



April 2020

## GOVERNMENT FUNDING SUPPORTS FOR BUSINESSES IMPACTED BY THE COVID-19 PANDEMIC

### Introduction:

As discussed in our April 2020 briefing (available [here](#)), a range of measures and other key actions have been implemented by the Irish Government, the Central Bank of Ireland, the EU and other market participants to assist borrowers who are experiencing financial difficulties during the Covid-19 pandemic. Access to financing continues to be one of the most significant challenges for the survival and growth of small- and medium-sized enterprises (“SMEs”) and micro enterprises which has been exacerbated by the current crisis. In this article, we examine a range of new funding measures and an expansion of existing measures implemented by the Irish Government to assist SMEs and micro enterprises impacted by the pandemic.

### Government Funding Supports for SMEs and micro enterprises:

The range of measures introduced by the Irish Government to assist SMEs and micro enterprises include:

- **The Strategic Banking Corporation of Ireland Covid-19 Working Capital Loan Scheme (the “Irish Liquidity Scheme”)** – the Irish Liquidity Scheme is designed to support lending to SMEs only and is not available to larger firms. Loans under the Irish Liquidity Scheme (the “Loans”) can be provided to SMEs to fund future working capital requirements in order to mitigate the impact of the pandemic. The Loans will be

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available through Allied Irish Banks, p.l.c., Bank of Ireland and Ulster Bank in amounts of between €25,000 and €1,500,000 per eligible enterprise, with a maturity of between one and three years. In addition, the Loans will bear a fixed rate of interest negotiated with the lending bank, subject to a maximum of 4% per annum. For loans of up to €500,000, no security will be required; however, any Loans in excess of this amount will require collateral to be posted. The Irish Government has recently announced that the Irish Liquidity Scheme will receive a further €250,000,000 in funding, bringing the total amount available to €450,000,000. For more information on the Irish Liquidity Scheme, please see our recent briefing (available [here](#));

- **The Strategic Banking Corporation of Ireland Future Growth Loan Scheme (the “Future Growth Loan Scheme”)** – the Future Growth Loan Scheme is offered by the Strategic Banking Corporation of Ireland and is available to all SMEs and businesses in the primary agriculture and seafood sector to support long term investment. The Future Growth Loan Scheme benefits from a guarantee from the EU under the European Fund for Strategic Investments. Loans range from €100,000 (€50,000 for farmers) to €3,000,000 per eligible business, with unsecured loans available up to €500,000. The Future Growth Loan Scheme will receive an additional €200,000,000 that will be released in tranches to provide longer-term loans to firms that have been impacted by the pandemic. The introduction of the Future Growth Loan Scheme (and the expansion of the Irish Liquidity Scheme outlined above) will bring the total amount that the Strategic Banking Corporation of Ireland can offer by way of financial supports to companies through the main Irish retail banks in Ireland to €650,000,000;
- **The Credit Guarantee Scheme (the “CGS”)** – the CGS, originally launched in 2012, was amended in April 2020 in response to the pandemic. The CGS is intended to encourage additional bank lending to eligible SMEs whose businesses have been impacted by the virus by offering a partial State guarantee against losses on qualifying loans. Essentially, the CGS allows an additional form of collateral to be provided to the lending bank by the Irish Government on behalf of the relevant borrower. Accordingly, the CGS is directed at commercially feasible SMEs which, under normal lending criteria, are unable to obtain new or additional facilities from their bank due to insufficient collateral or because they are impacted by Covid-19. In addition, the CGS is targeted at commercially viable SMEs which due to their sectors, markets or business models are perceived as a higher risk under current credit risk evaluation procedures. The CGS will be available to Covid-19 impacted firms through the pillar banks and provides lenders with the State guarantee, covering eligible credit facilities for 80% of the facility value, over a maximum seven-year period;
- **Microfinance Ireland COVID-19 Business Loan (the “MFI Business Loan”)** – the MFI Business Loan is a government initiative to support small businesses through the current period of uncertainty and to protect job creation or sustainment in Ireland. The maximum MFI Business Loan available from Microfinance Ireland has been increased from €25,000 to €50,000 as an immediate measure to specifically deal with exceptional circumstances that micro-enterprises – sole traders and firms with up to 9 employees – are facing in order to alleviate the financial pressures arising from Covid-19. In addition, the terms of the MFI Business Loan include a six-month interest free period and a repayment moratorium of up to six months, with the loan then repayable over the remaining 30 months of the 36-month loan period at an interest rate of between 4.5% and 5.5%. Funding to enable Microfinance Ireland

offer MFI Business Loans has recently been increased by €13,000,000 to €20,000,000; and

- **Sustaining Enterprise Fund (the “Enterprise Fund”)** – the Enterprise Fund will be administered by Enterprise Ireland and will provide a €180,000,000 financial support package to Irish companies affected by the pandemic. The purpose of the Enterprise Fund is to sustain companies who have experienced a 15% or greater reduction in actual or projected turnover or profit, and/or have significant increase in costs as a result of Covid-19. The Enterprise Fund is available to eligible companies that: (1) employ 10 or more full-time employees; (2) are operating in the manufacturing or internationally trade services sectors; and (3) have applied for funding from a financial institution, including through the Irish Liquidity Scheme and the Future Growth Loan Scheme. Businesses qualifying under the Enterprise Fund will be offered a repayable advance of up to €800,000 under the following terms:
  - 3-year grace period;
  - Annual administration fee of 4%; and
  - Repayment in full by the end of year 5, on successful achievement of the project objective.

#### **Conclusion:**

Covid-19 has resulted in an unprecedented worldwide economic crisis and presents immediate and severe financial challenges for businesses. The Irish Government is working with SMEs and micro enterprises during these difficult times and is making available a wide range of financial support packages which are designed to provide businesses with stability while they adapt to the evolving situation and prepare for getting back on the road to recovery. The Irish Government has stated that it will continue to monitor the situation closely and implement additional measures, if necessary.

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