The COVID-19 Pandemic: Government Supports for Business

PBO Publication 36 of 2020 – Expenditure Analysis series

Contents

List of acronyms

BLS:	Brexit Loan Scheme
CGS:	Credit Guarantee Scheme
DAFM:	Department of Agriculture, Food and the Marine
DBEI:	Department of Business, Enterprise and Innovation
DCCAE:	Department of Communications, Climate Change and Environment
EIB:	European Investment Bank
EIF:	European Investment Fund
FGLS:	Future Growth Loan Scheme
ISIF:	Ireland Strategic Investment Fund
LEO:	Local Enterprise Office
MFI:	Microfinance Ireland
PBO:	Parliamentary Budget Office
PSRF:	Pandemic Stabilisation and Recovery Fund
SBCI:	Strategic Banking Corporation of Ireland
SEF – HPSU:	Sustaining Enterprise Fund - High Potential Start Up
SME:	Small and Medium-sized Enterprise
WCLS:	COVID-19 Working Capital Loan Scheme

Key points

1. A number of supports for businesses affected by the COVID-19 pandemic were announced on 08 April 2020. This incorporated a range of new supports as well as modifications to existing schemes.
2. The broad range of supports, and how exactly they will function makes analysis challenging, particularly when determining both the direct and the potential cost to the Exchequer. While many of the supports fall under the remit of the Department of Business, Enterprise and Innovation, other Departments and state bodies such as the Ireland Strategic Investment Fund (ISIF) and the Strategic Banking Corporation of Ireland (SBCI) are involved.
3. Enterprise supports encompass a potential State contingent liability of approx. €0.8 billion (the Exchequer guarantee of SBCI loans which facilitates up to €2 billion in loans).
4. €2 billion in commercial lending will be available through private partners via the ISIF's Pandemic Stability Restructuring Fund.
5. There will also be a direct additional cost to the Exchequer of approx. €795 million. While most of this relates to schemes, €260 million is required to offset forgone Local Authority income arising from the Waiver on Commercial Rates.
6. Tax debt warehousing is also likely to affect revenues raised – while much of this is deferred income, the terms of this support indicate revenues will be lower than in a non-pandemic scenario. The Department of Finance estimates that approximately €2 billion in tax revenue will be forgone in 2020 due to this measure. It will still be owed to the Exchequer and collected in 2021.
7. Schemes announced to date can be categorised as Grant aid Schemes, Loans/Guarantee Schemes or Forgone income. This categorisation is based on whether they relate to supports which incur spending, create contingent liabilities or result in forgone income. The €2 billion in funding from the PSRF would not currently constitute a contingent liability categorisation.
8. While the direct impact of the schemes described in this paper on the Exchequer is negative (i.e. they increase spending with no direct offsetting income raised), this focus alone would ignore the potential benefits generated by them. These schemes are intended to enable enterprises to survive through the challenges posed by the pandemic, thereby securing jobs and protecting the economy. Further, several schemes aim to leverage multiples of their cost to the Exchequer in investment by the private sector.
9. Some schemes being funded involve the provision of loans – with obvious upfront costs which should theoretically be repaid in future. It can be expected that there will be a certain level of defaults on loans which will reduce the amounts that can be recouped.
10. It is understood that the Revised Estimate for 2020 will set out an additional €483 million in spending for the Department of Business, Enterprise and Innovation. This figure may increase depending on any further funding that may be approved by Government for 2020.

How to read this paper

This is a complex area of policy making and Government spending. It has become more complicated as a result of the necessity for Government to respond quickly to the pandemic.

This short section therefore provides a guide to Members as to how to most effectively use this paper, depending on their needs. As set out below, the paper is composed principally of two parts. Firstly, the PBO's analysis of the potential budgetary implications of the business supports being provided, and secondly a short guide to the supports themselves.

Introduction

The COVID-19 pandemic has resulted in a widespread cessation of business activity. In accordance with the Roadmap for Reopening Society & Business (1 May 2020), a return to activity will be on a phased basis. In the interim, supports for enterprise are necessitated to ensure that as many as possible remain viable. **These enterprise supports are varied but primarily fall within the remit of the Department of Business, Enterprise and Innovation (DBEI) (funded through Vote 32)**.

There are a wide range of supports provided and/or facilitated by DBEI and the agencies under its remit.[1] This paper attempts to present those supports in as accessible a manner as possible in order that Members of the Oireachtas can effectively scrutinise them.

Some other supports for enterprise are also discussed; however, this paper does not address the Temporary Wage Subsidy Scheme as this is primarily an employment support and is addressed separately in The COVID-19 Pandemic: Employment and Unemployment Supports (April 2020).

The PBO would like to acknowledge the contribution of the Department of Business, Enterprise and Innovation to this paper. The assistance of the Department was invaluable due both to the evolving nature of the policy response to the pandemic and the technical nature of various supports. Department officials gave generously of their time in order to assist the PBO in ensuring that the policy response to the pandemic would be as accessible as possible to the Houses of the Oireachtas, its Members and Committees. **The PBO has, in some cases and in the interests of making this paper as accessible as possible, modified the wording of information provided by the Department and/or has provided its own analysis. Any factual errors arising are the responsibility of the PBO**.

This paper aims to:

- Categorise the costs of Government supports for business arising from the pandemic;
- Identify if schemes are to be funded through additional allocations or are funded by the repurposing of existing funds; and
- Describe the range of supports available across Government.

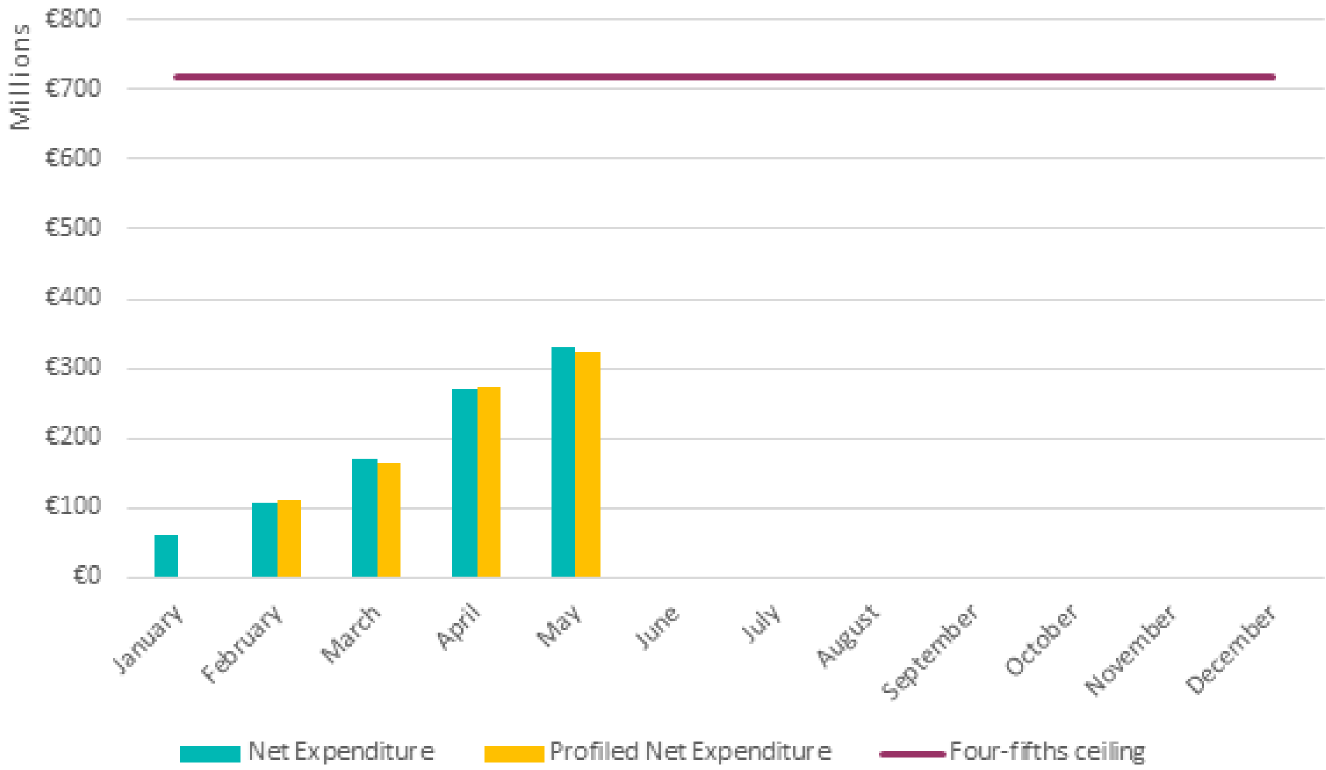
1 Two of the key actors in the provision of supports are however under the aegis of the Department of Finance – ISIF and the SBCI.

Part 1 – PBO analysis of budgetary implications

Department of Business, Enterprise and Innovation: Pandemic Supports and Spending in 2020

In the absence of Dáil approval for the Revised Estimates for Public Services 2020, spending on an individual Department is capped at four-fifths (80%) of the net allocation of the preceding year (the amount set out in the Appropriation Act 2019.[2] Thus, there is approximately €718 million available to be spent by the Department of Business, Enterprise and Innovation (Vote 32 in the Revised Estimates) at present. The pandemic is currently having a limited effect, with spending in May just above profile. It is expected that this expenditure will accelerate significantly in June and the Department is currently considering the timing for presenting a revised estimate so as to ensure that it does not exceed the aforementioned 80% spending limit.[3] This is illustrated in Figure 1.

Figure 1: Profiled and Realised Net Expenditure of the Department of Business, Enterprise and Innovation to May 2020 set against Expenditure Limit under the 'Four-Fifths Rule'



Source: PBO based on Fiscal Monitors 2020.

The gross allocation sought in respect of Vote 32: Business, Enterprise and Innovation in the *Revised Estimates for Public Services 2020* (2019) was approximately €970 million. The PBO understands that, subject to approval by Government, the Revised Estimate for 2020 will set out an additional €483 million in spending. This figure may increase depending on any further funding that may be approved by Government for 2020.

2 As previously noted by the PBO in The COVID-19 Pandemic – Voted Spending at the end of the first Quarter of 2020 (April 2020)

3 It was reported on 8 June that "there is a risk that this limit [the four-fifths limit] will be reached early in July". Source: Irish Times, 'Coronavirus: Government departments running out of money'.

Supports Announced to Date

On 08 April 2020 the Minister for Business, Enterprise and Innovation announced *"a major expansion of supports for all businesses impacted by COVID-19. The package is now worth €1 billion in liquidity measures including a new €180 million Sustaining Enterprise Fund"*.[4] This has since been superseded by a range of new supports announced by the Minister for Finance and Public Expenditure and Reform on 02 May. The **headline valuation** of the package is now **€6.5 billion**. However, the cost to the Exchequer is considerably less. This is because the costs borne by the Exchequer are intended to incentivise the private sector to provide additional liquidity to enterprise. Several components of the package require legislation to be passed prior to coming into effect.[5]

Components of the package include:[6]

- Up to €2 billion in State-backed loans for SMEs under the SBCI COVID-19 Credit Guarantee Scheme. The terms outlined for this scheme will be modified compared to those of the existing Credit Guarantee Scheme. This will be done in order to achieve interest rate reductions and to support bank lending in an uncertain environment. This is a contingent liability scheme whereby the maximum exposure of the Exchequer is currently capped at €800 million;
- Expansion of two SBCI Loan Schemes by €450 million to provide an extra €250 million for working capital and €200 million for longer-term loans bringing the total allocation to support liquidity in companies affected by the COVID-19 crisis to €650 million.
- A €2 billion Pandemic Stabilisation and Recovery Fund, operated by the Irish Strategic Investment Fund (ISIF), will make capital available to medium and large enterprises on commercial terms;
- A Restart Fund of €250 million to provide grants directly to micro and small enterprises;
- A 3-month waiver on payment of commercial rates to 27 June, with an associated cost of €260 million. This reduces income to Local Authorities - the Exchequer will make up this shortfall; and
- There are plans to facilitate 'debt warehousing' where companies are unable to pay tax debt during the pandemic period. This allows debt to be 'warehoused' interest-free for a year from recommencement of trading. During this time the Revenue Commissioners will not seek to enforce the debt and no interest will accrue. This is estimated to lead to a temporary reduction of revenue estimated at €2 billion.

Table 1 illustrates the range of supports to enterprises which have been either modified (marked as 'predated') or newly announced in response to the pandemic ('new'). It does not include the COVID-19 Temporary Wage Subsidy Scheme (TWSS).[7]

4 Gov.ie, 'Minister Humphreys announces major expansion of business supports for SMEs' (08 April 2020).

5 The Department of Business, Enterprise and Innovation have notified that new legislation, or amendments to existing legislation, will be required to introduce or enhance the COVID-19 Credit Guarantee Scheme, the Future Growth Loan Scheme, and Tax Debt Warehousing.

6 Gov.ie, 'Government outlines further measures to support businesses impacted by COVID-19' (2 May 2020).

7 The TWSS has previously been addressed by the PBO in The COVID-19 Pandemic: Employment and Unemployment Supports (April 2020). The TWSS allows employers to retain staff in employment during the pandemic where otherwise it would have been unable to afford to do so.

Table 1: Pandemic Business Supports - modified ('Predated') or newly announced in response to the pandemic

Scheme	Cost and Nature of Cost	Commentary
Strategic Banking Corporation of Ireland (SBCI)		
SBCI Working Capital Loan Scheme (WCLS) (Predated)	*€250 million in lending.* €19.16 million in DBEI and Department of Agriculture, Food and the Marine (DAFM) spending.	The spending associated with the repurposing of the Brexit Loan Scheme (BLS) to the SBCI COVID-19 WCLS is attributed as follows: **DBEI**: €11.5 million (60%); and **DAFM**: €7.66 million (40%).
SBCI COVID-19 WCLS. (New)	An additional €200 million in new lending is to be made available. €33.011 million has been sanctioned by the Department of Public Expenditure and Reform to DBEI and DAFM to enable €200 million in new lending to be made available through the scheme.	This scheme will generate spending under the DBEI and DAFM Votes. **DBEI**: €19.8 million (60%); and **DAFM**: €13.2 million (40%).
Future Growth Loan Scheme - Phase 2 (New)	This scheme will generate spending (€ To Be Confirmed). To date the Department of Public Expenditure and Reform have sanctioned €11.5 million for an expansion of the scheme, and Government approved a further estimated €30 million to support up to €200 million in new lending under the scheme.	This scheme will generate expenditure under the DBEI and DAFM Votes. **DBEI**: (60%); and **DAFM**: (40%).
Credit Guarantee Scheme (Predated)	Contingent liability up to €15.6 million *per annum*.	DBEI holds the contingent liability for the CGS.
COVID-19 Credit Guarantee Scheme (New)	Contingent liability arising from guarantees of €800 million to financial providers.	As above, but discussions ongoing with DAFM regarding its liability for claims from primary producers.
Microfinance Ireland (MFI)		
COVID-19 Business Loan (New)	€13 million Expenditure.	Expenditure under DBEI Vote subhead A16.
Local Authorities		
Restart Grant for Micro and Small Businesses (New)	Direct grant aid expenditure €250 million.	DBEI Vote Subhead A7.
Enterprise Ireland and IDA		
Sustaining Enterprise Fund (New)	€180 million.	DBEI Vote Subhead A7. To include the *Sustaining Enterprise Fund – Small Enterprise* scheme.
Enterprise Ireland		
Sustaining Enterprise Fund – Small Enterprise (New)	See above.	See above.
COVID-19 High potential Start-up (HPSU) (New)	Expenditure.	Reallocated from existing budget and the SEF.
Online Retail Scheme (New)	€2 million expenditure.	Reallocated from existing budget.
COVID-19 Business Financial Planning Grant (Predated)	Expenditure.	Funding for this demand led scheme is not currently capped.

Scheme	Cost and Nature of Cost	Commentary
LEAN Business Continuity Offer (Predated)	Expenditure.	Funding for this demand led scheme is not currently capped.
	Local Enterprise Offices (LEOs)	
The Business Continuity Voucher (New)	Expenditure of up to €20 million.	Reallocated from within existing LEO budget.
Trading Online Voucher Scheme (Predated)	8th April: Increased spending from €2.3 million to €5.6 million in response to the pandemic. This was subsequently increased further to a total of €19.8 million. The enhanced scheme is now funded by the Department of Communications, Climate Action and Environment (DCCAE) to the value of €12.6 million, the Department of Culture, Heritage and the Gaeltacht allocating €0.2 million (Údarás na Gaeltachta) and DBEI contributing €7 million.	8th April: Funded by DCCAE (€4.6 million); and DBEI (€1 million) from LEOs existing budget. The subsequent expansions of the scheme encompass funding from DCCAE (€12.6 million), Department of Culture, Heritage and the Gaeltacht (€0.2 million), DBEI (€7 million).
	Intertrade Ireland (ITI)	
E-merge (New)	Approximately £233,000.	Co-funded by DBEI and the Department for the Economy (DfE) (NI).
Emergency Business Solutions (New)	As above.	Co-funded by DBEI and the Department for the Economy (DfE) (NI).
	Irish Strategic Investment Fund (ISIF)	
Pandemic Stabilisation and Recovery Fund (New)[8]	€2 billion	Funds made available from ISIF's Global Portfolio.
	Other	
Waiver on Commercial Rates (New)	Expenditure €260 million (offsetting forgone income)	Income forgone by Local Authorities.
Tax Debt Warehousing (New)	€2 billion (deferred income)	Deferred Exchequer Receipts.

Source: Gov.ie, 'Minister Humphreys announces major expansion of business supports for SMEs' (08 April 2020); Gov.ie, 'Government outlines further measures to support businesses impacted by COVID-19' (2 May 2020); and input from the Department of Business, Enterprise and Innovation to the PBO.

Table 1 suggests Enterprise supports may directly cost the Exchequer approximately €0.8 billion and create a contingent liability of approximately €0.8 billion. Tax debt warehousing is also likely to affect revenues raised – while much of this is deferred income, the terms of this support indicate revenues will be lower than in a non-pandemic scenario (see section: Tax Debt Warehousing p.22).

The loan guarantees listed may generate private sector co-investment (see p.11 for an explanation of co-investment), effectively meaning that the State's guarantee generates additional investment from the private sector. Assuming that the contingent liabilities realised are small, these schemes could provide very good value for money i.e. these schemes could, in theory, inject billions of euros of liquidity into enterprises at little cost to the Exchequer. The level of co-investment that can be achieved by these schemes remains uncertain as does the potential level of default.

8 The fund will not require new funds be made available, rather it makes use of funds already available. See ISIF, Pandemic Stabilisation and Recovery Fund (PSRF) (02 May 2020).

Table 2 below summarises the costs set out in Table 1. Font in green relates to newly allocated funding, As already noted, DBEI anticipate seeking a Revised Estimate to reflect a requirement for an additional €483 million spending. The PBO has calculated the total DBEI-specific new spending of €493.7 million; however, this may not reflect offsetting savings under the vote.

Table 2: Summary of Exchequer costs and other financial factors set out in Table 1

Scheme	Spending (€m)	Contingent Liability (€m)	Note
Working Capital Loan Scheme (pre-dated)	19.16		Allocated
WCLS (new)	+33.011		Sanctioned
Future Growth Loan Scheme (Tranche 2)	+41.5		Final figure unconfirmed as of yet
Credit Guarantee Scheme	N/A	15.6	Annual contingent liability
CGS (COVID-19)	N/A	800	€2 billion in loans facilitated
COVID-19 Business Loan	+13		
Restart Grant for Micro & Small Business	+250		
Sustaining Enterprise Fund	+180 in direct spending		Three different SEF schemes use the same allocation to provide re-payable advances or in one case take equity or convertible debt instruments
Online Retail Scheme	2		Reallocated from existing budget
Business Process Improvement Grant	TBC*		
Lean BCO	TBC**		
Business Continuity Vouchers	20		Reallocated from existing budget
Trading Online Voucher Scheme	Pre-pandemic: 2.3 Initial pandemic response: +3.3 Additional Response: +14.2 Total pandemic response: +17.5		Predated
E-merge + Emergency Business Solutions	0.466		Sterling
Pandemic Stability Restructuring Fund	N/A		€2 billion in funding for loans
Local Authority Rates Waiver	+260		
Tax Debt Warehousing			€2 billion in estimated foregone revenue may be collected later
Total (excl. InterTrade Ireland)	**836.271**	**>€815.6**	
Total (Additional spending excluding reallocations within Agencies/Vote)	**795.011**		
DBEI-specific new spending	€493.7		
Reallocations	**41.46**		
+ Sterling	**£0.466**		

Source: PBO, based on Table 1 (see above). *EI - €2.11m spent to 5/6/20, **EI - €455k spent to 5/6/20

The range of enterprise supports announced to date have an estimated direct cost to the Exchequer in excess of €836 million. More than €41 million of this relates to (i) schemes that predate the pandemic but have been revised substantially in its wake; and (ii) the reallocation of funding from pre-pandemic schemes.

Contingent Liabilities: What are they?

Contingent liabilities are potential obligations for the government which may occur depending on the outcome of a possible future event. They can pose significant risk to the public finances.

Comprehensive disclosure of contingent liabilities can help identify main sources of fiscal risk and facilitate sound fiscal management. Fiscal documents contain general information on contingent liabilities that are aligned with the European Union's definitions and requirements. However, the ambiguous nature, their improbability of payment and the potential risk of creating moral hazards (i.e. when a party has an incentive to undertake a risky behaviour) make contingent liabilities difficult to disclose on financial accounts. The fiscal risk of contingent liabilities can be substantial and can also be underestimated if best practices such as those identified in the IMF's *Fiscal Transparency Code* are not adhered to.

As part of the annual budget process, some contingent liabilities are reported in the Economic and Fiscal Outlook and the Finance Accounts, published by the Department of Finance. There is a separate report (Fiscal Data: Contingent Liabilities Update) aggregating data on contingent liabilities published by the Department of Finance in the context of the Enhanced Economic Governance package ('the six-pack'). Contingent liabilities are also outlined in the appropriation accounts as published by the Comptroller and Auditor General.

Source: PBO Publication 24 of 2019, An Overview and Analysis of Contingent Liabilities in Ireland

How these supports impact the Exchequer

Schemes announced to date can be categorised under three broad headings, based on whether they relate to supports which:

1. Incur spending;
2. Create liabilities; or
3. Result in forgone income.

- **Grant aid Schemes**: Grants create direct spending by the funding body. In many cases these grants are made by state agencies funded by the Department of Business, Enterprise and Innovation such as Enterprise Ireland (EI) and IDA Ireland.
- **Loans/Guarantee Schemes**: Loans and guarantee schemes may create contingent liabilities (see Indirect Fiscal Measures, p.9). If such supports are badly designed, or the pandemic does greater than predicted damage to the economy, the larger the risk to the guarantor/lender. However, if the schemes are successful and the economic recovery is reasonably robust – the risk will be reduced. It is possible that such schemes could incur minimal costs over their lifetime. For certain schemes, there is no contingent liability arising, as the Exchequer exposure is limited to the "first loss" payment which is committed at the start of the scheme.
- **Forgone income**: These supports are less common. However, both Tax Debt Warehousing and the Waiver on Commercial Rates reduce income to the public sector/Exchequer. Tax Debt Warehousing both delays and potentially reduces the monies that would otherwise be collected by the Revenue Commissioners. The Waiver on Commercial Rates will significantly reduce Local Authority incomes – with a need for the Exchequer to make good the difference by way of subvention.

In relation to direct grant aid such as the DBEI €250m Restart Grant, Enterprise Ireland's Business Financial Planning Grant and vouchers such as the LEOs Business Continuity Vouchers and Trading Online Vouchers, the aim is to get businesses up and running again with the required adaptations, trading as normally as possible and accessing new funding sources, new customers and new markets. These initiatives provide essential support so that companies can retain employees and will no longer need a Temporary Wage Subsidy or be able to take back workers who are in receipt of the Pandemic Unemployment Payment".

While these schemes have a cost to the Exchequer (i.e. they increase spending with no direct offsetting income raised), this ignores the benefits generated by them. These schemes are intended to enable enterprises to survive through the challenges posed by the pandemic therefore securing jobs and protecting the economy insofar as possible. **Further, these schemes aim to leverage multiples of their cost to the Exchequer in investment by the private sector. Certain schemes incentivise banks to lend – increasing liquidity available to businesses without the need for the Exchequer to provide such liquidity directly**. These schemes should leverage a considerably greater amount of liquidity than the cost to the Exchequer – making these schemes an effective and cost-efficient means of supporting enterprise.

The €650 million of announced COVID-19 supports in relation to the COVID-19 WCLS and the Future Growth Loan Scheme which SBCI operate are not directly provided by the Exchequer but instead are provided by participating banks. These schemes reduce the risk exposure at bank level from defaulting loans and therefore encourage lending by banks. The Exchequer provides funding to the SBCI and European Investment Fund (EIF) for both 'first loss' and administrative/management fees. This Exchequer funding is leveraged to access additional guarantees by the SBCI and the EIF which has the effect of limiting the risk exposure to the banks, and also the Exchequer. Regardless of the extent of loan defaults, the State has no exposure to liabilities beyond the level of 'first loss' that it commits at the start of these schemes.

Indirect Fiscal Measures

Indirect fiscal measures have been a common tool in response to the pandemic.

Loan Guarantees

These are guarantees of loans provided by financial institutions or the provision of loans by state-owned institutions. Indeed, this approach is intended to:[9]

> Facilitate the access of companies and the self-employed to working capital, without incurring a large immediate impact on the fiscal deficit. Instead, the impact is spread over the entire lifetime of loans and only occurs in the case of non- repayment.

An amount of initial Exchequer funding (First Loss) may be leveraged at the outset of a scheme to support a much larger quantum in lending through the scheme.

These indirect fiscal measures may create contingent liabilities. Contingent liabilities are described by the Comptroller and Auditor General as arising *"in any situation where past or current actions or events create a risk of a call on Exchequer funds in the future. Contingent liabilities are disclosed by way of a note, unless the possibility of an outflow of resources is remote."*[10]

Indirect fiscal measures, such as the Credit Guarantee Scheme, may involve limited up-front State spending. Instead, during the lifetime of the guaranteed loans the State may be responsible for meeting liabilities on loans which are subject to defaults. Therefore, any spending necessitated by such guarantees may be spread over several years.

However, for loan guarantee schemes such as the SBCI Working Capital Loan Scheme and Future Growth Loan Scheme, contingent liabilities do not arise. These loan schemes utilise up front spending by the Exchequer and counter-guarantees from the SBCI and European Investment Fund to limit the cost to the Exchequer to the 'First Loss' payment made by the Exchequer (and any administration and management costs for the scheme).

9 EU Independent Fiscal Institutions, European Fiscal Monitor Special Update: March 2020 (31 March 2020) p.4.
10 Office of the Comptroller and Auditor General, Appropriation Accounts 2018: Statement of Accounting Policies and Principles (2019).

State Aid

Discounted loans are a form of state aid which are possible under state aid rules. Article 3(2) of Commission Regulation (EU) No 1407/2013 set out that state aid to SMEs of up to €200,000 in any three-year period may be granted in specific circumstances – known as *de minimis* aid. *De minimis* aid may be provided in forms other than grants. Aid under the *De Minimis* regulation must be transparent aid, i.e. where it is possible to determine in advance the precise aid amount. Loans are transparent and therefore compatible with the regulation if the gross grant equivalent (GGE) has been calculated on the basis of market interest rates prevailing at the time. The GGE is not based on the full value of the loan, rather the discount prevailing at the time the aid is granted.[11]

Loans may also be granted under the General Block Exemption Regulation (GBER) (Commission Regulation (EU) No. 651/2014) and must meet the transparency requirement that aid comprised in loans is transparent where the GGE has been calculated on the basis of the reference rate prevailing at the time of the grant. The GBER allows Member States to develop state aid schemes without prior notification to the Commission, or the approval of the Commission.

The EU Commission, in response to the COVID-19 crisis, introduced the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (March 2020) which provides further flexibilities under State Aid rules and is available until 31 December 2020. Under this Framework aid may be given in direct grants, tax and payment advantages or other forms such as repayable advances, loans and equity provided that the total nominal value of such measures remains below the overall cap of EUR 800K per Undertaking.[12] Aid is also available in the form of 'lean' guarantees, interest rate subsidies, under short term export credit insurance, aid for the research, development and production of COVID-19 related products, wage subsidies to avoid layoffs, tax deferrals, and/or suspension of employer's social security contributions. This is in additional to supports available under the existing state aid regime including the *de Minimis* regulation, the General Block Exemption Regulations (GBER) and state aid guidelines.

In a debate with the Minister for Business, Enterprise and Innovation on 30 April 2020 multiple questions and contributions raised the rates of interest charged on loans to enterprises through enterprise support schemes.[13] It was pointed out that the State may borrow at currently very low interest rates and suggested that this advantage should be utilised for enterprises.

While lower interest rates are feasible under State Aid rules it would likely not be possible to deliver no, or very-low, interest schemes. Such schemes would not only place a heavier burden on the Exchequer to cover costs but may also be insufficient to attract co-investment from the private sector. Ultimately, such an approach could increase the cost to the Exchequer while simultaneously reducing the amount of liquidity supports available to enterprise.

There are also some concerns in relation to the use of State Aid. These centre on the risk that the internal market of the EU will be distorted as wealthier member states (mostly northern) fund larger programmes of State Aid compared to others (generally southern).[14] This generally reflects a long-standing North-South divide in the EU which has also come to the fore in relation to the Eurobonds debate.[15] It is possible that the post-pandemic recovery will see an uneven recovery within the EU as a consequence of relaxed state aid rules. The alternative is to restrict State Aid at this time which would be highly likely to have an immediate and negative impact on EU economies and may well have proven more damaging in the long-run.

11 Strategic Banking Corporation of Ireland, 'Regulation'.
12 An 'Undertaking' being any entity carrying out any economic activity (excluding those carrying out a public remit function).
13 'Dáil Éireann debate: COVID-19 (Business, Enterprise and Innovation): Statements' (April 2020).
14 Sam Fleming and Javier Espinoza, 'EU members clash over state aid as richer countries inject more cash' (Financial Times, 1 May 2020).
See also European Commission, Coronavirus Outbreak - List of Member State Measures approved under Article 107(2)b TFEU, Article 107(3)b TFEU and under the Temporary State Aid Framework (8 May 2020).
15 See PBO, Corona Bonds: A brief introduction and explainer (2020).

Government Co-investment

Co-investment funds (CIFs) invest alongside private investors and thereby leverage their networks and experience and therefore minimise public sector transaction costs. There are two types of CIF, the first type pre-approve investment partners. Every investment by those partners that meets set criteria will also attract investment from the CIF. The second type make decisions based on each investment opportunity brought to them.[16]

The PBO has previously discussed co-investment in the context of the Ireland Strategic Investment Fund (ISIF), noting that ISIF *"seeks co-investors to ensure the commerciality of its investments and to better leverage the economic impact of its funds."*[17] ISIF has performed strongly in achieving high levels of co-investment;[18] and while this remains an important element of ISIF's investment strategy, it anticipated the levels of co-investment would fall prior to the pandemic.[19] The impact of the pandemic on levels of co-investment are therefore uncertain.

The Sustaining Enterprise Fund (Enterprise Ireland & IDA), p.17) is one such co-investment scheme. The Government expect that, including funds leveraged from the financial markets, the scheme may leverage up to €500 million of additional investment in vulnerable but viable firms.

16 Robyn Owen (Baldock) and Colin Mason, 'The role of government co-investment funds in the supply of entrepreneurial finance: An assessment of the early operation for the UK Angel Co-investment Fund' Environment and Planning C Government and Policy 0(0) 1-23.

17 PBO, An overview and analysis of the Ireland Strategic Investment Fund (2019) p.4.

18 *Budget 2019: Review by the Department of Finance of the Ireland Strategic Investment Fund (ISIF)* (2018) p.2.

19 Ireland Strategic Investment Fund, Investment Strategy 2.0: Towards 2040 - investing commercially and with substantial impact (February 2019) p.10.

Part 2 – Guide to Business Supports

An Overview of Pandemic Supports for Enterprise

The total cost (both in terms of direct expenditure and guarantees) of the various enterprise supports is unknown but has been estimated in Table 2 (p.9) based on data, including that made available to the PBO by the Department of Business, Enterprise and Innovation. **It should be noted that in some cases these allocations are provisional and are subject to change**.

This paper will now provide a guide to the business supports made available to address the pandemic. It is structured as follows:

SBCI administered supports

Quick read

The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 (following Ireland's exit from the EU/IMF programme) to ensure that businesses could access funding when the private sector could not or would not provide funding.

The European Investment Fund (EIF) supports European SMEs by improving their access to finance through a wide range of selected financial intermediaries. It designs, promotes and implements equity and debt financial instruments which specifically target SMEs.

The following schemes are supported by the SBCI and the EIF:

- COVID-19 Working Capital Loan Scheme (WCLS) – this is for businesses with <500 employees and will have a capacity of €450 million. It could be available to the end of 2022.
- Future Growth Loan Scheme (FGLS) - The FGLS provides longer term loans to businesses affected by the pandemic. Government has approved a €200 million expansion of the scheme and legislation is currently in train to enable a further expansion of the scheme – with a view to facilitating a cumulative expansion of €500 million (subject to Government approval) over the initial €300 million allocation of the FGLS – Phase 1.
- Credit Guarantee Scheme (CGS) & COVID-19 Credit Guarantee Scheme - The CGS is used to encourage additional lending to SMEs by offering Government backed guarantees of 80% to banks against losses on qualifying loans. The scheme has been repurposed to mitigate credit risk or the need for collateral for access to loans. There will be, subject to legislation, a parallel COVID-19 Credit Guarantee Scheme with €2 billion in funding capacity. It will provide an 80% guarantee on lending to SMEs and Primary Producers until end 2020, for terms between 3 months and 6 years. The guarantee will be able to be used for a wide range of lending products between €10,000 and €1 million that have a maximum term of 6 years. Legislation is required for this scheme.

Further to the section 'How these supports impact the Exchequer' (p.10), the SBCI COVID-19 Working Capital Loan Scheme and the Future Growth Loan Scheme do not generate further potential liabilities for the Exchequer. The Exchequer provides funding to the SBCI and the European Investment Fund (EIF) for both 'first loss' and administrative/management fees. This Exchequer funding is leveraged to access guarantees by the SBCI and the EIF. The SBCI and the EIF take a portion of the risk associated with loan default through the schemes, with the banks then taking a remaining 20% share of the risk.

The guarantee limits the risk exposure both to the banks (thus encouraging lending in areas of market failure and or to drive Government policy objectives) and also to the Exchequer. Regardless of the extent of loan defaults within these schemes, the State has no exposure to liabilities beyond the level of 'first loss' that it commits at the start of the schemes. If the cumulative value of loan defaults is less than the 'first loss' committed by the State, then the State is refunded the difference.

COVID-19 Working Capital Loan Scheme (WCLS)

The WCLS had an initial capacity of €200 million which was subsequently increased to €450 million.[20]
The WCLS:

- Offers loans of between €25,000 and €1.5 million for up to 3 years. Loans up to €500,000 do not require security;
- Is open to all businesses with fewer than 500 employees;[21] and

20 Gov.ie, 'Minister Humphreys announces major expansion of business supports for SMEs' (08 April 2020).
21 Department of Business, Enterprise and Innovation, Supports for Businesses Impacted by COVID-19 (2020) p.10.

- Is co-funded on a 60:40 basis between the Department of Business, Enterprise and Innovation and the Department of Agriculture, Food and the Marine.

The initial tranche of the scheme was based on a repurposing of €200 million worth of lending under the Brexit Loan Scheme (BLS) facilitated by DBEI and DAFM spending.

The second tranche includes a further €50 million of funding repurposed from the BLS (facilitated by €3.83 million by DBEI and DAFM) and an additional €200 million in lending is to be made available based on spending of €33 million which has been sanctioned by DPER to the Departments of Business, Enterprise and Innovation (DBEI) and Agriculture, Food and the Marine (DAFM). This €33 million will cover the Irish Government's contribution to 'First Loss' for the scheme as well as operational costs and management fees for the scheme.

The implementation of the scheme will involve the signing of both:

i. A co-operation agreement between SBCI, the Minister for Business, Enterprise and Innovation and the Minister of Agriculture, Food and Marine; and

ii. A counter-guarantee agreement between SBCI and the European Investment Fund.

The WCLS is due to expire on 31 March 2021. However, the EIF have indicated that they will agree to extend the COVID-19 WCLS to 31 December 2022, if the Irish Government decides that it wants an extension.

Future Growth Loan Scheme (FGLS)

The FGLS (Phase 1) was introduced before the pandemic (June 2019) and was initially intended to provide up to €300 million in supports to businesses to support strategic long-term investment.[22] The FGLS provides longer term loans to businesses affected by the pandemic. It offers loans of €100,000 to €3 million for periods of 8-10 years. Like the Working Capital Loan Scheme, no security is required on loans of up to €500,000.[23]

The Exchequer cost of the €300 million FGLS - Phase 1 was €62 million in Exchequer funding (€25 million of which was supplied by the Department of Agriculture, Food and the Marine),[24] with a further €1 million in Management Fees to the European Investment Fund.

The FGLS is to be supplemented with an additional €200 million funding (Phase 2) in response to the pandemic.[25] This is the maximum permissible increase based on the legislation currently in place. However, legislation is currently in train to enable a further expansion of the scheme – with a view to facilitating a cumulative expansion of €500 million over the initial €300 million allocation of the FGLS – Phase 1. The necessary amendment to the European Investment Fund Act 2018 to allow for the €500 million expansion has been included in the *Microenterprise Loan Fund (Amendment) Bill 2020* which was approved by Government on 29 May. However, it is unlikely that this bill can progress without the formation of a new Government.

This cumulative expansion of €500 million is also subject to negotiations with the European Investment Bank (EIB) Group and subject to Government approval. The costs to the Exchequer are still to be determined. However, this scheme will leverage funding to allow for a multiplier effect in the level of lending made available, in the same way as FGLS- Phase 1. This will be done through a 16% guarantee by SBCI and a 64% counter guarantee by the European Investment Fund.

Credit Guarantee Scheme (CGS) & COVID-19 Credit Guarantee Scheme

The CGS is used to encourage additional lending to SMEs. It does so by offering Government backed guarantees of 80% to banks against losses on qualifying loans. In response to the pandemic the scheme has been repurposed to mitigate credit risk or the need for collateral for access to loans. Businesses can avail of the scheme to obtain

22 Department of Business, Enterprise and Innovation, Future Growth Loan Scheme: Information Pack (2019).
23 Department of Business, Enterprise and Innovation, Supports for Businesses Impacted by COVID-19 (2020) p.11
24 Department of Agriculture, Food and the Marine, 'Future Growth Loan Scheme' (2019).
25 Strategic Banking Corporation of Ireland, 'Future Growth Loan Scheme' (2019).

loans to *"support changes they need to make to their business in response to COVID-19."*[26] The CGS provides for loans of between €10,000 and €1 million for SMEs who, without the scheme, would be unable to access bank loans. Loans of up to 7 years are covered. The annual contingent liability cap for the CGS is capped at €15.6 million for the Minister of Business, Enterprise and Innovation.

There will be, subject to legislation, a parallel COVID-19 Credit Guarantee Scheme with €2 billion in funding capacity. It will provide an 80% guarantee on lending to SMEs and Primary Producers until the end of this year, for terms between 3 months and 6 years. The guarantee will be able to be used for a wide range of lending products between €10,000 and €1 million that have a maximum term of 6 years. Legislation is required for this scheme and is currently being drafted. The scheme is expected to end on 31 December 2020 in accordance with the European Commission's *Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak*. The contingent liability cap for the COVID-19 CGS will be significantly higher than the existing CGS and is currently under discussion.

The SBCI operates the CGS but holds no credit risk under arising from the guarantees under the CGS and the same will apply to the COVID-19 CGS. 80% of credit risk for transactions included in the CGS lies with the Minister responsible for the CGS, in this case the Minister for Business, Enterprise and Innovation.[27] For Primary Producers included in the CGS, the Minister for Agriculture, Food and the Marine will support these credit facilities. This would be achieved by a Memorandum of Understanding between the two departments (DBEI and DAFM).

Enterprise Ireland supports

Quick read

The following schemes are administered by Enterprise Ireland (with, in the case of the SEF the Industrial Development Authority (IDA):

- Sustaining Enterprise Fund (SEF) - This has been established to support SMEs in the manufacturing and internationally traded services sectors affected by the pandemic. It is available to enterprises with >10 employees that have applied for funding from a financial institution, which includes SMEs that have applied to the SBCI for the COVID-19 Working Capital Loan Scheme. The SEF grants qualifying businesses a Repayable Advance of up to €800,000. It is expected that applicants for this scheme will, in the first instance, seek funds via financial institutions and/or the SBCI.
- Sustaining Enterprise Fund (Small Enterprise) - The scheme provides repayable advances of between €25,000-€50,000 for small enterprises. Funding must be approved by Enterprise Ireland no later than the 31st of December 2020.
- COVID-19 High Potential Start Up (SEF HPSU) - The scheme is aimed at existing Enterprise Ireland supported HPSUs that are facing delays to projected sales growth, and whose fundraising plans are significantly impacted or stalled as a consequence of the pandemic. HPSUs may apply for co-investment of €50,000 per undertaking in the form of equity or convertible debt instruments.

The Sustaining Enterprise Fund (SEF) and the Sustaining Enterprise Fund (Small Enterprise) will be funded from the same €180 million allocation with the COVID-19 – High Potential Start Up (SEF HPSU) funded through a combination of reallocation of existing budget and the €180 million allocation.

- COVID-19 Online Retail Scheme – A new €2 million scheme open to enterprises with >10 employees. It is directed at companies that already have an online retail presence.
- Lean Business Continuity Offer – This is a voucher of up to €2,500 available to businesses to secure management and/or training of management or staff.

26 Department of Business, Enterprise and Innovation, Supports for Businesses Impacted by COVID-19 (2020) pp.11,13.
27 See S.4 of the Credit Guarantee Act 2012.

- Business Process Improvement Grant – This grant of €2,500 is available to deliver a training projects of up to three days carried out by an approved provider.
- COVID-19 Business Financial Planning Grant – The grant (of up to €5,000) allows companies to engage an approved Financial Consultant to develop a financial plan.
- Lean Business Improvement Grant – A new €2,500 grant from Enterprise Ireland to help companies quickly access expertise to review and optimise operations.

Sustaining Enterprise Fund (Enterprise Ireland & IDA)

The Sustaining Enterprise Fund (SEF) is a new fund established to support Irish companies affected by the pandemic.[28] It is directed at SMEs in the manufacturing and internationally traded services sectors. It is available to enterprises with more than 10 employees that have applied for funding from a financial institution, which includes SMEs that have applied to the SBCI for the COVID-19 Working Capital Loan Scheme.

The SEF will make €180 million available as repayable advances (the scope can be widened to include potentially equity).[29] The Government expects that, including funds from the financial markets, the scheme may leverage up to €500 million of additional investment in vulnerable but viable firms. The SEF grants qualifying businesses a Repayable Advance of up to €800,000. The SEF is used to *"support the implementation of a Business Sustainment Project Plan which must be provided by the company outlining the eventual stabilisation of the business and a return to viability."*[30]

It is expected that applicants for this scheme will, in the first instance, seek funds via financial institutions and/or the SBCI. Unless these avenues have been exhausted companies will be ineligible the SEF. Further, these *"grants will only be repayable if and when a business returns to financial good health."*[31]

Sustaining Enterprise Fund – Small Enterprise

This is identified as part of the Sustaining Enterprise Fund (SEF) and will be funded via the same €180 million current allocation.

The scheme provides repayable advances of between €25,000-€50,000 for small enterprises under the *Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak*. Funding must be approved by Enterprise Ireland no later than the 31st of December 2020.

COVID-19 – High Potential Start Up (SEF - HPSU)

The Sustaining Enterprise Fund – High Potential Start-Up will be funded via the €180 million allocated under the overarching Sustaining Enterprise Fund.

The SEF – HPSU is aimed at existing Enterprise Ireland supported HPSUs that are facing delays to projected sales growth, and whose fundraising plans are significantly impacted or stalled as a consequence of the pandemic. HPSUs may apply for co-investment of €50,000 per undertaking in the form of equity or convertible debt instruments. The SEF - HPSU is open to companies that already have an existing Enterprise Ireland HPSU seed stage equity investment and were showing strong commercial and technical progress prior to the pandemic, where a need for additional funding can be clearly demonstrated.[32]

28 The European Commission decided not to raise objections to the scheme on 21 April 2020.
29 Enterprise Ireland, 'Sustaining Enterprise Fund' (2020).
30 Department of Business, Enterprise and Innovation, Supports for Businesses Impacted by COVID-19 (2020) p.15
31 Gov.ie, 'Minister Humphreys announces major expansion of business supports for SMEs' (08 April 2020).
32 Department of Business, Enterprise and Innovation, Supports for Businesses Impacted by COVID-19 (2020) p.16.

COVID-19 Online Retail Scheme

A new €2 million COVID-19 Online Retail Scheme has been established. It is open to enterprises with more than 10 employees. The fund is directed at companies that already have an online retail presence *"to respond to both the domestic and international consumer demand for a competitive online offer."*[33] Applicants can received funding of up to 80% of the cost of the project, grants of between €10,000 and €35,000 will be awarded. This scheme has a predicted uptake of more than 60 companies.[34]

Lean Business Continuity Offer

The Lean Business Continuity Voucher is a voucher of up to €2,500 that is available to businesses to secure management and/or training of management or staff.

The vouchers are used by the applicant to obtain services from approved providers. The expectation is that the services sought should focus on:[35]

- Crisis response where appropriate;
- Sustaining operations to include process re-engineering; and
- Planning for resilience post crisis.

Business Process Improvement Grant

This grant of €2,500 is available to deliver a training projects of up to three days carried out by an approved provider. Like the Lean Business Continuity Voucher, this grant expects projects to focus on:[36]

- Crisis response where appropriate;
- Sustaining operations to include process re-engineering (Lean, etc.); and
- Planning for resilience post crisis.

COVID-19 Business Financial Planning Grant

This scheme is designed to support companies in developing financial plans, including preparation of documents to apply for external finance. The grant allows companies to engage an approved Financial Consultant to develop the financial plan. The grant is worth up to €5,000.[37]

Lean Business Improvement Grant

A new €2,500 grant from Enterprise Ireland and IDA Ireland to help companies quickly access expertise to review and optimise operations at a time of crisis and identify the key measures needed to ensure continued viability.[38]

33 Ibid.
34 Ibid.
35 Ibid.
36 Ibid. p.17.
37 Ibid.
38 Ibid. p.18.

Local Enterprise Office administered supports

Quick read

The following schemes are administered by Local Enterprise Offices:

- Trading Online Voucher Scheme - This helps businesses with up to 10 employees to trade more online. The vouchers are up to €2,500 contingent on co-funding of 10% from the business.
- Business Continuity Vouchers - Business Continuity Vouchers (BCVs) are worth up to €2,500 and are available to enterprises employing up to 50 people. Its purpose is to enable enterprises to develop short and long-term strategies to respond to the pandemic. However, the scheme has been discontinued for budgetary reasons with a closing date of 15th May. A restart grant has subsequently been put in place. The Local Enterprise Offices (LEOs) will continue to work with existing recipients of BCVs and their subsequent business continuity.
- Credit Guarantee Scheme (CGS) & COVID-19 Credit Guarantee Scheme - The CGS is used to encourage Business Continuity Vouchers - Business Continuity Vouchers (BCVs) are worth up to €2,500 and are available to enterprises employing up to 50 people. Its purpose is to enable enterprises to develop short and long-term strategies to respond to the pandemic. However, the scheme has been discontinued for budgetary reasons with a closing date of 15th May. A restart grant has subsequently been put in place. The Local Enterprise Offices (LEOs) will continue to work with existing recipients of BCVs and their subsequent business continuity.

Trading Online Voucher Scheme

The Trading Online Voucher Scheme aims to help businesses with up to 10 employees to trade more online. The vouchers are up to €2,500 contingent on co-funding of 10% from the business. The scheme was established prior to the pandemic but its €2.3 million funding has been increased to €5.6 million, and subsequently to €19.8 million due to increasing demand in response to the pandemic. The enhanced scheme is now funded by the Department of Communications, Climate Action and Environment to the value of €12.6 million, the Department of Culture, Heritage and the Gaeltacht allocating €0.2 million (Udarás na Gaeltachta) and The Department of Business, Enterprise and Innovation contributing €7 million.[39]

Businesses that have already received a Trading Online Voucher can now apply for a second voucher, where upgrades are required. Funding can be used towards adding payment facilities or booking systems to a website or developing new apps for customers. The voucher can also be used towards subscriptions to low cost online retail platform solutions, to help companies quickly establish a retailing presence online.

Due to high demand it is expected that considerable additional funding will be required for this scheme.

Business Continuity Vouchers

Business Continuity Vouchers (BCVs) were worth up to €2,500 and were available to enterprises employing up to 50 people. Its purpose was to enable enterprises to develop short and long-term strategies to respond to the pandemic. The scheme aimed to enable "business owners make informed decisions about what immediate measures and remedial actions should be taken, to protect staff and sales."[40]

The scheme, which was a budget limited one, was discontinued for budgetary reasons with a closing date of 15th May. A separate restart grant has subsequently been put in place (see next section). The LEOs will continue to work with existing recipients of BCVs and their subsequent business continuity. The availability of BCVs will therefore be tapered out during the interim period after 15 May. The scheme had approvals to the value of €18.9m as of the 2nd of June. Funds have been reallocated from LEO Measure 1 grant measures to Business Continuity Vouchers to make up the shortfall in budgeting requirements.

39 Ibid. p.19.
40 Ibid. p.16.

Other Schemes

Quick read

The following other schemes are outlined below:

- COVID-19 Business Loan (Microfinance Ireland) - Microenterprises (<10 staff and a turnover of less than €2 million *per annum*) can avail of loans from Microfinance Ireland (MFI) through the LEOs. In order to qualify, the enterprise must be experiencing difficulties securing finance through banks or other commercial lenders and have a reduction (minimum 15%) of turnover/projected turnover as a result of the pandemic.
- Pandemic Stabilisation and Recovery Fund (Ireland Strategic Investment Fund) - This is a €2 billion fund to be invested in medium and large enterprises, to assist enterprises to return to long-term viability. ISIF operates on a commercial mandate and will, in line with its statutory requirements, seek to invest profitably.
- Restart Grant for Micro and Small Businesses - This is to provide financial support to commercial micro and small business that have a rateable premises and that have experienced loss of turnover due to the COVID-19 restrictions and which require assistance with the costs of reconnecting with the marketplace, reopening their business and re-employing staff. Eligible businesses will receive a grant equivalent to their commercial rates assessment for 2019 (excluding arrears), subject to a minimum grant of €2,000 and a maximum of €10,000.
- Waiver on Commercial Rates - Commercial rates are to be waived for a 3-month period from 27 March for businesses that have been forced to close in accordance with public health requirements.
- Tax Debt Warehousing - The Revenue Commissioners will allow businesses that have had to close, or have been significantly affected by the pandemic, to defer tax liabilities. This will last for a period of 12 months after businesses have recommenced trading.
- E-Merge (Intertrade Ireland) - The E-Merge programme provides consultancy support to assist companies develop online sales and eCommerce solutions to the value of £2,500/€2,800. The scheme is open to cross-border enterprises involved in manufacturing or tradable services.
- Emergency Business Solutions (Intertrade Ireland) - This scheme allows cross-border companies, involved in manufacturing and tradable services, to avail of professional advice to the value of £2,000/€2,250 including VAT (100% funded), to address business challenges arising from the pandemic.

There are various other pandemic support schemes for enterprise. While all schemes discussed up to this point have involved DBEI (in some cases supported by DAFM), the following schemes do not necessarily involve DBEI. In particular, the Pandemic Stabilisation Fund, Waiver on Commercial Rates and tax debt warehousing do not rest with DBEI but all are policy responses to the pandemic directed to support enterprise. This paper does not address the Temporary Wage Subsidy Scheme (TWSS) as this is primarily an employment support and is addressed separately by the PBO in The COVID-19 Pandemic: Employment and Unemployment Supports (April 2020).

COVID-19 Business Loan (Microfinance Ireland)

Microenterprises (less than 10 staff and a turnover of less than €2 million per annum) can avail of loans from Microfinance Ireland (MFI) through the Local Enterprise Offices.[41] In order to qualify, the enterprise must be experiencing difficulties securing finance through banks or other commercial lenders and have a reduction (minimum 15%) of turnover/projected turnover as a result of the pandemic.

Microfinance Ireland (MFI) has received an additional €13 million in capital support bringing its total lending

41 Microenterprises can seek a loan directly from Microfinance Ireland; however, this incurs a higher interest rate on loans drawn down (5.5% rather than 4.5%).

capacity to €20 million. The interest rates on these loans have been reduced from 7.8% to 4.5%. Loans are between €5,000 and €50,000 with no repayments or interest due in the first six months. The interest rate is 5.5% if applied for directly to MFI. Loans are to provide working capital and to deliver business changes resulting from COVID-19. Loans are provided for up to 3 years.

Pandemic Stabilisation and Recovery Fund (Ireland Strategic Investment Fund)

The Pandemic Stabilisation and Recovery Fund (PSRF) is a €2 billion fund made available within ISIF to be invested in medium and large enterprises.[42] The investments are intended to assist enterprises to return to long-term viability. ISIF also aims to use its investments to maximise the capital available to businesses and has a record of achieving additional investment from the markets of twice the value of the ISIF investment.[43]

While the PSRF will require spending by way of investment in eligible enterprises, ISIF operates on a commercial mandate and as such its investments "will need to yield a commercial and economic impact return in line with ISIF's statutory requirements."[44] Thus, while ISIF may invest up to €2 billion, it can be expected that ISIF will secure a return on these investments and will, in line with its statutory requirements, seek to invest profitably.

Restart Grant for Micro and Small Businesses

The objective of the Restart Grant is to provide financial support to commercial micro and small business that have a rateable premises and that have experienced loss of turnover due to the COVID-19 restrictions and require assistance with the costs of reconnecting with the marketplace, reopening their business and re-employing staff.

Eligible businesses will receive a grant equivalent to their commercial rates assessment for 2019 (excluding arrears), subject to a minimum grant of €2,000 and a maximum of €10,000. The grant will be available to any rateable business which meets the following criteria:

I. A micro or small enterprise with turnover of less than €5m and employing 50 people or less;

II. Was closed or is impacted by a 25% or more reduction in turnover in the period 1st April to 30 June 2020; and

III. Declares that employees in receipt of the TWSS will be reemployed in the business.

Approximately 110,000 businesses will be eligible for the Restart Grant. Local Authorities shall be granting authorities for the Restart Grant, using funds made available by the Department of Business, Enterprise and Innovation via Enterprise Ireland subhead A7. The Funding approved by the Government is for €250m, by way of a supplementary provision to the DBEI Vote.

Waiver on Commercial Rates

Commercial rates are to be waived for a 3-month period from the 27th March 2020 for businesses that have been forced to close in accordance with public health requirements. This waiver will cost Local Authorities an estimated €260 million of their income. This shortfall in income will be met by the Exchequer.[45]

Tax Debt Warehousing

The Revenue Commissioners will provide a business support by allowing businesses that have had to close, or have been significantly affected by the pandemic, to defer tax liabilities. This will last for a period of 12 months after businesses have recommenced trading. During this timeframe, Revenue will not undertake any debt enforcement and will not charge interest on deferred or 'warehoused debt'. In response to a Parliamentary Question a cost of €2

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42 The fund will not require new funds be made available, rather it makes use of funds already available. See ISIF, Pandemic Stabilisation and Recovery Fund (PSRF) (02 May 2020).
43 Gov.ie, 'Government outlines further measures to support businesses impacted by COVID-19' (2 May 2020).
44 ISIF, Pandemic Stabilisation and Recovery Fund (PSRF) (02 May 2020).
45 Department of Finance, COVID-19 PQ Responses: 11th May 2020 (2020) p.24.

billion was attached to this enterprise support but it was noted that "[d]eferral of tax liabilities will create an initial Exchequer shortfall this year which would be expected to be made up next year as payments resume. In effect the State is lending €2 billion to affected businesses."[46]

Warehousing of liabilities is available "as a direct support for affected businesses where a commitment to a phased payment arrangement is not possible."[47] Prior to the expiry of the 12 month warehousing period it is expected that businesses will engage with Revenue to agree a repayment plan that takes into account both *"the business needs and the need for continued viability."*[48] Subject to legislation it is intended that these warehoused debts will be subject to a reduced interest rate of 3% once repayment plans have been agreed. It is intended that this will be provided for in the Finance Bill 2020. As some businesses may not return to viability it is likely that some of the deferred tax will never be collected.

E-Merge (Intertrade Ireland)

The E-Merge programme provides consultancy support to assist companies develop online sales and eCommerce solutions to the value of £2,500/€2800. The scheme is open to cross-border enterprises, registered on the island of Ireland, involved in manufacturing or tradable services (other conditions also apply). Consultancy support can assist enterprises in areas such as search engine optimisation (SEO), and website management.

DBEI provides approximately 2/3 of the funding required for this scheme (approximately £233,000 of £350,000); however, this funding was already allocated to ITI but is available due to a contraction in demand for other Intertrade Ireland (ITI) services. ITI requested additional funding from both sponsor Departments (South and North) to continue this support, and have been sanctioned, to exceed the scheme's £350,000 ceiling – it is anticipated that the scheme will result in spending of approximately €1 million.

Emergency Business Solutions (Intertrade Ireland)

This scheme, co-funded by the Department of Business, Enterprise and Innovation and the Department for the Economy (NI) allows eligible companies to avail of professional advice, to the value of £2,000/€2,250 including VAT (100% funded), to address business challenges arising from the pandemic. Eligible companies are cross-border in nature and involved in manufacturing and tradable services.

Businesses can avail of advice in relation to matters such as emergency cash flow, completion of lending applications for loan supports, or in relation to diversifying products or services.

As with E-Merge, DBEI provides approximately 2/3 of the funding required for this scheme (approximately £233,000 of £350,000); however, this funding was already allocated to ITI but is available due to a contraction in demand for other ITI services. ITI requested additional funding from both sponsor Departments (South and North) to continue this support, and have been sanctioned, to exceed the scheme's £350,000 ceiling – it is anticipated that the scheme will result in spending of approximately €1 million.

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46 Ibid.
47 Ibid.
48 Ibid.