



**Opening Statement for Briefing the  
Oireachtas Joint Committee on  
Enterprise, Trade and Employment  
on the**

**General Scheme of the Loan Guarantee Schemes Agreements  
(Strategic Banking Corporation of Ireland) Bill 2021**

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**Tuesday, 20 April 2021**

Chair, Committee Members,

1. I welcome the opportunity to present the Department of Enterprise, Trade and Employment views on the General Scheme of the Loan Guarantee Schemes Agreements (Strategic Banking Corporation of Ireland) Bill 2021. I am joined this morning by my colleagues Ms Fiona Kilcullen, Principal Officer and Head of the Department's Finance for Growth Unit and Ms Elizabeth Harvey, Assistant Principal in the Unit.
2. As the Committee is aware, the Department of Enterprise, Trade and Employment, with 16 Offices and Agencies, has a very wide mandate encompassing policy, trade, regulation and business and innovation schemes, impacting on some 230,000 businesses in Ireland. The Department has taken a lead role in working across government to ensure we have the most appropriate mix of advisory and financing schemes in place to help businesses prepare for and respond for the fundamental change in our trading relationship with the United Kingdom.
3. Small and Medium Enterprises (SMEs) are hugely important to the Irish economy and accounted for 99.8% of the total enterprise population for 2018. According to the Central Statistics Office (CSO's) latest Business in Ireland Report in 2018, they also accounted for 67.5% of employment and contributed 37.3% of Gross Value Added (GVA) by the private business economy.
4. In addition to SMEs, primary producers are essential contributors to the economy with 137,500 farms producing over €8 billion in output in 2019. These farm enterprises are being disproportionately affected by Brexit as well as also being affected by the COVID-19 Pandemic.
5. Before commenting on the specifics of the proposed Bill, I would like to provide a general outline about plans for a new Brexit focused loan scheme before concluding with comments on the specifics of the Bill. In order to meet the pressing need for finance by Brexit

impacted SMEs, small mid-caps and primary producers, this new scheme (the Brexit Impact Loan Scheme) would need to be fully operational by the end of Quarter 2 this year.

6. Loan guarantee schemes continue to be a key instrument for providing help to vulnerable but viable businesses that are being impacted by the effect of COVID-19 or Brexit or both.
7. Since the start of the pandemic close to € 931 million in lending has been sanctioned to over 8,000 businesses across State-backed loan guarantee schemes operated by the Strategic Banking Corporation of Ireland (SBCI) on behalf of the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine.
8. The results from the Central Bank of Ireland's Bank Lending Survey (January 2021) have indicated that 2021 will see increased demand for business lending for both guaranteed and un-guaranteed loans with the increase in demand for guaranteed loans expected to be larger.
9. It is important that we continue to adapt these loan schemes in response to the needs of businesses as they navigate these uncertain and difficult times and as parameters governing the schemes evolve.
10. Introducing the Brexit Impact Loan Scheme (BILS) which provides for easier access to a wider range of financing needs for Brexit impacted SMEs and small mid-caps, including primary producers, will ensure that appropriate access to finance options will remain available for SMEs over the 2021 and 2022 period at least, to help viable but vulnerable businesses respond to the liquidity challenges presented by both the Brexit and COVID-19 disruptions, ultimately helping them sustain their operations and the associated employment.
11. Many of the SMEs which are exposed to Brexit and have been negatively impacted by COVID-19 are important employers in rural communities, and so the proposed modifications to the loan scheme will have a positive impact for rural communities.

12. Today the Joint Committee on Enterprise, Trade and Employment is being asked to provide a waiver of pre legislative scrutiny for the General Scheme of the Loan Guarantee Schemes Agreements (Strategic Banking Corporation of Ireland) Bill 2021. The Bill is intended to provide a statutory basis for the Minister for Enterprise, Trade and Employment and the Minister for Agriculture Food and the Marine to engage with the SBCI on the new scheme and on future loan guarantee schemes to be delivered by the SBCI.
13. This is a short technical Bill with a narrow scope, relating to a technical agreement that the Ministers will need to sign with the SBCI by the end of May 2021, in order for the BILS to be delivered by the end of Q2 2021. This new Brexit scheme will leverage a counter guarantee by the European Investment Fund's (EIF) pan-European Guarantee Fund, to which Ireland is a contributing Member.
14. Based on financial modelling, the effect of this guarantee for the BILS will be to make up to €330 million in lending available to the end of 2022 at an Exchequer cost of €29 million, and this relates to a multiplier effect of greater than a factor of 10 for the Exchequer in terms of money flowing into SMEs.
15. If the SBCI were to operate a €330 million BILS in the absence of the EIF counter guarantee under the EGF, then the Exchequer cost could be up to c. €72 million, as opposed to the €29 million maximum cap for the Exchequer with the EIF's EGF guarantee. The value of the EGF counter-guarantee to the Exchequer is c. €43 million for a €330 million BILS scheme.
16. In considering the legal basis for a new scheme, advice was obtained from the Attorney General. The Department is satisfied that it is appropriate to provide for the specific vires in legislation to provide a statutory basis for relevant Ministers to fund and enter into future agreements with the SBCI for the purpose of facilitating access to finance for qualifying enterprises.
17. In order to meet the pressing need for finance by Brexit impacted SMEs, small mid-caps and primary producers, this new scheme (the BILS) would need to be fully operational by

the end of Quarter 2 this year. There are a number of processes to be worked through prior to the launch of the BILS including:

- a. an open call and assessment of the applications by lenders to participate in the scheme;
- b. legal agreements to be developed between: EIF and SBCI; SBCI and lenders to the scheme; between SBCI and the Minister of Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine; and,
- c. information Technology (IT) system development by SBCI and lenders to operate the scheme.

18. The planned schedule is then for the legal agreement between SBCI and the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine for the BILS to be signed at the end of May 2021. Delays to signing of this legal agreement would impact on the launch of the BILS, and delay availability of this finance to vulnerable but viable SMEs, small mid-caps and primary producers at a time when the full cost of Brexit is emerging.

19. It is on that basis that an accelerated process is being sought to put in place the appropriate legislation to provide the Ministers with the powers to enter into the required agreement with the SBCI for the BILS.

20. The BILS as proposed provides for lending to enable diversification of businesses in response to and to mitigate Brexit and COVID-19 impacts. SMEs and small-mid caps, including primary producers, can utilise lending through the scheme for activities aimed at addressing climate change challenges and opportunities. Funding through the BILS can also be utilised for purposes which yield environmental benefit, but which are, under normal lending conditions less attractive to lenders due to longer return on investment periods.

21. The General Scheme of the Strategic Banking Corporation of Ireland Loan Schemes Agreements Bill 2021 sets out the specific measures, divided into “Heads”, to be included in the proposed legislation to enable the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine to enter into agreements with the

Strategic Banking Corporation of Ireland and to provide the necessary financial support to business.

22. The proposed legislation would enable the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine to jointly enter into a new loan scheme, the “Brexid Impact Loan Scheme”. However, the proposed legislation will also enable these Ministers to, separately or jointly, enter into future agreements with the SBCI and provide the necessary financial support thereunder, with the purpose of providing policy responses to identified market failures in access to finance for SMEs, including primary producers, and small mid-caps.
  
23. In particular it will allow the Ministers the opportunity to act quickly to enter into agreements with the SBCI so as to leverage further European funding that is, or becomes, available to Ireland through European funded guarantee facilities.
  
24. To conclude, the legislation must be enacted by mid-2021, if the Scheme is to go ahead in time to provide support to Brexit and COVID-19 impacted SMEs including primary producers, and small mid-caps that are grappling with the twin disruptions of Brexit and Covid-19.
  
25. This is a key initiative to assist businesses navigate the uncertainties and challenges that the twin disruptions of Brexit and COVID-19 bring to ensure there is future economic growth throughout the country. It is essential that we take the necessary steps as quickly as possible to bring this loan scheme to the market.
  
26. On behalf of the Department of Enterprise, Trade and Employment, I would like to thank the Joint Committee for the opportunity to present to you today and we will be happy to expand on any aspects and take questions from Committee Members. Thank you.

April 2021