

FI4INN

LOANS and
GUARANTEES

Subordinated Loan

DETAILS

COUNTRY: Czechia
REGION: Nationwide
TITLE: Subordinated loan - NRP
PERIOD: 2023 - 2026 (ongoing)

GOALS, RECIPIENTS, BENEFICIARIES

The objective of the support in the form of subordinated soft investment loans is to strengthen the investment activities and competitiveness of freelancers and SMEs and to enable them to implement business projects contributing to climate objectives and green transformation.

In addition, the loan is significantly simpler in terms of administrative requirements for both the applicant and the intermediary, making it more popular among beneficiaries. In addition, unlike a grant, it allows to address the cash flow problem more efficiently.

This specific instrument is in the first phase funded by the National Recovery Plan and therefore the timing is timed with respect to the EC decision until the end of 2025. However, if this financial instrument proves to have its clients, there is a high probability that it will continue beyond 2026 scope but with a different source of funding.

ELIGIBLE PROJECTS / EXPENSES

The loan can be used for the acquisition of fixed assets such as new or refurbished machinery, building renovation, acquisition of buildings or land for business. Each eligible project type is assigned a so-called climate coefficient, which is then used to determine the parameters of the subordinated loan. The higher the coefficient, the more advantageous it becomes for the applicant.

In the case of a loan, the supported activities are divided by climate coefficient, namely with values of 40% and 100%. The lower coefficient is assigned to activities where the investment has only a limited positive environmental impact. These are investments in digitisation of the business, more efficient waste management, waste-water treatment, and reuse. The higher coefficient corresponds to investments with a demonstrably high environmental impact, such as intelligent energy systems, infrastructure for alternative fuels or the use of recycled materials as feedstock.

The terms of the loan (e.g. maximum loan amount or grace period) vary depending on the type of activity supported (corresponding to the actual level of the coefficient). The loan amount can range from 1 to 100 million CZK (equivalent of 40,000 to 4 million €). This means that the total investment must exceed at least almost 90 000 €. Any sole trader and SME from all over the Czech Republic can apply if they demonstrate a minimum required level of financial health.

SUPPORT

The subordinated loan ultimately covers up to 45 % of eligible expenditure. Equally, the applicant must demonstrate that it has arranged a senior loan with a standard commercial entity at market rates. The remaining minimum 10 % of the total amount must be provided by the applicant from its own resources.

The repayment period of the senior loan may be up to 14 years, but the condition is that the period must be at least one year shorter than that of the loan provided by the National Development Bank. The condition is that the subordinated loan is interest-free for the duration of the senior loan. After repayment, however, it bears interest at 3 % p.a.

At the same time, it is possible to take advantage of a deferment of repayments for 3 years (in case of climate coefficient 40 %) or 5 years (in case of climate coefficient 100 %).

This approach helps to address the problem of high interest in the early years of the loan.

PROCEDURE

National Development Bank decides on the granting of support based on the selection criteria and the credit risk level of the beneficiary and the project.

The criteria are divided into four parts:

- A. Basic criteria.
- B. Readiness of the applicant to implement the project.
- C. Need and relevance of the project.
- D. Assessment of economic factors.

Remarks:

Link for more information: <https://www.nrb.cz/en/produkt/subordinated-loan-nrp/>

The programme is funded by the National Recovery Plan - the Czech Republic's Reform and Investment Plan, financed under the EU's Recovery and Resilience Facility.

CONTACTS

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