

PRESS RELEASE

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Building long-term SME financial resilience key to National Economic Recovery Plan

- *SME Recovery Ireland launches Budget Submission to sustain SME economic recovery -*

A national agency for small business; a dedicated Minister; establishment of a rainy-day fund; a national small business resilience fund; and a research and development tax credit regime. These are just some of the measures [SME Recovery Ireland](#) has set out in its Budget Submission launched today (09.09.20) aimed at building long-term SME resilience and sustaining SME recovery.

Commenting on the groups key asks of the Government for inclusion in the National Economic Recovery Plan, which is due to be announced in conjunction with Budget 2021 in early October, Chair of SME Recovery Ireland, John Moran said: “Building a financially strong and resilient small business sector that can withstand shocks and have a stable base to grow and support the communities in which they operate will be fundamental to the success of the National Economic Recovery Plan.

“While we commend the Government on its ambition to introduce such a plan, it is essential that the approach adopted is based on the need to reboot the entire SME sector and not merely smaller sub-sections of it. Although many are calling for industry specific actions, our Budget Submission outlines why pan-sectoral interventions through the right blend of policies are equally as important for establishing financial resilience and sustainability across the whole sector.”

Building long-term SME resilience

SME Recovery Ireland are putting forward to following five key asks as a mechanism for building long-term SME financial resilience:

- **National Agency for Small Business** akin to Enterprise Ireland and the IDA to ensure that domestic SMEs that do not export, are effectively serviced by Government, including the introduction of a dedicated Minister for Small Business.
- **Small Business Rainy-Day Fund** to incentivise businesses to set aside 1 per cent of annual revenue to accumulate capital reserve for unexpected challenges and shocks, which would then be matched, or part matched by Government.
- **National Small Business Resilience Fund** open to applications from any small business that has suffered a force majeure crisis and requires grant assistance to recapitalise that business. This would be administered by NTMA and capitalised using European Union recovery funding.
- **Business owner finance literacy learning supports** to ensure small business owners have the financial acumen to ensure their business is on a long-term financially stable footing. This should be supported through the National Training Fund and rolled out via the national network of Local Enterprise Offices.
- **Research and Development Tax Credit regime** with simplified expenditure qualification allowing better access for SMEs, enhancing the existing R&D tax credit regime which is complex and onerous for small businesses to apply for.

Mr Moran added: “While the small business sector was less indebted coming into the Covid-19 crisis, it remains undercapitalised to withstand external shocks and significant reductions in economic activity. We know how enormously resilient, agile, and open to change Ireland’s small businesses are and when married with the correct policy interventions to build resilience

such as the ones we have put forward, businesses that may otherwise fail in a crisis such as the current pandemic, can be sustained.

"There is concern that the domestic small businesses sector which employs 1.5m people, currently sits between several stools within the public sector resulting in a lack of joined up thinking when it comes to public policy design and implementation. Incorporating the LEO network and other Government resources such as Microfinance Ireland to form a National Agency for Small Business would go a long way to bridge this gap. The establishment of a Small Business Rainy-Day Fund would act as a robust vehicle for businesses to build-up a back stop for when a crisis hits addressing the legacy issue of small businesses having little or no capital base in reserve.

"Furthermore, the introduction of a National Small Business Resilience Fund which we called for earlier this year, would give small businesses the confidence and clarity that fiscal support is in place in the form of grant aid, should they be struck by a crisis not of their making. This Fund would crucially help businesses survive and continue to contribute to the SME sector, the economy, and our local communities."

Commenting on the business owner finance literacy learning supports, Mr Moran said: "Our society is blessed with brave and courageous people who one day decide to start their own businesses and build them up over a number of years. While many of these people are brilliant at knowing their product or service, sometimes they can lack the knowledge of how to establish and follow a long-term financial strategy. A financial literacy campaign through the LEO network would help build basic awareness of the importance of good cash management and how to build up reserves in the long-term."

SME Recovery Ireland's Budget Submission falls under phase three of the group's work following successful representation of the small and medium business sector's policy requirements in the Programme for Government and the July Stimulus Package earlier this year. The group is also seeking a position on the Government's SME Growth Taskforce which was announced under the July Stimulus Package.

Sustaining SME Recovery

In addition to building long-term SME financial resilience, SME Recovery Ireland has set out a range of measures to sustain short-term SME recovery. These include:

- Ensuring ease of access to Government backed loans and equity financing.
- Extending the Covid-19 Credit Guarantee Scheme to December 2021.
- Introducing tax incentives for company directors and private investors to encourage long-term investment.
- Improving Employment Incentive and Investment Scheme (EIIS) with Revenue.
- Waiving Capital Gains Tax on equity investments of €10m or less into domestically owned SMEs.
- Expanding the Start-up Refunds for Entrepreneurs (SURE) Scheme.
- Extending the Emergency Wage Subsidy Scheme to December 2021 and winding down the scheme on a phased basis.
- Waiving all interest rates on warehoused PAYE / PRSI.
- Introducing a fast track 'Examinership Lite' model in January 2021.
- Fast tracking the arbitration service for small businesses to negotiate rent reductions.
- Introducing SME decarbonisation grants.
- Simplifying and streamlining public procurement rules to make access to public contracts easier for small businesses.

Commenting founder and co-ordinator of SME Recovery Ireland, Derek F. Butler said: “The SME sector still faces significant short-term uncertainty with many businesses remaining closed. There is a huge degree of nervousness, particularly in industries such as hospitality, tourism, and construction for example, about the level of business they will experience and their employment needs in 2021. Therefore, the urgent implementation of well-designed policy measures to sustain the recovery of our SMEs is vital.

“The measures we have included in our submission will go a long way to stabilise and recapitalise the small business sector so that employment and economic recovery can be restored. As the umbrella platform representing the SME sector, we stand ready to assist the Government in ensuring that policy interventions are sufficiently designed to have the impact and outcome that we collectively seek.”

For further information on SME Recovery Ireland, visit: www.smerecovery.ie.

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