

# Track Changes

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October 2020

### Romania: liquidity related state aid scheme now available for large enterprises and SMEs

The RON 4 billion (approx. EUR 820 million) state aid scheme to support Romanian companies affected by the coronavirus pandemic became active on 7 October 2020, pursuant to the publication of the Decisions of the Inter-ministerial Committee for Finance Guarantees and Insurance ("Implementation rules"). The aim is to uncover the access to finance for companies facing a liquidity shortage generated by COVID-19, through subsidized interest loans and guarantees on loans.

Aid is granted by two types of instruments: **state guarantees** and **subsidized interest rates for investment and working capital loans**.

The **estimated budget** is equally allocated, in particular: RON 2 billion (approx. EUR 400 million), allowing for the issuance of guarantees for an amount up to RON 6.5 billion (approx. EUR 1.5 billion), with an estimated 325 beneficiaries for the state aid scheme in the form of guarantees on loans and RON 2 billion (approx. EUR 400 million) for the state aid scheme in the form of subsidized interest rates, intended for an estimated **100 beneficiaries**.

Companies established in Romania qualifying as SMEs with a turnover of more than RON 20 million in 2019 and large enterprises are among the **eligible final beneficiaries**, excluding enterprises, as well as financial institutions, active in the following sectors:

- Gambling and betting industries
- Manufacturing and distribution of weaponry, ammunition, explosives, tobacco, alcohol, substances under national control, herbs, narcotic and psychotropic substances and formulas;
- Investigative and protection services;
- Real estate transactions;
- Financial intermediation and insurance.

In addition, among other eligibility conditions, the aid may not be granted to companies that were already in difficulty as of 31 December 2019.

## ELEMENTS OF THE STATE AID SCHEME IN THE FORM OF GUARANTEES ON LOANS

In line with the EC Temporary Framework, EximBank grants aid **in the form of guarantees on loans, which cover up to 90% of loans granted by credit institutions**. The state guarantees are awarded for investment or working capital loans and cannot be used for refinancing of existing loans or to finance expenses already made.

### Guarantees shall be granted to beneficiaries for:

- New loans, up to 90% of the amount of the loan principal;
- Existing loans, in order to supplement existing collateral guarantees or in order to maintain/increase funding at a level that allows beneficiaries to continue their work, up to 50% of the loan principal.

The **maximum loan** granted to a beneficiary ("**Maximum Loan Amount**") should not exceed:

- Double the amount of the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the company's site but formally in the payroll of subcontractors) for 2019 or for the last year available. In the case of company incorporated on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or
- 25% of the beneficiary's total turnover in 2019; or
- The liquidity needs estimated by the beneficiary over a period of 18 months in the case of SMEs and 12 months in the case of large enterprises, based on a written statement of the beneficiary regarding his liquidity needs. The estimation may include costs related to both investment and working capital. This third option is intended to apply exceptionally in situations where an eligible company, active in a particular sector or due to the specific nature of its activity, can justify why the limits provided under the other thresholds above are not appropriate proxies to forecast its liquidity needs in the coming months, in particular (i) fast-growing enterprises, with a low level of turnover or a less relevant wage bill in 2019 that are implementing large scale investment projects in order to fill temporary market gaps in specific sectors like health, education or the food industry or (ii) companies active in tourism or transport sectors that would face larger liquidity needs in order to implement investment projects, in a short period of time, aiming at complying with the new standards required for their usual activity (such as protection infrastructures, additional protection equipment, increasing capacity due to larger mandatory personal space regulations).

The **duration of the guarantee** equals the maturity of the loan and may not exceed 6 years, whereas the **maximum duration of the loan** (which includes the grace period for payment of loan rates, where applicable) is:

- 6 years in the case of investment loans;
- 4 years in the case of working capital loans.

## ELEMENTS OF THE STATE AID SCHEME IN THE FORM OF SUBSIDISED INTEREST RATES FOR LOANS

EximBank grants aid in the form of loans with subsidised interest rates. Under this scheme, the loans may be granted either directly by EximBank in the name of and on behalf of the state - EximBank NCS ("**EximBank**"), or through credit institutions, through co-financing operations. The investment or working capital loans cannot be used for refinancing purposes.

The **maximum amount for the loans** to be granted equals the **Maximum Loan Amount** defined above under the state aid scheme in the form of guarantees on loans.

The **maximum duration of the loan** (which includes the grace period for payment of loan rates, where applicable) is:

- 6 years in the case of investment loans;
- 4 years in the case of working capital loans.

The **beneficiary's own contribution may not be less than 10 % of the total value of the investment project and shall be used in full before the first drawdown of the loan**. The beneficiary's "own contribution" shall be deemed as: (1) the beneficiary's own financial resources; (2) fixed assets already acquired by the beneficiary in the context of the investment project, advances or other payments made by the company under the project.

The applicable **annual interest rates** for the loans granted under the measure are composed of a base rate and a credit risk margin, which equal:

- The 3-month ROBOR base rate, reviewable quarterly, applicable when interest is due. The minimum base rate level may not fall below 2.35% p.a. throughout the entire loan period (ROBOR value at 12 months on 17 June 2020) plus
- A credit risk margin depending on the duration of the loan and the type of beneficiary.

### Award procedure

Potential beneficiaries should express the intention to access the subsidized interest loans or state guarantees at [support.companii@eximbank.ro](mailto:support.companii@eximbank.ro). As a result of the request, EximBank provides the relevant documentation through a dedicated online platform.

Aid is granted under the measures either directly by EximBank in the name of and on behalf of the state, or through credit institutions, on a **first-come first served basis**. **Submissions will be accepted until 30 November 2020**, at the latest and the signing of the relevant guarantee/credit agreements must occur by 31 December 2020.

## About WOLF THEISS

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