

COVID-19 - Czech Republic announces new instruments to support loans for exporters (Czech Republic)

April 14, 2020

The Chambers of Deputies passed the Czech government's proposed amendment to the Act no. 58/1995 Coll. on the supported financing of exports, under bill no. 817. The bill will have to be approved by the Senate before it can enter into force, and this is expected this week.

The key change involves the introduction of a new instrument to support exporters – a guarantee of the Export Guarantee and Insurance Corporation (EGAP) for loans provided by banks to Czech exporters to finance operational expenses, general working capital needs, innovation, investments into quality, as well as cash flow support. It will be possible to obtain financing for both existing and new loans as well as for the refinancing of existing loans.

The conditions for providing this type of guarantee by EGAP include:

- The exporter must have a minimum of 250 employees;
- The share of exports must be at least 20% of the exporter's revenue from the sale of goods and services in 2019;
- The purpose of the loan must relate to the financing of operational expenses, working capital, or investments; and
- The minimum loan principal must be of at least CZK 5 million and the maximum principal of the loan must not exceed 25% of revenues from the exporter's sale of goods and services in 2019.

The guarantee will cover up to 80% of the loan principal and will have a tenor of up to three years for working capital financing and up to five years for investment financing.

Detailed conditions will be set by a decree issued by the Government of the Czech Republic.

If you have any additional inquiries, please do not hesitate to contact us.

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