

Updated 2nd of August 2021

RDI loans in disruptive circumstances

Questions and answers

WHO IS THIS FUNDING SERVICE FOR?

Usually, internationalization is a requirement for the projects funded by Business Finland. Is that also true for this funding?

This funding is intended for both companies seeking international growth and companies operating only in the domestic markets. If the project financed by the loan is aimed at solving directly a disturbance caused by covid-19 in the company or business threat caused by covid-19, the pursuit of a national competitive advantage is also sufficient to obtain financing. Instead in companies' projects seeking international growth and the content is not directly related to solving a covid-19 problem or a business threat caused by a covid-19, the competitive advantage sought in selected international markets is required

What sizes of companies and which sectors can receive Business Finland funding?

SMEs and midcap (private and publicly listed) companies in different sectors with businesses of such a size that they are able to implement a development project worth at least EUR 150,000 and, eventually, repay the loan from business earnings.

The funding is intended in particular for companies in the following sectors: Commerce, logistics, hospitality, tourism, social and health services, temporary staffing services, software and manufacturing industries.

The funding is intended for small and medium sized as well as midcap companies that employ at least six people in addition to foundations and associations that conduct a significant amount of business. How is the minimum number of employees defined?

The company must have at least six employees in Finland. The employees must be full-time, taxable in Finland and their number must be verifiable. Owners who do not work for the company as full-time employees are not included in the number of employees.

The number of employees is calculated on the company level, meaning that the employees of a group's other companies cannot be included in the required six employees.

If a company in operation has five full-time employees at the time of application and it employs a sixth person at the start of the project, the minimum requirement of six employees is fulfilled.

If the company has only just started its operations and does not have any employees, the number of employees is not considered to be met even if the company could potentially employ the required minimum number of people with the project.

Finnish full-time employees laid off due to the covid-19 situation can be included in the number of employees.

What are the definitions of SMEs and mid-cap companies?

SMEs are companies with fewer than 250 employees and a turnover of no more than EUR 50 million or a balance sheet total of no more than EUR 43 million. Companies larger than this are classed as large corporations.

Large companies with a turnover of up to EUR 300 million per the latest confirmed financial statements are referred to as mid-cap companies. Turnover is assessed at the consolidated group level.

Please note: Companies classed as large companies in terms of turnover but which are owned by public entities are never considered mid-cap companies.

The share of ownership of capital investors and other holdings are not taken into consideration in assessing whether the turnover limit of EUR 300 million is exceeded at the group level.

Can a startup company apply for this funding?

A startup company can apply for the funding even if it does not have any turnover yet, if the company employs at least six people and the covid-19 crisis has hindered, slowed down or prevented the launch of the company's business.

Can a cooperative apply for this funding?

Yes

If a company is implementing other research, development, and innovation projects with Business Finland funding, can it apply for this funding?

Yes

If a company has received Business Finland funding in disruptive circumstances in grant form, can it receive this form of loan funding?

The RDI funding cannot be granted for the same project, but it can be granted for further development or a second project running in parallel. Temporary RDI loan cannot be granted for a project for which the company has already received Business Finland development funding in disruptive circumstances in grant form. However, the company may apply for temporary loan funding in order to continue development work (such as piloting or product development) that began on the grant project. Temporary loan funding may also be granted alongside development funding in disruptive circumstances but in such cases, the actions must concern different targets than the grant project.

Does a temporary RDI loan include de minimis support?

No. A temporary RDI loan is included in the EUR 1 800,000 quota of the Temporary State Aid Framework, which is separate from the company's de minimis quota.

FINANCIAL SITUATION OF THE APPLICANT

How does Business Finland assess the company's financial situation? When the company is not eligible?

The company's financial situation is assessed on the basis of the latest confirmed financial statements and other relevant financial information. If the latest financial statements have not yet been submitted to the Finnish Patent and Registration Office, they must be submitted to Business Finland.

If an SME is applying for funding, the following must be appended to the application:

- Monthly cash flow forecast [See here for an example forecast.](#)
- Annual profit and funding forecast (most recent financial period + three forecasts)

Business Finland also assesses the financial situation using reports from the Tax Administration on the company's record of meeting its obligations and Rating Alfa information from Suomen Asiakastieto Oy.

Temporary RDI loans are not intended for companies that were classed as 'undertaking in difficulty' as per the EU definition on 31 December 2019.

- With the amendment of the decree at the end of June 2021 (June 29, 2021), companies that became an "undertaking in difficulty" on January 1, 2020 or thereafter can nevertheless apply for a temporary RDI loan within a temporary framework for assistance (the "EUR 1,800,000 aid scheme").
- Funding can also be granted on the basis of the general block exemption regulation if the company became an "undertaking in difficulty" between January 1, 2020 and June 30, 2021.
- Furthermore, small companies can be granted funding under the temporary framework for assistance ("EUR 1,800,000 aid scheme") if they became an "undertaking in difficulty" before January 1, 2020, provided that the company is not undergoing bankruptcy or restructuring procedures, or has not been granted rescue aid or restructuring aid at the time of conceding the funding.
- Business Finland uses overall consideration when assessing the application, and it assesses how the company's overall financial situation will affect its ability to conduct a profitable business.

What is a 'undertaking in difficulty'?

Business Finland uses the European Commission's definition of an undertaking in difficulty. An undertaking firm in difficulty is one that:

- 1) is in bankruptcy or reorganization proceedings, or
- 2) has received rescue or structural change support and has not yet paid it back, or
- 3) has lost more than half of its subscribed share capital due to accumulated losses, or

4) exceeds or falls below certain thresholds (book debt to equity ratio and EBITDA)

If the company is less than 3 years old SME, it is considered to be in difficulty based on points 1-2 alone. For SMEs over 3 years of age, points 1-3 are assessed. For large companies, all points 1-4 are evaluated.

If the company was an undertaking in difficulty according to its most recently adopted financial statements but the situation has since been rectified, the company may prove that its circumstances have improved by providing an auditor's statement to this effect. The statement must show that the company is not an undertaking in difficulty based on the criteria presented above.

Can a company, a foundation or an association with a tax debt apply for funding?

If the company has a tax debt, it can receive funding if it has agreed on a payment arrangement with the Tax Administration. Funding cannot be granted to a company that has neglected its duty of notification or is not on the tax withholding register.

AMOUNT AND DURATION OF FUNDING

How much funding can you get?

The minimum loan for businesses in disruptive circumstances the loan is EUR 100,000. If a project financed by a loan aims to directly solve a disruption situation in the company caused by covid-19 or a business threat caused by covid-19 to the company, the financing level is generally 70% and the loan amount can not exceed EUR 500,000. For projects of companies seeking international growth, where an international competitive advantage is created and the content of the project is not directly related to solving the covid-10 problem or the business threat caused by covid-19, the funding level is generally 50% and there is no upper limit in euros.

This means that the company must cover 30-50 % of the costs through its own finances. The applicant must be able to prove to Business Finland that it has sufficient funds for the whole duration of the project. As Business Finland's funding is generally paid retrospectively, the funding receiver must first be able to pay the costs arising from the project itself. It is possible to receive 30% of the loan in advance.

Is collateral required in order to receive a loan?

No. The loan is granted without collateral on the basis of a development plan.

How long is the term of the loan?

The term of the loan is generally 7-10 years. In general, it is possible to have three years during which no principal is repaid. It is possible to extend the loan term to a maximum of 20 years.

What is the interest rate?

At present, one percent. The interest rate is three percentage points below the base interest rate, or at least one percent.

How much of the loan is paid to the company in each installment?

At the beginning of the project, 30% of the loan can be granted for the project in advance. The rest of the funding is paid on the basis of actual and declared costs. The final 20% is paid in conjunction with the final report.

What if the project fails? Is there any flexibility for the repayment of the loan?

If the project is delayed, the development work fails, or project produces results that cannot be used and commercialized in business operations, you can ask Business Finland to amend the loan terms. Primarily, the recipient is offered more time to repay the loan. In cases where the company can show that the results of the development project cannot be utilized in the company's business, the unpaid principal and interest of the loan can also be converted in whole or in part into a grant, ie Business Finland may consider not collecting the RDI loan.

WHAT CAN THE FUNDING BE USED FOR?

What can the funding be used for?

For an RDI project that results in new solutions that enable profitable and sustainable business after covid-19 crisis. The solution must have a significant novelty value on the market; it cannot be simply new to the company itself.

The following are **examples** of how the funding receiver may use the funding:

- Modernizing its existing offering and operating methods
- Developing new solutions for its sector
- Piloting and experimenting solutions in the actual operational environment and/or together with customers

What does it mean that the solution being developed must have a significant novelty value?

The result of the development work – such as a mode of operation or a product – must be new in a broader context, not just new to the company itself. The solution must be something that is not available on the market or in use in the company's industry, for instance. For example, an order system can be new to the company, but if it is available on the market and in use elsewhere, it does not have significant novelty value.

Can the funding be used to compensate for losses caused by the coronavirus?

The funding is not suitable for compensating for losses.

Can the funding be used to pay operational production costs?

No.

What costs are considered as operational production costs?

All costs related to the company's normal activities, such as equipment purchases, construction investments, strategy work, personnel training, sales and marketing, establishing a distribution channel and launching an export business

Are purchases from associated companies, i.e. related parties, eligible?

Purchases of services from Group companies and associated companies are eligible without margins. In order to demonstrate that there are no margins, the Group or associated company shall arrange its project accounting and working time tracking in accordance with the funding terms and conditions and declare the costs it has incurred from the project using Business Finland's forms.

Are the salaries of the management, owners, and family members eligible?

Eligible costs include salaries subject to withholding tax for the effective working hours of participants working on the project. Managerial and administrative salaries are generally classed as overheads. However, if the work is allocated directly to the development measures specified for the project, the salary costs are also eligible as project costs.

PAYMENT AND REPORTING OF FUNDING

Can the application be supplemented?

After the application has been entered into Business Finland's system, it can be supplemented in the Online Service. Supplementary information should not be sent by email. We will contact you if we need more information for processing the application.

I would like to cancel the application. What should I do?

You can cancel the application before a decision is made by emailing Business Finland's record office at kirjaamo@businessfinland.fi. In the subject field, enter: "Cancellation of application xxxx/31/2020 Company name" (xxxx/31/2020 = reference number). Enter the following in the message field: We hereby cancel our application. Best regards, N.N.

How long is the processing time for funding applications?

Unfortunately, we are not able to estimate the precise processing times of applications. We begin processing applications in the order in which we receive them. All applications are different, and some applications require more examination than others before a decision can be made. We are doing all we can to ensure that applicants receive their funding decisions quickly.