



STATE AID FOR INVESTMENTS IN THE MANUFACTURING INDUSTRY

1. Overview

Romania has recently launched a State aid scheme for the purpose of encouraging investments in the manufacturing industry, with view, on the one hand, to overcome current extensive labour shortages and the diminished trade flows to and from Ukraine caused by the armed conflict therein, and, on the other hand, to facilitate access to new international markets.

Specifically, Government Decision no. 959/2022 on the establishment of a State aid scheme providing grants for investments in the manufacturing industry (the “Scheme”) proposes measures to stimulate the Romanian economy in terms of value chain development, with focus on two lines of action:

- (i) supporting economic operators in Romania to develop the production potential for materials, products, equipment and/or services in demand on the market, by ensuring the necessary sources of financing and production capacities;
- (ii) attracting new investments and developing production capacities to increase the resilience of the Romanian manufacturing industry and to ensure the competitiveness of Romanian industrial products on international markets.

The scheme is issued pursuant to Regulation (EC) no. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and complies with the maximum aid intensities laid down therein and with the regional aid map approved by the European Commission for Romania for the period 2022-2027.

The Scheme is therefore not subject to European Commission's approval, yet Romania will submit it to the Commission for information purposes.

2. Content

The measures consist of aid for regional development in the form of grants for greenfield investments or for investments in favour of a new economic activity, which may concern:

- (i) establishing a new production unit;
- (ii) expanding the capacity of an existing production unit;
- (iii) diversifying the production unit towards products not previously manufactured therein;
- (iv) a fundamental change in the overall production process of an existing unit; or
- (v) the acquisition of assets directly linked to a production unit which is closed or would have been closed had it not been purchased, under certain conditions.

The maximum Scheme budget is of EUR 300 million, with the maximum average annual budget being of EUR 150 million.

The amounts thus granted under the Scheme may be used for the purpose of financing the costs of investments in (i) tangible assets (e.g., land, buildings, machinery, or equipment) and intangible assets (e.g., patents, licences, know-how or other intellectual property rights), as well as (ii) a two-year estimation of wage costs (including taxes and contributions thereof) to be incurred for the jobs generated as a result of the investment, or (iii) a combination thereof.

The assets (i) must be new, except in case of small and medium-sized enterprises ("SMEs") and in case of purchasing an existing unit, (ii) must be exclusively exploited by the beneficiary in order to achieve the investment objectives for which the financing was requested, (iii) must be kept in the patrimony of the beneficiary and remain associated with the investment, in the same region, for a period of at least 5 years from the completion of the same (or 3 years in case of investments carried out by SMEs) and (iv) must be purchased in market conditions.

In addition, costs related to the leasing of tangible assets may also be taken into account, provided that (i) as regards land and buildings, the lease continues for a period of at least 5 years in case of large enterprises, and respectively 3 years in case of SMEs, calculated from the completion of the investment project, and respectively (ii) as regards the leasing of plant or machinery, the contract is a financial lease and contains an obligation for the beneficiary to purchase the asset at the expiry date.

As regards intangible assets, for large enterprises the costs are eligible only up to a 50% threshold of the total eligible costs of the greenfield investment.

3. Eligible beneficiaries

Eligible beneficiaries may be SMEs and large enterprises, existing or newly established, provided that the same, or by case their projects, meet a set of criteria as of the application date, of which:

- (i) to be duly registered in accordance with Romanian laws;
- (ii) to not have outstanding debts to the state budget;
- (iii) not to be considered enterprises in difficulty;
- (iv) not to be under insolvency, bankruptcy, judicial reorganisation, etc.;
- (v) not to owe any amounts under a State aid recovery decision;
- (vi) at least 10% of the value of the project to represent green investments.

In addition, the existing companies must:

- (i) have a return on turnover greater than zero in one of the last 3 completed financial years;
- (ii) have positive equity in the last completed financial year;
- (iii) have a minimum subscribed share capital of RON 100,000 (approximately EUR 20,000) paid up in accordance with the law;
- (iv) make investments with a minimum value of EUR 3 million.

The estimated number of undertakings to benefit from regional State aid under the Scheme is 30 beneficiaries.

4. Regional intensity

State aid is granted for greenfield investments made by both SMEs and large enterprises in all regions of Romania, except for Bucharest and certain localities in the Ilfov County.

Nonetheless, for investments in favour of a new economic activity, large enterprises may benefit from aid also with respect to certain localities in the Ilfov County.

Regional aid intensity ranges between:

- (i) 30% - 60% for large enterprises;
- (ii) 40% - 70% for medium-sized enterprises; and
- (iii) 50% - 80% for small enterprises.

Nonetheless, the maximum value of aid to be obtained is related to large investment projects and amounts up to EUR 60 million.

Grants may be cumulated with any other State aid covering different identifiable eligible costs, or even the same eligible costs, in the latter case provided that the cumulated amount of aid does not exceed the maximum regional intensities under the Scheme.

On the other hand, the beneficiary must provide a financial contribution of at least 25% of the eligible costs, either from its own resources or from external financing, in a form which is not the object of any other public aid.

5. Status and implementation

Financing agreements under the Scheme may be issued by the Ministry of Economy until December 31, 2023. State aid will be paid during the period 2022-2027 on the basis of the financing agreements thus issued and with the observance of the annual budget allocated to the Scheme.

According to the provisions of the Scheme, the registration period for applications will be communicated by the Ministry of Economy on its website at least 30 working days before the opening date of the sessions.

At present, a draft applicant's guide is under public debate and is pending adoption.

This article contains general information and cannot be considered qualified legal advice.



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