

# Effectively Reducing Investment Costs

**The *Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur"* (GRW – Joint Task for the Improvement of Regional Economic Structures) is the major program directing the allocation of investment grants in defined regions of Germany. Non-repayable grants are an effective means of significantly reducing manufacturing or service facility set-up costs. This funding instrument is also available for investments in environmental/climate protection, energy efficiency measures, the transformation to net-zero economy and to cover own energy demand from renewables.**

## 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 regions. The main objectives are promoting regional economic development by job creation, environment/ climate protection and energy efficiency measures and the transformation to a net-zero economy. Subject to the individual investment purpose, eligible costs may include the

- capital expenditures for setting up new facilities or expanding or diversifying existing facilities
- additional costs to achieve environmental/climate protection and/or energy efficiency effects beyond German or EU norms,
- costs in case of investments to cover the own energy demand from renewables,
- costs for investments to transform to a net-zero economy.

The GRW program is focused on manufacturing and service industries. Pure sales and marketing activities are not covered by the program.

### 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 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 maximum funding rates. The funding rates in C-regions depend on the degree the criteria are met. The C regions are located mainly in eastern Germany.

## GRW Grant Conditions

The GRW program defines industries as well as forms of investment eligible for funding. International investors are subject to exactly the same conditions that are available to German investors. GRW grants can be combined with other funding instruments such as public loans or guarantees. However, at least 25 percent of the eligible investment costs must be financed from non-subsidized sources. Who and what can be funded with GRW grants is determined at the federal level by the GRW coordination framework.

### 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. Furthermore, the aid intensity levels vary subject to the investment purpose.

When setting-up a new facility 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 the Czech Republic. To cite another example, a company can receive up to 65% (in the case of a small enterprise) of the additional costs as a subsidy for environmental protection investments that exceed existing German or European standards in C regions.

### Calculating Possible Cash Incentives

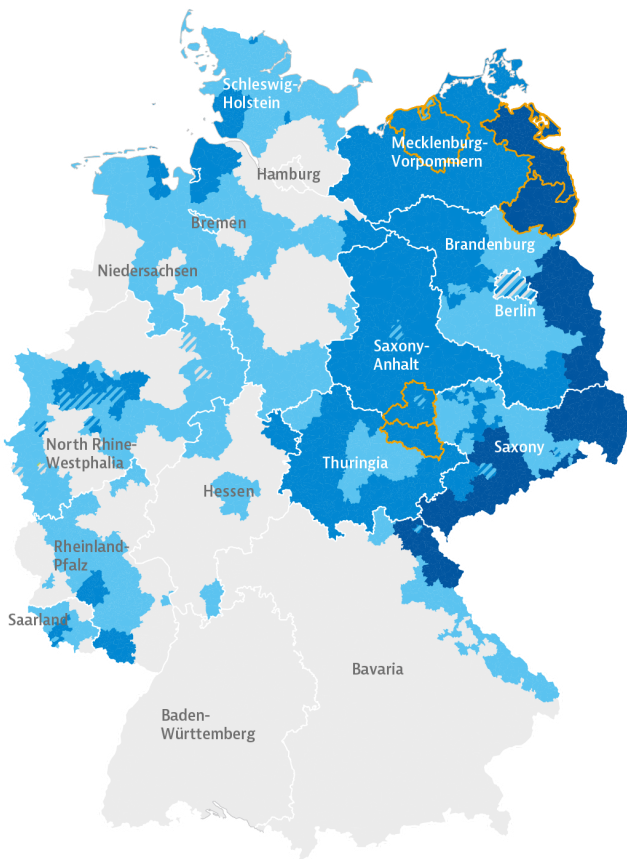
Project costs and the grant level subject to the eligible investment costs form the calculation basis for determining the possible amount of cash incentives receivable through the GRW program. If a company intends to build a new business premises, the eligible costs are either project-related capital expenditures (e.g. for new buildings, equipment, machinery) occurring in the defined implementation period of three years after project start or the personnel costs of the newly created jobs in the first two years of operations. 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 incentive level determined by the GRW coordination framework. 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.

## GRANTS FOR INVESTMENTS

### GRW Cash Grants: Funding regions



### 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 or an authorized institution which is responsible for administering investment grant applications. Please note that applications must be submitted before the actual start of the investment project.

The application process is swift. Investors should prepare the following documents: Official application form; bank statement on secured project financing; business plan; expert evidence depending on the investment project; SME status verification (if applicable).

#### Investor Support Services

Germany Trade & Invest's Finance & 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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### Incentive Rates for Investment

New Site Establishment until 2027			
Region/Company size	Small	Medium	Large
● C (Border areas)*	max. 45%	max. 35%	max. 25%
● C (Unemployment + Population)*	max. 40%	max. 30%	max. 20%
● C (Population)*	max. 35%	max. 25%	max. 15%
● C	max. 30%	max. 20%	max. 10%
● D	max. 20%	max. 10%	max. EUR 300 k

Energy Efficiency/Environment Protection Measures, Green Energy Production for own needs until 2027				
Region/Company size	Investment	Small	Medium	Large
●● C	Environment protection	max. 65%	max. 55%	max. 45%
● D		max. 60%	max. 50%	max. 40%
●● C	Energy efficiency	max. 55%	max. 45%	max. 35%
● D		max. 50%	max. 40%	max. 30%
●● C	Green energy production for own needs	max. 65%	max. 55%	max. 45%
● D		max. 65%	max. 55%	max. 45%

Transition towards a Net-Zero Economy until 2025				
Region/Company size	Incentive Instrument	Small	Medium	Large
●● C	Cash Grant max. 200 m EUR	max. 40%	max. 30%	max. 20%
● D		max. 35%	max. 25%	max. 15%
●● C	Tax relief, Loans, Guarantees	max. 45%	max. 35%	max. 25%
● D		max. 40%	max. 30%	max. 20%

📌 Funding areas of the GRW special program, applications are possible until 31.12.2032 (City of Halle/Saale is not a funding area of the GRW special program)

Note: \*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 2024