects in

- 2016; Decision of the Supreme Council for Science and Technological Development of the ASM no. 208 of 04.08.2016 on the allocation of the volume of allocations and expenses for science and innovation for 2016 according to the Law on the State Budget;
9. Code no. 259 of 15.07.2004 on Science and Innovation of the Republic of Moldova; Law no. 154 from 01.07.2016 to the state budget for 2016; Government Decision no. 809 of 29.10.2015 regarding the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for 2015; Decision of the Supreme Council for Science and Technological Development of the ASM no. 37 of 19.02.2016 on the financing of technology transfer projects in 2016;
  10. Code no. 259 of 15.07.2004 on Science and Innovation of the Republic of Moldova; Law no. 154 from 01.07.2016 to the state budget for 2016; Law no. 138 of 21.07.2007 regarding the scientific-technological parks and innovation incubators; Government Decision no. 809 of 29.10.2015 regarding the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for 2015; Decision of the Supreme Council for Science and Technological Development of the ASM no.281 of 17.12.2015 On the approval of the financing of joint research projects in 2016 between the Academy of Sciences of Moldova and the Republican Fund for Fundamental Research in Belarus; Decision of the Supreme Council for Science and Technological Development of the ASM no.278 of 17.12.2015 regarding the approval of the financing for the year 2016 of the projects within the state programs; Decision of the Supreme Council for Science and Technological Development of the ASM no. 285 of 17.12.2014 Concerning the approval of the results of the competition for projects of fundamental scientific research and applied scientific research for the years 2015-2018 and their financing for the year 2015; Decision of the Supreme Council for Science and Technological Development of the ASM 279 of 17.12.2015 regarding the approval of the 2016 funding for projects for young researchers; Decision of the Supreme Council for Science and Technological Development of the ASM no.276 of 17.12.2015 regarding the amendment of the Decision of SCŞDT of the ASM no. 285 of 17.12.2014; Decision of the Supreme Council for Science and Technological Development of the Academy of Sciences of the Republic of Moldova no. 79 of March 28, 2016 regarding the approval of projects for the editing of scientific monographs (works of value) for financing for 2016;
  11. Code no. 259 of 15.07.2004 on Science and Innovation of the Republic of Moldova; Law no. 154 from 01.07.2016 to the state budget for 2016; Law no. 138 of 21.07.2007 regarding the scientific-technological parks and innovation incubators; Government Decision no. 1452 of 30.12.2016 regarding the approval of the Partnership Agreement between the Government and the Academy of Sciences of Moldova for the year 2016; Decision of the Supreme Council for Science and Technological Development of the ASM no. 208 of 04.08.2016 regarding the allocation of the volume of allocations and

- expenditures for the field of science and innovation for 2016 according to the State Budget Law;
12. Tax Code no. 1163 of 24.04.1997, art.4; Law no.1417 of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 (134); "COMPACT" agreement, section 2.8 and Annex VI; Government Decision No. 949 of 12 October 2010 approving the Regulation on the application of the fiscal and customs facilities set out in the Compact Agreement, III p.6,7;
  13. Customs Code, art.126 paragraph (32); Law no.1417 of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 paragraph (203); Law no.1380 of 20.11.1997 on the customs tariff, art.281, paragraph (1); Government Decision no.146 of 26.02.2014 for the approval of the Regulation on the way of extending the deadline for payment of value added tax and customs duty for the production cycle but not more than 180 days for the raw material, materials, accessories, primary packaging and imported items;
  14. Tax Code no. 1163 of 24.04.1997, art. 96, letter b) Indent 2, art. 124 paragraph (15); Law no. 172 of 25.07.2014 on the approval of the Combined Nomenclature of Goods, Chapter 22 Note 1 of the Annex;
  15. Parliament's Decision No 477 of 02.06.1995 for the ratification of the Agreement on general conditions and the mechanism for supporting the development of the cooperative production of enterprises and branches of the countries of the Commonwealth of Independent States; Government Decision no. 369 of 05.06.1995 on the measures for the implementation of the Agreement on General Conditions and the Mechanism for Supporting the Development of the Cooperative Production of Enterprises and Industries of the Member States of the Commonwealth of Independent States and the Protocol on the Mechanism for the Implementation of this Agreement;
  16. Parliament's Decision no. 1588 of 27.02.1998 on the granting of loans to housing cooperatives for the years 1998-1999; Decision of the Parliament Nr. 834 of 16.05.1996 on housing cooperatives; Decision of the Parliament Nr. 209 of 29.07.1994 on the granting of credits to housing cooperatives; Decision of the Parliament Nr. 1294 of 23 February 1993 on the implementation of the Law on the State Budget; Government Decision no. 323 of 28.06.1991 on measures to stimulate the construction of houses and housing cooperatives; Government Decision no. 349 of 07.06.1993 on measures for the protection of housing cooperatives; Government Decision no. 811 of 15.12.1992 on measures to assist housing cooperatives; Government Decision no. 35 of 22.01.1992 on additional measures to stimulate the co-operative housing construction;
  17. Law no.1380 of 20.11.1997 on the customs tariff. art.28 letter t) and letter s); Law no.1417 of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 para. (15) and paragraph (17);
  18. Law no. 1380 of 20.11.1997 on the customs tariff, Article 28 (t1) and p.14 of the Note to Annex no.2; Law no.1054 of 16.06.2000 for the implementation of

- Title IV of the Fiscal Code, art.4 paragraph (81); Law no.1417-XIII of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 (135);
- 19.Law no.60 of 30.03.2012 on the social inclusion of persons with disabilities; Law no. 72 of 12.04.2015 on the state budget, art. 43 and art. 36; Law no. 154 from 01.07.2016 to the state budget for 2016;
  - 20.Law no.1421 of 31.12.2002 on theatre, circuses and concerts; Law no.154 of 01.07.2016 on state budget for year 2016;
  - 21.Law no. 102 of 13.03.2003 on the employment and social protection of jobseekers; Government Decision no. 594 from 20.06.2005 regarding the approval of the Procedure for Employers' Stimulation for the employment of the graduates of the higher education institutions financed from the state budget;
  - 22.Law no. 102 of 13.03.2003 on the employment and social protection of jobseekers; Government Decision no. 862 of 14.07.2003 for the approval of the procedures for access to employment measures, Annex 3;
  - 23.Law no. 142 of 02.07.2010 on energy efficiency; Law no. 160 from 12.07.2007 renewable energy; Government Decision no. 401 of 12.06.12 on the Energy Efficiency Fund;
  - 24.Law No. 1054 of 16.06.2000 for the implementation of Title IV of the Fiscal Code, art. 4 paragraph (5); Law no.1417 of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 paragraph (2); Government Decision no.1001 of 19.09.2001 regarding the declaration of goods by the economic agents from the eastern districts of the Republic of Moldova; Law no.1380 of 20.11.1997 on the customs tariff, art.4 paragraph (5);
  - 25.Law no.193 of 19.11.2015 on the import of a motor vehicle;
  - 26.Law no.1380 of 20.11.1997 on the customs tariff \*, art.28 letter 1);
  - 27.Law no.1054 of 16.06.2000 for the implementation of Title IV of the Fiscal Code, art. 4 paragraph (5); Law no.1417 of 17.12.1997 for the implementation of Title III of the Fiscal Code, art.4 paragraph (2); Government Decision no.1001 of 19.09.2001 regarding the declaration of goods by the economic agents from the eastern districts of the Republic of Moldova; Law no.1380 of 20.11.1997 on the customs tariff, art.4 paragraph (5);
  - 28.Law no.91 of 13.05.2016 for the amendment of some legislative acts;
  - 29.Law no. 182 of 15.07.2010 regarding industrial parks, art. 12; Government Decision no. 522 from 28.04.2016 regarding the modification and completion of the Government Decision no. 451 of June 28, 2013;
  - 30.Law no. 182 of 15.07.2010 regarding industrial parks art. 12; Government Decision no. 440 of 16.06.2011 on the granting of the title of industrial park to the "TRACOM" Joint Stock Company;
  - 31.Law no. 1515 of 16.06.1993 on the protection of the environment, art. 85;
  - 32.Law no. 1308 of 25.07.1997 on the normative price and the way of sale-purchase of the land; Government Decision no. 1428 of 16.12.2008 for the approval of the Regulation on the sale-purchase of the related land;

33. Law no. 179 of 10.07.2008 on the public private partnership; Law no. 534 of 13 July 1995 on the concession; Government Decision no.438 of 19.05.2012 on the initiation of the public private partnership project for the concession of Chisinau International Airport; Government Decision no. 321 of 30.05.2013 regarding the approval of the concession of the assets of I.S "Chisinau International Airport" and the conditions of their concession; Government Decision no. 715 of 12.09.2013 approving the Report on the conduct and results of the closed competition for the selection of the concessionaire of assets SE. "Chisinau International Airport"; Government Decision no. 780 of 04.10.2013 regarding the reconfirmation of the Government Decision no. 321 of 30.05.2013 regarding the approval of the concession of the assets of SC "Chisinau International Airport" and the conditions of their concession;
34. Government Decision no. 910 of 25.07.2016 on the method of allocating the means of subsidizing the agricultural producers for the year 2016;
35. Government Decision no. 364 from 03.06.2008 regarding the approval of the National Program for Economic Empowerment of Youth (PNAET); Government Decision no. 2503-330 of 04.10.2010 on the extension of the program for 2011-2013; Government Decision no.2503-330 of 04.10.2010 on the extension of the Program's action period 2011-2013;
36. Decision of the Government of the Republic of Moldova no.774 of 13.08.1997 on the nomenclature of services with legal significance in the field of the protection of intellectual property objects;
37. Government Decision No. 949 of 12 October 2010 approving the Regulation on the application of the fiscal and customs facilities set out in the "Compact" Agreement, point 24; "COMPACT" agreement, section 2.8 and Annex VI;
38. Government Decision no. 742 of 10.09.2014 regarding the granting of the title of industrial park to the municipal enterprise "Household-communal household" and modification of the destination of a land; Contract no. 166 of 15.12.2014 of land lease issued by the City of Comrat City of UTA Gagauzia;
39. Order of the Ministry of Economy and Commerce no. 37 of 28 June 2005 on the implementation of the Program for Support and Development of the Small and Medium Enterprises Sector;
40. Civilian Authority Aeronautical Authority's debt rescheduling agreement of 23.04.2013;
41. Civil Aeronautical Authority's debt-staking arrangement No 49/6 of 01.11.2012;
42. Contract for the assignment of claims of the Civil Aeronautical Authority from 08.11.2016, 26.12.2016;
43. Decision of the Dubasari Business Incubator no. 02-03 of 21.06.2013 regarding the management of a real estate;
44. Decision of the Ștefan Vodă District Council no. 10/7 of 15.12.2011 on the status of the Business Incubator Ștefan Voda;

45. Decision of the Bălți Municipal Council no. 10/2 of 27.09.2012 regarding the approval of the Loan Agreement between the Ministry of Transport "Balti Trolleybus Directorate" and the European Bank for Reconstruction and Development and the Agreement for guaranteeing and supporting the project between Bălți Municipality, the European Bank for Reconstruction and Development and the " The Trolleybus Directorate of Balti ";
46. Decision of the Balti Municipal Council no. 8/60 of 27.10.2005 regarding the guarantee;
47. Decision of the Balti Municipal Council no. 8/50 of 27.11.2008 on the guarantee;
48. Decision of the Town Council of Edineț no. 19/20 of 23.08.2013 regarding the creation of Edinet Industrial Park.

**ANNEX III**  
**THE VALUE OF THE REPORTED STATE AID DEPENDING ON OBJECTIVES AND FORMS OF GRANTING**  
*(thousand MDL)*

Objective	2014							2015							2016						
	Subventi ons and / or subsidies	Cance lling or taking over debt	Exempti ons, reductio ns, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cance lling or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cancellin g or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
<b>Horizontal objectives</b>	316 246	0	21 204	7 358	0	0	9 296	329 335	0	25 701	1 151	0	0	6 019	78 101	0	28 558	875	0	0	1 929
Research- Developmen t and innovation	252 488	0	0	0	0	0	0	284 791	0	0	0	0	0	0	49 548	0	50	0	0	0	0
Envnironme ntal protection	20 230	0	0	2 981	0	0	0	39 637	0	2 460	0	0	0	0	20 937	0	0	0	0	0	0
Support to SMEs	40 080	0	5 609	4 377	0	0	9 296	960	0	2 658	1 151	0	0	6 019	3 668	0	3 371	875	0	0	1 929
Rescue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	123	0	0	0	0
Reorganizati on	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Objective	2014							2015							2016						
	Subventi ons and / or subsidies	Cance lling or taking over debt	Exempti ons, reductio ns, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cance lling or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cancellin g or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Employee training and job creation	3 448	0	15 595	0	0	0	0	3 947	0	20 583	0	0	0	0	3 947	0	25 014	0	0	0	0
Other horizontal objectives	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sectoral aid, depending on the sectors of activity of the national economy</b>	<b>0</b>	<b>0</b>	<b>621 394</b>	<b>53 979</b>	<b>0</b>	<b>0</b>	<b>5 189</b>	<b>0</b>	<b>0</b>	<b>1 246 575</b>	<b>753 900</b>	<b>19</b>	<b>0</b>	<b>17 976</b>	<b>97 549</b>	<b>0</b>	<b>38 949</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
Steel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shipbuilding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Synthetic fibers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Auto	0	0	0	0	0	0	0	0	0	367 249	0	0	0	0	0	0	0	0	0	0	0

Objective	2014							2015							2016						
	Subventi ons and / or subsidies	Cance lling or taking over debt	Exempti ons, reductio ns, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cance lling or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cancellin g or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Other manufacturi ng sectors	0	0	0	0	0	0	0	0	0	0	0	0	0	17 976	0	0	0	0	0	0	0
Coal: aid for current production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coal: other aids	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rail transport	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Airline	0	0	16 352	0	0	0	51 89	0	0	226	0	0	0	0	0	0	0	0	0	0	0
Turism	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial services	0	0	0	53 969	0	0	0	0	0	0	733 900	0	0	0	0	0	0	0	0	0	0
Other sectoral objectives	0	0	605 042	10	0	0	0	0	0	879 100	20 000	19	0	17 976	97 549	0	38 949	6	0	0	0

Objective	2014							2015							2016						
	Subventi ons and / or subsidies	Cance lling or taking over debt	Exempti ons, reducti ons, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cance lling or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cancellin g or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
State aid for regional development	355 827	0	1 356 900	0	5 190	0	1 511	82 736	0	2 177 326	0	6 549	0	544	0	0	2 047 138	0	6 656	0	2 845
SGEIs	124 731	0	1 335 692	44 753	5 463	7 443	52 779	122 001	0	764 605	44 322	3 674	17 910	160 373	39 925	0	22 197	48 137	181	2 266	94 940
Social aid to individual consumers, provided that they are granted without any discrimination based on the origin of the goods or services	0	0	40 957	0	0	0	0	0	0	51 146	0	0	0	0	0	0	0	0	0	0	0

Objective	2014							2015							2016						
	Subventi ons and / or subsidies	Cance lling or taking over debt	Exempti ons, reductio ns, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cance lling or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider 's investme nts if the profit rate of these investme nts is lower than the expected normal rate by a prudent private investor	Price reductio ns on goods and services provided, including the sale of movable and immovab le goods below market price	Subventi ons and / or subsidies	Cancellin g or taking over debt	Exemptions , reductions, deferrals or tax breaks	Providin g loans with preferent ial interest	Providin g guarante es on preferent ial terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Promoting culture and preserving cultural heritage	105 958	0	0	0	0	0	0	112 624	0	0	0	0	0	0	122 059	0	0	0	0	0	0
Aid to recover damage caused by natural disasters or other exceptional circumstanc es	0	0	13 060	0	0	0	0	0	0	0	0	0	0	0	0	0	38 487	0	0	0	0
TOTAL	778 030	0	2 053 516	61 338	5 191	0	15 996	524 695	0	3 500 748	755 051	6 568	0	24 539	297 708	0	2 153 132	881	6 656	0	4 774
TOTAL (including SGEIs)	902 761	0	3 389 208	106 091	10 654	7 443	68 775	646 696	0	4 265 353	799 373	10 242	17 910	184 912	337 633	0	2 175 329	49 018	6 837	2 266	99 714

## ANNEX IV

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

*(thousand MDL)*

State aid providers	2014							2015							2016						
	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
The Ministry of Economy	0	0	57 300	0	0	0	1 125	0	0	1 125	0	0	0	0	0	0	5 845	0	0	0	0
Ministry of Regional Development and Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27 255	0	0	0	0
Ministry of the Environment	228 094	0	0	0	0	0	0	83 889	0	0	0	0	0	0	4 175	0	0	0	0	0	0
Ministry of Labour, Social Protection and Family	3 448	0	0	0	0	0	0	3 947	0	0	0	0	0	0	3 947	0	0	0	0	0	0
Ministry of Culture	105 958	0	0	0	0	0	0	112 624	0	0	0	0	0	0	122 059	0	0	0	0	0	0
Ministry of Health	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40 691	0	0	0	0	0	0
Ministry of Transport and Road Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0	17 976	0	0	0	0	0	0	0

State aid providers	2014							2015							2016						
	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Academy of Science of Moldova	243 344	0	0	0	0	0	0	275 967	0	0	0	0	0	0	3 037	0	0	0	0	0	0
Customs Service	0	0	1 974 254	0	0	0	0	0	0	3 481 620	0	0	0	0	0	0	2 108 473	0	0	0	0
Credit Line Directorate	40 080	0	0	3 627	0	0	0	960	0	0	934	0	0	0	3 668	0	0	491	0	0	0
Agency for Energy Efficiency	0	0	0	2 982	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Property Agency	0	0	0	0	0	0	5 189	0	0	7 007	0	0	0	0	0	0	7 505	0	0	0	2 798
Fund for Energy Efficiency	6 695	0	0	0	0	0	0	27 142	0	0	0	0	0	0	16 762	0	0	0	0	0	0
Grant Implementation Unit of the Government of Japan (Ministry of Economy)	0	0	3 425	751	0	0	8 807	0	0	567	216	0	0	5 667	0	0	1 009	385	0	0	1 604
National Bank of Moldova	0	0	0	53 969	0	0	0	0	0	0	733 900	0	0	0	0	0	0	0	0	0	0
Agency for Innovation and Technology	9 144	0	0	0	0	0	0	8 824	0	0	0	0	0	0	5 820	0	0	0	0	0	0

State aid providers	2014							2015							2016						
	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Transfer																					
Civil Aviation Authority	0	0	16 353	0	0	0	0	0	0	8 338	20 000	0	0	0	0	0	683	0	0	0	0
Agency for Intervention and Payments for Agriculture	141 268	0	0	0	0	0	0	11 343	0	0	0	0	0	0	97 549	0	0	0	0	0	0
State Agency for Intellectual Property	0	0	2 185	0	0	0	0	0	0	2 091	0	0	0	0	0	0	2 362	0	0	0	0
Bălți Municipal Council	0	0	0	0	5 191	0	0	0	0	0	0	6 549	0	0	0	0	0	0	6 656	0	0
Edine City Hall	0	0	0	0	0	0	39	0	0	0	0	0	0	39	0	0	0	0	0	0	39
Cuizăuca Village Hall, Rezina District	0	0	0	0	0	0	2	0	0	0	0	0	0	2	0	0	0	0	0	0	0
Drăgănești Village Hall, Sângerei District	0	0	0	0	0	0	5	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Comrat City Hall	0	0	0	0	0	0	8	0	0	0	0	0	0	8	0	0	0	0	0	0	8

State aid providers	2014							2015							2016						
	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price	Subventions and / or subsidies	Cancellings or taking over debt	Exemptions, reductions, deferrals or tax breaks	Providing loans with preferential interest	Providing guarantees on preferential terms	Provider's investments if the profit rate of these investments is lower than the expected normal rate by a prudent private investor	Price reductions on goods and services provided, including the sale of movable and immovable goods below market price
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Dubasari Business Incubator	0	0	0	0	0	0	84	0	0	0	0	0	117	0	0	0	0	0	0	0	91
Leova Business Incubator	0	0	0	0	0	0	143	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sângerei District Business Incubator	0	0	0	0	0	0	148	0	0	0	0	0	112	0	0	0	0	0	0	0	0
Ștefan Vodă Business Incubator	0	0	0	0	0	0	291	0	0	0	0	0	236	0	0	0	0	0	0	0	234
Rezina Business Incubator	0	0	0	0	0	0	105	0	0	0	0	0	141	0	0	0	0	0	0	0	0
IP IASGunnar Due Gundersen	0	0	0	0	0	0	50	0	0	0	0	0	240	0	0	0	0	0	0	0	0
BC "Moldincom bank" SA	0	0	0	10	0	0	0	0	0	0	19	0	0	0	0	0	6	0	0	0	0
<b>TOTAL (excluding SGEIs)</b>	<b>778 030</b>	<b>0</b>	<b>2 053 516</b>	<b>61 338</b>	<b>5 191</b>	<b>0</b>	<b>15 996</b>	<b>524 695</b>	<b>0</b>	<b>3 500 748</b>	<b>755 051</b>	<b>6 568</b>	<b>0</b>	<b>24 539</b>	<b>297 708</b>	<b>0</b>	<b>2 153 132</b>	<b>881</b>	<b>6 656</b>	<b>0</b>	<b>4 774</b>
<b>SIEG</b>	<b>124 731</b>	<b>0</b>	<b>1 335 692</b>	<b>44 753</b>	<b>5 463</b>	<b>7 443</b>	<b>52 779</b>	<b>122 001</b>	<b>0</b>	<b>764 605</b>	<b>44 322</b>	<b>3 674</b>	<b>17 910</b>	<b>160 373</b>	<b>39 925</b>	<b>0</b>	<b>22 197</b>	<b>48 137</b>	<b>181</b>	<b>2 266</b>	<b>94 940</b>
<b>Total (including SGEIs)</b>	<b>902 761</b>	<b>0</b>	<b>3 389 208</b>	<b>106 091</b>	<b>10 654</b>	<b>7 443</b>	<b>68 775</b>	<b>646 696</b>	<b>0</b>	<b>4 265 353</b>	<b>799 373</b>	<b>10 242</b>	<b>17 910</b>	<b>184 912</b>	<b>337 633</b>	<b>0</b>	<b>2 175 329</b>	<b>49 018</b>	<b>6 837</b>	<b>2 266</b>	<b>99 714</b>

