



BANKING AND FINANCE

Government announces €6.5 billion in support measures for businesses

by **lk-shields**

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Following on from the government's roadmap for the re-opening of society and business, on the 2nd of May the Minister for Finance announced a further suite of measures to support SMEs and larger businesses experiencing cashflow and liquidity difficulties as a result of the COVID-19 pandemic.

The €6.5 billion package is designed to support businesses in the re-building process as economic activity resumes under the outlined government phases. It builds on the previously announced Working Capital Scheme through the Strategic Banking Corporation of Ireland (SBCI), which has had a low uptake to date due to perceived difficulty in access.

Two significant measures to be implemented under the support scheme that aim to provide direct financial support include:

SMEs - COVID-19 Credit Guarantee Scheme

A €2 billion credit guarantee scheme has been introduced to assist SMEs in obtaining necessary credit facilities, in particular where the SME may otherwise lack collateral of sufficient value to obtain such finance in the ordinary course. The scheme will operate through the provision of governmental guarantees to finance providers of up to 80% of the value of qualifying loans for terms of up to 7 years. The guarantees cover a range of debt products appropriate to the needs of SMEs of between €10,000 and €1 million in value. The scheme develops on the existing credit guarantee scheme available from the three Pillar Banks, AIB, Bank of Ireland and Ulster Bank and may become accessible to other lenders. To apply, businesses are encouraged to engage directly with participating finance providers to begin the loan application process.

Large and Medium Scale Enterprises - Ireland Strategic Investment Fund (ISIF) Pandemic Stabilisation and Recovery Fund (PSRF)

The PSRF will make available a fund of €2 billion in value, which will act as a sub-fund to the ISIF's and will make capital available on a commercial basis to medium and large-scale enterprises which have been negatively and materially impacted by COVID-19. The focus will be on enterprises employing more than 250 employees or with annual turnover in excess of €50 million. Businesses who do not meet these criteria may be considered if deemed significant at a national or regional level.

Enterprises must be able to demonstrate their viability prior to the pandemic and the ability to return to a viable long-term future post COVID-19. Each individual PSRF investment will be tailored to the capital requirements of the specific enterprise in question and will be offered in a form best suited to their need, on a debt, equity and/or hybrid basis. Through PSRF investments, ISIF will seek to maximise the amount of additional capital invested meaning existing shareholders will be expected to meaningfully participate in recapitalisation where funds are available and ISIF will seek an appropriate risk-adjusted return depending on the individual circumstances. Third-party co-investment is encouraged and supported as part of the scheme. Further information on the availability of the PSRF can be found at www.isif.ie.

Conclusion

The introduction of the support schemes has been broadly welcomed as an important step in addressing the unprecedented cashflow difficulties encountered by businesses. The newly announced measures ought to provide emergency liquidity to struggling businesses and help mitigate the significant impact COVID-19 has had and will continue to have on businesses. The true key to the success of these financial stimulus packages is swift and efficient implementation so as to quickly get funds into SMEs and larger-scale enterprises that badly require additional liquidity. It is important to note however that implementing the credit guarantee scheme will require the passing of legislation, and while the draft legislation has been approved by the government, the enactment of this legislation may be delayed until a new government is formed. Such delays in implementation of these schemes could prove costly for enterprises that are rapidly coming under increased financial strain.

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