

# Effectively Reducing Investment Costs

**Non-repayable grants are an effective means of significantly reducing production/manufacturing or service facility set-up costs. Germany offers one major program directing the allocation of investment grants throughout Germany: *Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur"* (GRW – Joint Task for the Improvement of Regional Economic Structures).**

## GRW Cash Grants

The GRW is a national incentive program that steers the distribution of direct subsidies for different investment projects across Germany in specified areas. Its main objective is promoting regional economic development by job creation. Eligible costs include capital expenditures or personnel costs during the establishment phase.

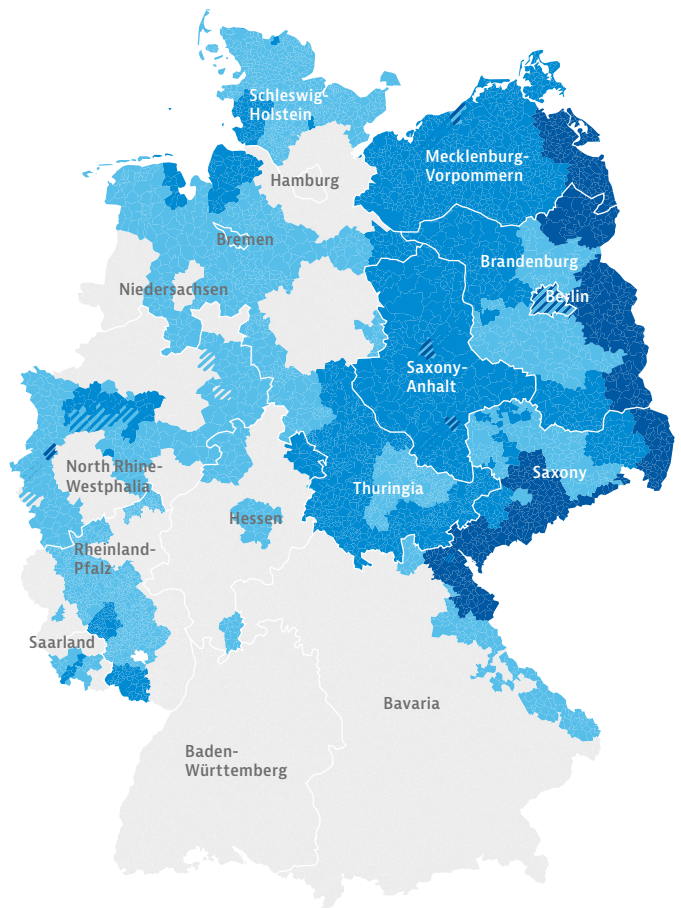
### GRW Regions in Germany

The European Commission defines the assisted regions and the maximum funding rates across the entire EU, conducting audits at regular intervals. A new GRW regional aid map came into effect in Germany in January 2022, and is valid until December 2027. The region's previous economic performance, unemployment and population shrinkage are used to define so-called C and D areas with different funding rates. The funding rates in C-regions depend on the degree the criteria are met. C-regions are located mainly in eastern Germany. A special set of circumstances applies to German municipalities and administrative regions along the Polish and Czech border. Here, companies are eligible to apply for a compensatory differential to the Polish and Czech assisted regions until the end of the present funding period. These regions have the highest funding rates in Germany.

### GRW Aid Intensity Levels

The maximum level of support that is permitted varies across the country. At its simplest, it depends on two factors: size of the requesting company (classification as a small, medium-sized, or large enterprise) as well as its investment location within Germany. In the maximum-support areas in Germany, large companies can receive up to 25 percent of their eligible investment costs reimbursed; medium-sized companies up to 35 percent; and small companies up to 45 percent. These maximum-support areas are located in border regions to Poland and Czech Republic. In C-regions (excluding the above mentioned border regions) large companies can receive up to 20 percent of their eligible investment costs reimbursed; medium-sized companies up to 30 percent; and small companies up to 40 percent.

## GRW Cash Grants: Available Incentives Rates by Region until 2027



## Available Incentives Rates in Incentives Regions Defined by the GRW Program

Region/Enterprise size	Small	Medium	Large
● Border areas	max. 45 %	max. 35 %	max. 25 %
● C region (unemployment + population) <sup>1</sup>	max. 40 %	max. 30 %	max. 20 %
● C region (population) <sup>1</sup>	max. 35 %	max. 25 %	max. 15 %
● C region	max. 30 %	max. 20 %	max. 10 %
● D region	max. 20 %	max. 10 %	max. EUR 200,000

Note: <sup>1</sup> In predefined areas in C Regions an increased incentive level is confirmed by the EU Commission.

Source: Federal Ministry for Economic Affairs and Climate Action 2022

### GRW Grant Conditions

The GRW program defines industries as well as forms of investment (e.g. greenfield projects or expansions) eligible for funding. International investors are subject to exactly the same conditions available to German investors. A set of criteria (including company size, planned investment project location et al.) determines individual investment project incentive levels. Who and what can be funded with GRW grants is determined at the federal level by the GRW coordination framework.

#### Project Eligibility

Investment projects are primarily eligible for GRW grants for setting up new or expanding existing facilities, for diversification of production, for fundamental changes to production processes, and for investment projects of companies to go beyond the national and EU rules on environmental protection or to improve environmental protection where such regulations do not exist. Even the acquisition of businesses threatened with closure can be eligible under certain conditions. Special terms and conditions may apply to large companies. The GRW program is focused on manufacturing and service industries. Pure sales or marketing activities are not covered by the program.

#### Calculating Possible Cash Incentives

Project costs and the grant level depending on the eligible investment costs form the calculation basis for determining the possible amount of cash incentives receivable through the GRW program. Eligible costs are either project-related capital expenditures (e.g. for new buildings, equipment, machinery) occurring in the first three years after project start or the personnel costs of the newly created jobs in the first two years. In the case of the wage cost option, lower and upper wage limits apply subject to federal state GRW regulations.

#### GRW Regulations at Federal State Level

The individual federal states are free to determine individual ceilings for cash grant support but are bound to the maximum incentives level determined by the GRW coordination framework for their respective location. The GRW regulations adopted by each federal state specify in more detail what investments they are intended for as well as any other conditions that must be met. The opportunity that GRW grants can be combined with other funding instruments such as public loans or guarantees is a very interesting feature of the program. Applicable subsidy ceilings have to be taken into account. However, at least 25 percent of investment project financing must be derived from own resources or external financing free of any subsidy.

### At a Glance

- Non-repayable grants in specified regions throughout Germany
- Eligible costs: purchase/production costs of new buildings, machinery, and equipment; purchase costs of new intangible assets OR salary costs for two years
- Eligible projects: setting up of new or expanding existing facilities, diversification of production, fundamental changes to production processes
- Eligible industries: most manufacturing and service industries

### GRW Cash Grants Application Process

GRW cash grants must be applied for at the federal state in which the investment project will be located. Each federal state operates a state owned business development bank which is responsible for administering as well as approving of cash incentives applications. Please note that applications must be submitted before the actual start of the investment project. It is advisable to discuss possible GRW funding with the relevant business development bank during the elaboration of the investment strategy.

The application process is swift and efficient. Investors should prepare the following documents:

- Official application form
- Bank financing statement on secured project financing
- Business plan
- SME status verification (if applicable)

#### Investor Support Services

GTAI's Financing & Incentives team develops project-specific recommendations for investment financing based on available public incentives. The team also provides comprehensive information on the different funding programs available and how to apply for them.

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