

# Grants for SMEs in Slovakia



## Fields of Interest

- **New Technology**
- **Energy Savings**
- **Alternative Sources of Energy**
- **Environment**
- **Recycling**
- **Research & Development**
- **Agriculture**
- **Tourism**
- **Education and Trainings**

## Excluded Fields

- Automobiles, cars
- Steel industry
- Real estate
  - Change in ownership of land does not produce added value
  - Some exceptions up to 10 % of the project budget allowed
- Taxes, interests
- VAT can be eligible cost for those who are not VAT payers
- No possibility of manufacturing halls building except if being a part of an industrial park established by municipalities
- note: Suppliers of the excluded industry segments are eligible applicants

## Subsidies in Numbers I.

- **11 Operational programmes**
- **EUR 11,360 billion from structural funds for programming period 2007-2013**
- **App. EUR 3-4 billion for private sector, mainly through the following programs:**
  - Environment
  - Competitiveness and Economy Growth
  - Agriculture
  - Bratislava region
- **EUR 1,969 billion from EAFRD for programming period 2007-2013**
- **Another potential financial resources from Structural funds for SMEs:**
  - SMEs could become a suppliers for projects implemented by public sector
  - SMEs must enter a public procurement; in case of winning a procurement, SME becomes a supplier for project
- **Co-financing from Structural funds for SMEs:**
  - Usually 25 – 50% of eligible project costs, but there are few exceptions
  - Depends on:
    - The respective program
    - Locality

## Subsidies in numbers II.

- **Maximum grant amounts:**
  - **Maximum grant amount is specified in:**
    - The respective Operational Program and schemes of state aid
    - Call for proposals published through the internet, which define more detailed conditions
  - **Maximum amount of the grant – examples:**
    - OP Competitiveness and Economy Growth defined max. EUR 2-6 million
    - OP Environment basically max. amount EUR 12 million
    - In case of co-financing through Scheme De Minimis – max. EUR 200 000 for one beneficiary (only SME) in period of 3 consequent years
    - Agriculture – max. EUR 3 million
- **Maximum project duration:**
  - Max. 1-2 year for soft skills projects
  - Max. 24-36 months for investment projects

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## Conditions precedent

- **Residence of the SME in Slovakia**
- **Localization of the project basically outside of Bratislava region**
- **De Minimis schemes are relevant only for SMEs**
- **Grants focused mainly on enlarging and expansion of existing SMEs, not for establishing new SMEs:**
- **There are very few programmes for start-ups, where only De Minimis schemes may be applied**
- **SME must show history– SME must be registered no later than January 1st of the year preceding the year in which application for grant is submitted**
- **SME must meet a conditions of showing viability (Altman´s index)**
- **What must be finished before the project application is submitted:**
  - Tender for suppliers
  - EIA (Environment Impact Assessment) if needed
  - Construction permit if needed
  - Building in which a technology is to be assembled must be owned by the applicant
  - No tax, social insurance, health insurance liabilities
  - Proof of having sufficient funds for co-financing of the project

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## How the Money Arrives

- **Nothing may be purchased, constructed, installed or paid before the project is approved and Grant Contract with the given ministry is signed**
  - Certain exceptions in Agriculture
  - Other regime for public sector applicants
- **A set of invoices must be fully paid, after which a request for reimbursement of the invoice may be submitted**
- **After the request is submitted, it is controlled for formal and factual compliance with the approved project**
- **The invoices are then reimbursed in the percentage approved and specified in the Grant contract with the given Ministry (usually 50 %)**
- **For de minimis programs, only one request for reimbursement may be submitted at the end of project**
- **For larger projects an unlimited number of reimbursements may be made**

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## Realistic Experience

- **Timing :**
  - Call for proposals – deadline – 2 - months
  - Project approval :
    - 3 - 4 months soft skills projects
    - 6 - 9 months investment projects
  - Grant Contract signing (Final Beneficiary and Managing Body) 1-2 months after project approval
  - Implementation of projects after Grant Contract is signed
- **Complicated regulations of project implementation – Final Beneficiary have to follow:**
  - EU regulations
  - Slovak legislative
  - Central Coordination Authority regulations
  - Managing Body regulations and manuals
  - Other related laws and regulations according to character of the project
- **There are relatively few financial resources in the most interesting programs**
- **Massive competition among grant applicants**
- **Frequent changes to regulations and manuals**
- **Regulations unprecedently absurd in comparison with standard sources of financing**
- **Good grant management is crucial not only to have the project approved but to have the grant money on the bank account**

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## Risks

### ▪ Risks not related to the project

- Timing
- Bureaucracy
- Corruption
- High level of clerk turnover (fluctuation) on Managing Bodies
  - Few qualified clerks
  - Every decision lasts longer time
  - Different opinion of clerks about same cases of eligible/ineligible costs
- System of financial management of projects is changing constantly

### ▪ Risks related to the project

- The project application may not approved
- Measurable indicators :
  - Each project comprises measurable indicators by which the controlling bodies may measure whether or not the grant fulfilled the aims of the grant program
  - For investment projects, indicators such as turnover, export ratio, fixed costs decrease, energy savings are set for 5 years after the project is finished
  - If the measurable indicators are not met, ministry may terminate the Grant contract and the applicant has to return the received grant amount
  - For such occasion the applicant must set up a lien covering the grant amount on the assets purchased through the project (buildings, technology, etc)
- Changes of the budget after project approval
  - Takes a long time
  - Hypothetically the system says that the project must be made exactly as described in the application, which is of course not realistic and very hard to achieve

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## Benefits

- Relatively high grant amounts
- In case of good and qualified project management is possible to achieve regular reimbursement in a 3 months period

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## Recommendation

- Basically there is a program for any reasonable activity except of those specified above
- Grants should be perceived as potential cost savings
- The financial tables of the project must work without the grant perfectly
- A good project is not the approved one but the one from which cash is received on bank account
- In order to make a good project, an experienced consultant is essential

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## State Aid

- Eligible for large project basically for investments exceeding EUR 15 million
- Forms of state aid:
  - Cash subsidy (rarely used)
  - Tax holidays
  - Subsidy for new jobs and education
  - Purchase of land and infrastructure
- Basic conditions
  - State aid must be approved by the Slovak Government before any activity regarding the project has started
  - References of subsidies up to 45 % of the investment, most of it in the form of tax holidays applicable during 5 years
  - The project must work for at least 5 years

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## Examples from the Past

- Wellness Patince
- TDS
- Áčko Ružomberok
- Compostery Topoľčany
- Industrial Park Galanta
- Biotechnology Business Plans

## Examples for the Future

- Krošlák
- Pro Ski
- Steffan
- Alpha Medical
- Johnson Controls
- SAMSUNG

## Conclusion

- **Although complicated, under good management the system of the grant support works**
- **There is almost always a way how to comply with the relevant regulations without harming the project itself**
- **It is important to have:**
  - Unbreakable structure of the project
  - Unbreakable tender dossier (transparent public procurement or public tender)
  - Budget made with the knowledge of all procedures dealing with drawing of the grant
  - All papers must be perfect
- **Everything should be consulted with the relevant Ministry**
- **Identification of the risks arising out of any source of financing and finding the right mix**

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## Ihre Förderbegleiter

### in Niederösterreich:

**Robert Kremnitzer**

**0664 184 3520**

[r.kremnitzer@ecoplus.at](mailto:r.kremnitzer@ecoplus.at)

**Vanda Medvedova**

**02742 9000 19718**

[v.medvedova@ecoplus.at](mailto:v.medvedova@ecoplus.at)

### in Rumänien:

**Daniel Marcu**

**+40 256 220555**

[d.marcu@ecoplus.at](mailto:d.marcu@ecoplus.at)

**Unser lokaler Partner in der Slowakei:**

**Web: [www.eufc.eu](http://www.eufc.eu)**



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