

Effectively Reducing Investment Costs

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

GRW Cash Grants

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

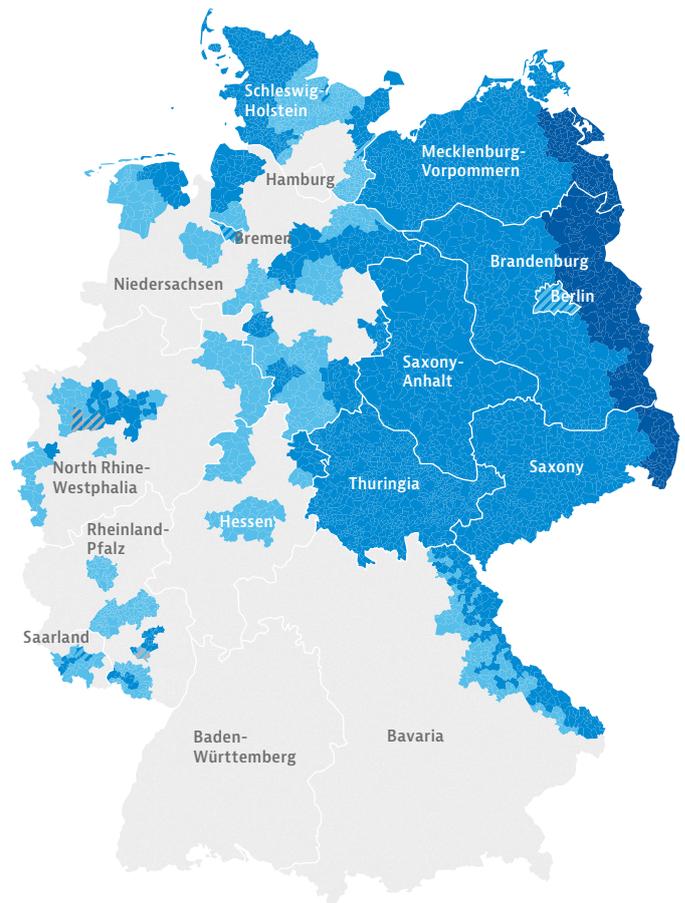
GRW Regions in Germany

The European Commission defines the 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 July 2014, and is valid through 2020. The region's previous economic outputs are used to define so-called C and D areas with different maximum funding rates. The whole of eastern Germany (excluding Berlin) is classified as a C region. A special set of circumstances applies to eastern German municipalities, administrative regions, and unincorporated areas along the Polish border. Here, companies are eligible to apply for a compensatory differential to the Polish assisted region until the end of the present funding period (December 31, 2020). These regions have the highest funding rates in Germany. Investments are also funded in certain regions of western Germany, where D regions dominate.

GRW Aid Intensity Levels

The maximum level of support that is permitted varies across the country. At its simplest, it depends on two factors: the 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 20 percent of their eligible investment costs reimbursed; medium-sized companies up to 30 percent; and small companies up to 40 percent. These maximum-support areas are located in eastern Germany.

GRW Cash Grants: Available Incentives Rates by Region until 2020



Available Incentives Rates in Incentives Regions Defined by the GRW Program

Region	Small enterprises	Medium-sized enterprises	Large enterprises
● Border area to Poland	max. 40 %	max. 30 %	max. 20 %
● C region	max. 30 %	max. 20 %	max. 10 %
● D region	max. 20 %	max. 10 %	max. EUR 200,000

Source: Federal Ministry for Economic Affairs and Energy 2014

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 environment protection measures. The acquisition of businesses threatened with closure can also 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.

“GTAI’s financing expertise was invaluable to us. Their experts drew up an individual financing structure proposal based on available public funding measures. This put us on a very secure footing for talks with our financing partners.”

Karsten Rasmussen, CEO, Dachpappe Recycling Deutschland GmbH

Eligible Costs

Project costs form the calculation basis for determining the possible amount of cash incentives. 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. Investors are free to determine whether to take capital expenditures or personnel costs as calculation basis for determining the possible amount of cash incentives. 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

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 (excluding pure sales and marketing activities)

what investments they are intended for as well as any other conditions that must be met. GRW grants can be combined with other funding instruments such as public loans or guarantees. However, at least 25 percent of investment project financing must be derived from own resources or external financing free of any subsidy.

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 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.

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 structuring 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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