



## **Romanian Ministry of Finance promotes major investments by industrial companies**

*by Johannes Becker, Funding consultant, Partner*

For many years, the Romanian government has launched national support programs for industrial investments - the so-called state aid programs, financed from the Romanian budget. This year, the Ministry of Finance presented a new program for large investments by industrial companies (Government Decision 300/2024).

Applications for funding are accepted for projects with an investment value of at least EUR 10 million. Around EUR 150 million in funding is available each year, totaling almost EUR 450 million for the years 2024-2026.

In broad terms, the program is very similar to the previous state aid programs of the Ministry of Finance, but on closer inspection there are significant differences. Apparently, numerous suggestions from companies have been taken into account and the program has been adapted to the current economic situation. In particular, there was criticism that in the previous program only the largest projects - and therefore primarily multinational groups - had a chance of success. According to the new rules, other evaluation criteria can compensate for the disadvantage of a lower investment value.

### **What are the most important points?**

Both SMEs and large companies are eligible for funding;

- The investment value must be at least EUR 10 million;
- Only some activities (defined by the NACE codes) are eligible;
- Projects must be implemented within 36 months (non-extendable);
- Applications can be submitted until September 9 this year.

### **How much is the funding?**

The amount of funding depends primarily on the investment location. The more developed a region is, the lower the funding rate - Bucharest is completely excluded from this funding program. For all other regions, funding of between 30% (Timis, Arad and parts of Ilfov) and 70% (Gorj) of the investment can be applied for.

The absolute maximum funding amount for a project also varies depending on the region, from a maximum of EUR 24.75 million in Timis, Arad and parts of Ilfov to a maximum of EUR 57.75 million in Gorj.

### **What is funded?**

In principle, expenses for the following tangible and intangible assets are reimbursed:

- Construction costs of production-related buildings;

- New production facilities and machines;
- Acquisition of intangible assets such as licenses, patents, know-how and other intellectual property rights (maximum 50% of the total eligible value of the project).

In practice, these will mainly be production buildings and plants.

Both existing companies and companies founded in the year of application are eligible for funding - although the latter are disadvantaged in the project evaluation.

### **How are funding applications evaluated?**

The applications are assessed with up to 155 points, which are distributed across six criteria:

- Value of the investment: 2 points are awarded for every EUR 10 million. However, the costs eligible for funding may not exceed EUR 100 million (although the investment value may) - therefore a maximum of 20 points is awarded for this criterion;
- Type of investment (10-20 points) - more points for greenfield projects;
- Location (0-25 points) - more points for disadvantaged regions;
- - NACE code (0-25 points) - the best chances are for code groups 109, 20, 25 and 26;
- Degree of automation (0-50 points) - more points for a higher degree of automation;
- Profitability of the last balance sheet (0-15 points) - the more profitable, the more points.

### **What to look out for when implementing the investment?**

The funding program contains some new provisions. For example, at least 3% of the project value must be awarded to contractors within the first 6 months of concluding the subsidy agreement. Extensions to the project duration are only possible after a quarter of the investment has been completed, and the total duration may not exceed 36 months from the conclusion of the contract. Investments that start late or too slowly or exceed the 36-month period lose the entire funding.

At the end of the five-year monitoring phase after completion of the investment, its success is evaluated. The funding can be reclaimed in full or in part if less than 90% of the budget specified in the application has been spent, the average return on sales over the five years is less than 2.5%, or the average sales fall short of the forecast in the funding application by more than 20%.

### **Conclusion**

The new support program will promote innovative investment projects with a high degree of automation in a very targeted manner - in structurally weak regions, for a few selected sectors and regardless of the number of new jobs created. The government has thus drawn up a very clear pattern of how it envisages Romania's industrialization in the coming years.

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