



SOFT LOANS INSTRUMENT FOR SMEs AS A REACTION TO THE COVID-19 PANDEMIC

Guarantee instrument designed to bridge the lack of liquidity caused by COVID-19

Description of the soft loans instrument

- New programme of **indirect financial aid** dedicated to small and medium-sized enterprises (SMEs) to bridge the period of the current health and safety measurements against spread of the coronavirus SARS-CoV19.
- Main goal of the instrument is to **provide guarantees to the banks** and motivate them to **grant loans for SMEs**. There is also the possibility of **the interest rate bonus** (max. by 4% p.a.) after the 12 months since the first loan drawdown.
- The call is dedicated for **financial institutions** (banks) certified to provide loans in Slovakia.
- Banks must express their interest in joining the scheme no later than **4th May 2020**. Just then it is possible to grant a soft loan.
- **Objective of the instrument:**
 - To help SMEs to cope with **limited access to capital**, caused by events out of the enterprise's control, and allow them **implementation of socially oriented measures** aimed to **maintain jobs**.
 - **De Minimis** conditions apply to the instrument (the aid for a single enterprise cannot exceed 200,000 €).
- **Source of financing**
 - **Operational Programme Integrated Infrastructure** through **the National Development Fund II. (NDF II)**, which is administrated by the **Slovak Investment Holding (SIH)**

Eligible SMEs

- are established and do business **in Slovakia** (including Bratislava region);
- do not meet the definition of an "**undertaking in difficulty**" (in case they are more than three years old);
- do not belong to the **highest credit risk rating category** (according to the bank's internal rating);
- do not operate in following sectors: **fishery** and **aquaculture** and the **primary production of agricultural products**.
- There is no claim by the European Commission (against the SME) to return the (previously granted) state aid.
- They must not be convicted for the criminal offence connected to their business (fraud, corruption, etc.)
- There is no final decision imposing sanctions for the breach of the prohibition of illegal employment.

Eligible credit purposes

- **Procurement of tangible and intangible assets** related to **maintaining or increasing the number of jobs**, including the transfer of ownership within enterprises and additional working capital.
- **Working capital** related to **maintaining or increasing the number of jobs** and **establishing, strengthening or expanding the business** of SMEs (e.g. purchase of stocks/goods /services, utilities, etc.).
- **Working capital** related to maintaining or increasing the number of jobs to **support special approach to disadvantaged social groups** and to **implement socially-oriented measures** (e.g. maintenance of jobs, etc.).
- **Working capital** to support SMEs with **limited access to capital** due to events out of the enterprise's control.

Conditions related to soft loans and interest rate bonus

- Maximum loan amount: **EUR 1,180,000**.
- Maximum SIH coverage/guarantee per individual loan - **80%**
- Minimum maturity: **3 years** (36 months) including postponed payments.
- Maximum maturity: **4 years** (48 months) including postponed payments.
- The repayment of principal and interest may be postponed for up to **12 months** since the beginning of first drawdown of the loan.
- **Interest rate:** the interest rate may be reduced by an interest subsidy of max. 4% p.a. (only up to a final interest rate of 0%). SIH expects the final product (including interest rate bonus) at the level of 0-2%.

The conditions for granting the interest rate bonus (after 12 months from the first loan drawdown):

- For **12 months** since the date of the first loan drawdown, SMEs will **maintain the average level of employment of regular employees** compared to the previous situation.
- In case that SME had **overdue liabilities** (at the time of granting) **more than 1 month on social or health contributions**, the SME will pay such liabilities from the granted loan.
- Fees for provision / increase / guarantee / early repayment: **0%**.

38 mil. €
+
57 mil. €

The current allocation from the NDF II fund into the Financial instrument

(17th April 2020- The SIH indicated that, the allocation **amount should increase by another approx. 57 mil. €**. Further extensions are also possible)

min.
80%

Guarantee instrument for financial institutions

- which will subsequently provide preferential bridging loans to SMEs.

max.
20%

Interest rate subsidy:

- Max. 4 % p.a.

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