COVID-19: Guarantee Scheme
Malta Development Bank

A Guarantee Fund of €350 million has been allocated by Government for the purpose of guaranteeing loans granted by commercial banks in Malta to meet new working capital requirements of businesses facing cashflow disruptions due to the effects of the COVID-19.

Loans will be available from the commercial banks accredited by the MDB.

**Loan Features**

**Maximum Individual Loan Amounts**
- Small and medium-sized enterprises (SMEs): €2 million
- Large enterprises: €5 million
- Amounts higher than €2 million but limited to a maximum of €4 million for SMEs; and amounts higher than €5 million but limited to a maximum of €8 million for large enterprises, require the prior ad-hoc approval of MDB

Provided that such amounts do not exceed:
- Double of the annual wage bill of the beneficiary; OR
- 25% of total turnover of the beneficiary in 2019
- A higher amount, subject to appropriate justification and self-certification, to cover the liquidity needs of SMEs for the coming 18 months and of large enterprises for the coming 12 months.

**Interest Rate:** To be determined by the commercial bank. Commercial Banks would need to give an interest rate reduction to beneficiaries of at least one percentage point on the average lending rate as compared to similar facilities prior to the introduction of the guarantee scheme.

**Loan Term:** Minimum 18 months to maximum of 48 months. The term can increase to 72 months, subject to additional terms and conditions. Loan terms longer than...
72 months will not be covered by the CGS.

**Moratorium:** Minimum period of 6 months with the possibility to extend to one year on a case-by-case basis. The moratorium applies to both interest and capital repayments.

### Eligible Costs included in Working Capital

The CGS covers new working capital loans.

Eligible costs under these loans mainly include, but are not limited to:

- Salaries of employees, including social and health security payments
- Lease of establishment, including rental costs, energy and water bills, fuel etc.
- Unpaid invoices due to a decrease in business revenues in respect of working capital and other similar commitments and in respect of investment expenditures provided that investment expenditures only qualify under the Scheme if they were contracted for prior to the approval of this Scheme by the Commission
- Acquisition of material and stock for continuation of business
- Expenses directly related to contracts which were cancelled or postponed because of the COVID-19 outbreak excluding penalties and other liabilities incurred due to non-performance of contracts
- Maintenance costs

The CGS shall not cover restructuring or rescheduling of existing facilities.

### Eligible Beneficiaries

The CGS will cover all business undertakings established and operating in Malta:

(a) SMEs: up to 250 employees; and

(b) large enterprises: employment exceeding 250.

The MDB will soon be uploading a FAQ section to provide more information and clarifications on the CGS.

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European Commission Press Release

Malta Development Bank Press Release