

National Small Business Recovery Plan

2020



Small Business Reality Check - RAI



RESTAURANTS
ASSOCIATION

OF IRELAND

Context – Staring into the abyss

Current Sit-Rep

Over 1m unemployed/income support

Per CSO – 23% of all businesses closed, 88% of all accommodation/food services closed

Per Chambers Ireland –

- 85% of businesses have closed to some degree with,
 - 27% have scaled back activity
 - 24% have front of house closed with staff working from home
 - 34% have shut completely
- Only 15% remain open

Why are Small Businesses Important?

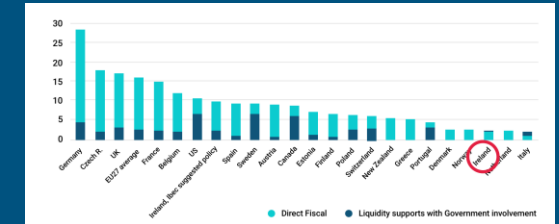
- 99% of all active enterprises
- 65% of all employment
- Path out of the crisis needs to be domestic company driven
- Public policy responses normally not designed for small businesses



The Government's SME COVID Response

- To date, focused mainly on wages, crisis period liquidity and vouchers for advice
- Slow - Micro need bank refusal and then only up to 50,000 euros maximum
- Third announcement yet we are still dealing with emergency phase. Looking for 12 month cash flows to apply but no certainty from full and longer term plan
- Still showing low response as a % of GDP (or GNI*)
- Is there any reason why we should not be up there with best in EU?
- Consider this – by two weeks ago, 281,272 enterprises in France had benefited from guaranteed loans of 43.2bn. 90% of those are TPE's and the refusal rate at the banks was 2.4%

Inadequate



Incorrectly
Channeled

Limited bank channels, ignoring other SME lenders

Too expensive
and complicated

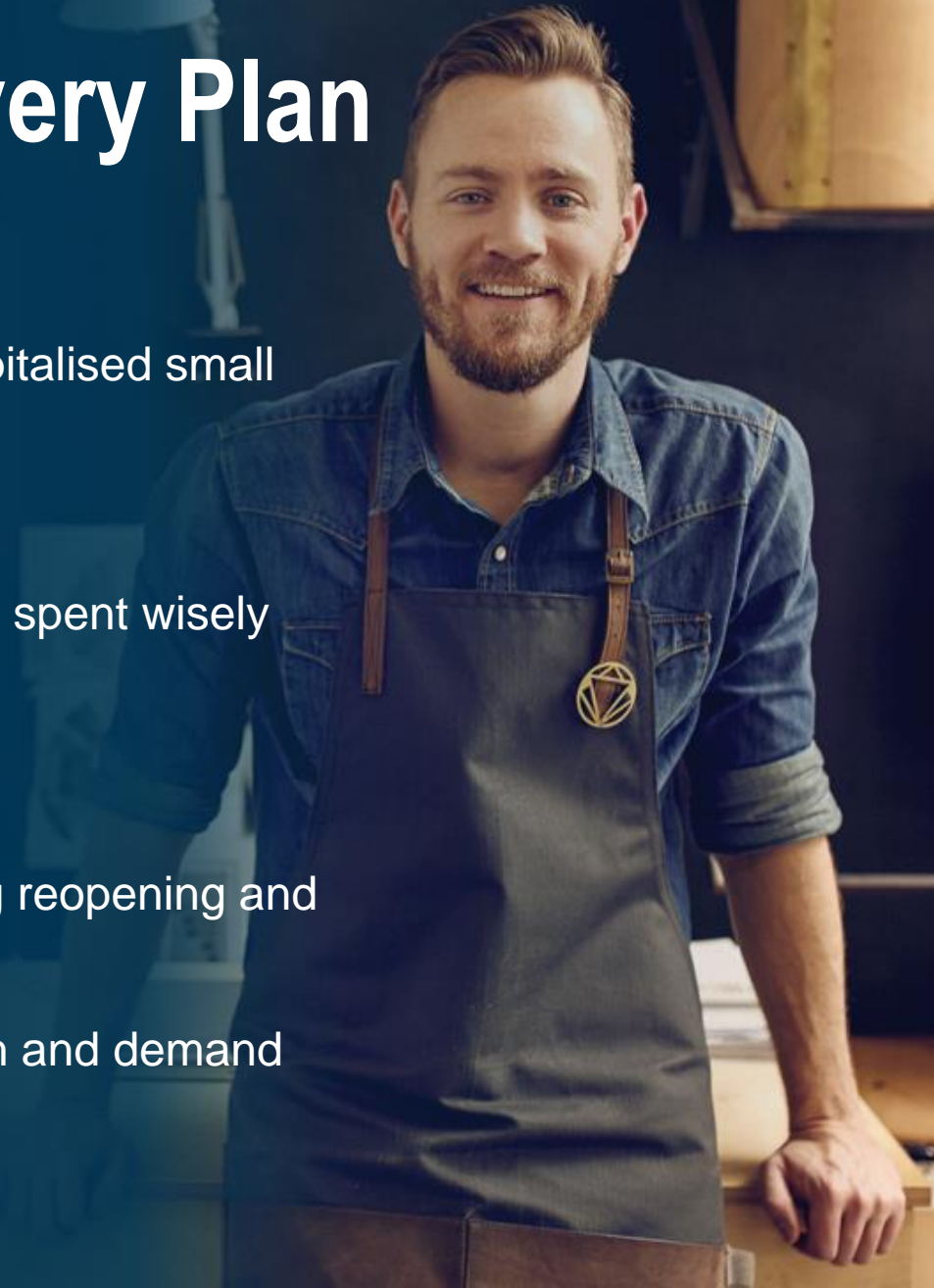
Rates up to 5.5% Guaranteed loans in France – Bank cost of funds (c0%) + cost of guarantee (25bp/50bp for 1st year)

Not itself
sufficient

Liquidity cannot rebuild reserves Compare with Denmark which has a robust compensation scheme for losses and fixed costs

National Small Business Recovery Plan

- Our Plan is the outcome of consultation and drafting discussions
- To ensure, (i) surge in unemployment reversed, (ii) a strongly capitalised small business sector, and (iii) sustainable tax revenues
- There is no time to lose. Firms are dying daily
- More scale is required, money available from EU but needs to be spent wisely
- 3 Distinct
 - ✓ • **Emergency** – Dealing with shut down
 - ✗ • **Stabilisation** – Ongoing supports including 0% liquidity during reopening and restrictions
 - ✗ • **Recovery** – Loss sharing (offset against B), funding for growth and demand stimulation



Key Principles

KEY PRINCIPLE 1



**Small businesses are
vital to our social
fabric**

KEY PRINCIPLE 2



**Small businesses
need a bailout**

KEY PRINCIPLE 3



**Small businesses
need a boost to
demand**

KEY PRINCIPLE 1



Small businesses are
vital to our social
fabric

Small matters!

- The plan is about the small and medium enterprises at the heart of our communities
- Caution required to prevent the march towards consolidation
- Action needed to save jobs and livelihoods all across the country



SME SECTOR LANDSCAPE

Accounts for

99.8%

of total active
enterprises

Accounts for

65%

of total
employees

93.6%

of total persons engaged in
SMEs in services were in Irish-
owned SMEs (2015)



SME contribution to exports is

31%

(2016)

86%

of total persons engaged
in SMEs in industry were in
Irish-owned SMEs (2015)



KEY PRINCIPLE 2



Small businesses
need a bailout

Need to Bailout SMEs to protect jobs

- Unanticipated Attack
- Show of Solidarity
- Large Scale Response
- Recreate Jobs
- Avoid Contagion
- Make Good Losses
- Small Business Resilience Compensation Fund
- Costs to be socialised, borrowed with EU assistance and paid back over time

Liquidity - Business
Reactivation Funding Scheme

Fiscal - Small Business
Resilience Compensation Fund

Liquidity - Expanded SBCI and
other Funding for Recovery



KEY PRINCIPLE 2



Small businesses
need a bailout

Small Business Resilience Compensation Fund

(a)



Taking action now

(b)



Borrow from the EU
Covid disaster fund

(c)



Define losses to
socialise with taxpayers

(d)



Administer through
Revenue Commissioners

(e)



Spread the cost
over the long term

- A. Do not kick the can down the road
- B. Will not be cheap but EU measures can minimise the cost
- C. Careful calibration of fixed costs and losses which are fair to socialize
- D. Complex but can work in practice with NTMA and Revenue
- E. Sharing of pain but it is building for the future

KEY PRINCIPLE 3



Small businesses
need a boost to
demand

Principle 3 - And a special word about viability

- No bailout of businesses not viable Pre-COVID
- Appeal to enhanced Credit Review Office, if disputed
- Government measures (rates, tax deferral) and liquidity will buy time for firms
- Liquidity in system will avoid contagion and system viability issues
- Fund Compensation will rebuild reserves for COVID losses but not unlimited cover for fixed costs
- But extra measures for firms struggling due to changed COVID operating rules - cost flexing and a simplified examinership regime

Fiscal and other measures to Stimulate Demand and Support Recovery

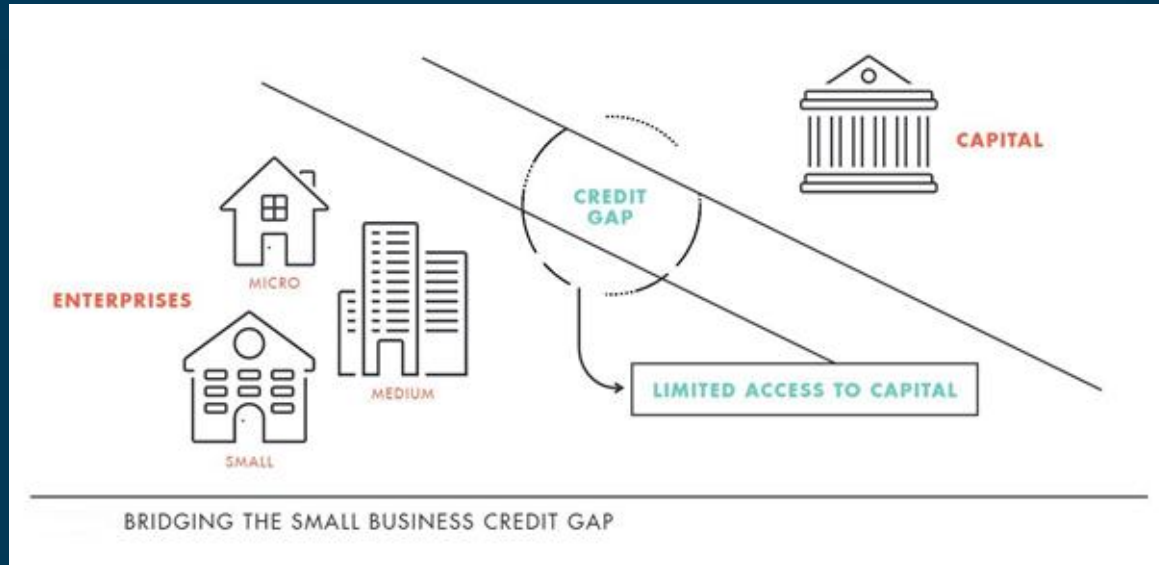
Property Costs and Rents

Rates

Employment Costs

Simplified Examinership – Akin to Personal Insolvency for traders

Liquidity Needs of Small Firms



Small firms struggle to access traditional bank capital.

Only 17m of the current liquidity funds have been drawn down.

Liquidity announcements to date are:

- Inadequate
- Incorrectly channelled
- Too expensive
- Not itself sufficient

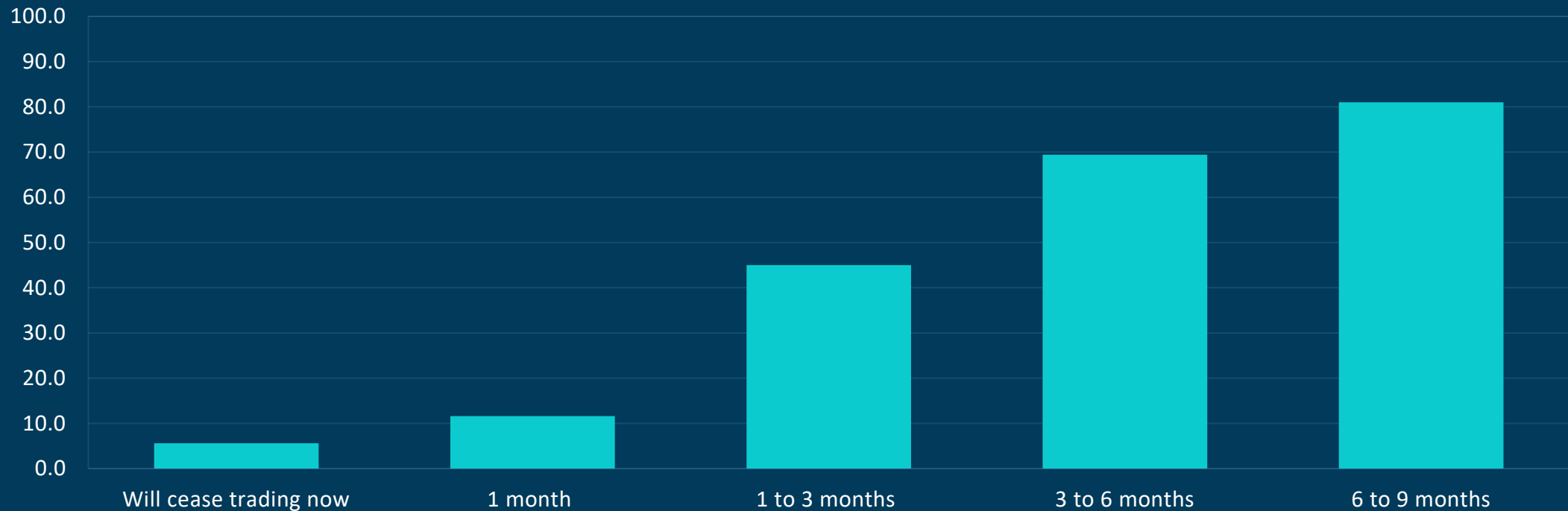
1 Billion in contingency funding
5 billion in Recovery funding

Small Businesses need:

Time to recovery

Liquidity to restart/sustain

Small Business Reality Check - ISME



Cumulative closure of Small Businesses as result of lockdown impact
(Source: Isme Reference Date: March 16th 2020)

Economic Reality Check

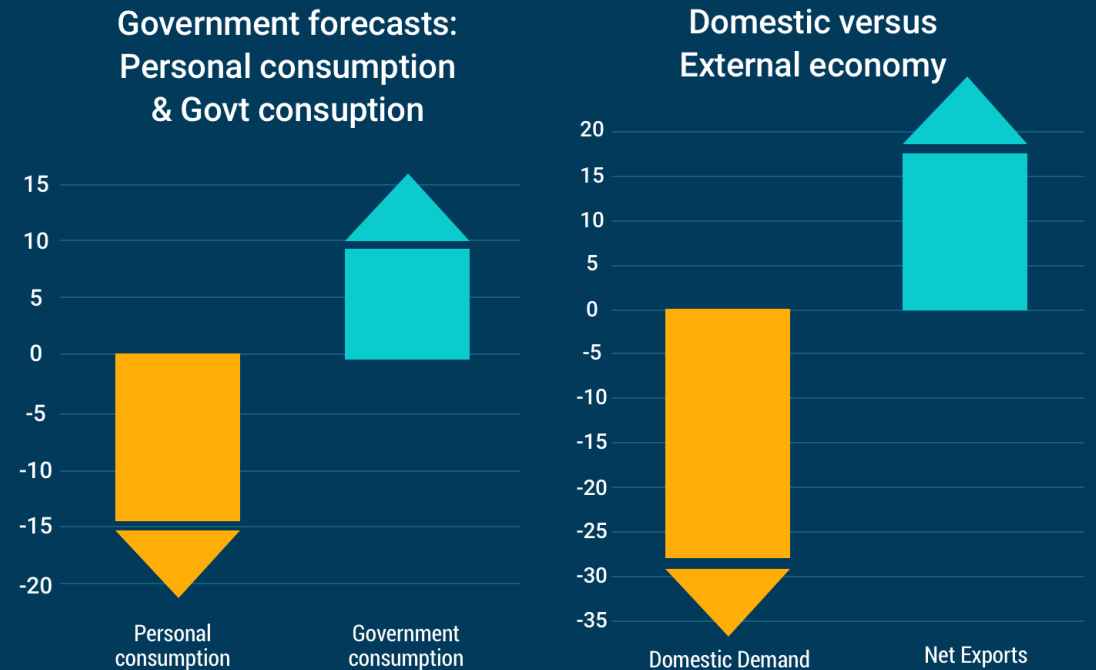
Current state of business in response to Covid-19 (CSO Survey published 1st May)

Businesses ceasing to trade temporarily or permanently)	13.9%
Construction industry	70.8%
Services	20.3%
SMEs twice as likely to be unsure or worried about access to finance	
- SME	29%
- Larger companies	15%

Stability Programme Update Forecasts

2020

Unemployment	13.9%
Projected fall in GNI*	-15.1%
Projected growth in Net Exports	+17.0%
Projected fall in Domestic demand	-27.9%



Further Information

Download the full plan at: www.smerecovery.ie

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Full run through of the report at 16:00 – email for details.

