



HOPE

SME RECOVERY FINAL REPORT

“Never doubt that a small group of thoughtful,
committed citizens can change the world.
Indeed, it is the only thing that ever has.”

Margaret Mead

December 2020

OUR PRINCIPLES

SME's are vital to our social fabric – they provide critical jobs at a local level across the country and anchor our communities.

An SME Bailout is Required – SME's now need a bailout with recovery funds (capital and liquidity) on favourable terms of at least €15bn to reboot the recovery of society and our economy.

SME's need a post crisis boost to demand -- There is no point in having well capitalised SME's ready to do business if there is no demand.



SOURCE: Seanad Public Consultation on Small and Medium Sized Businesses Report 2019.

CHAIRMAN'S NOTE



2020 has been such a difficult year for so many. Our thoughts go first to those who have lost loved ones or fallen ill themselves. Whether from Covid-19 or other ailments, the healing or grieving process has been difficult this year like none we have ever known. The distancing required to keep others safe imposed new rules and limitations which fought against our deeply rooted desire to offer or seek support from those around us.

Deep in our community, the pandemic also waged additional destruction eating away at the livelihoods of our neighbours and friends as small local businesses bore the brunt of the new distancing rules which for many required the shut down of their entire trading.

From the moment I got the first call from Derek Foley Butler to help the initiative he was setting up, I knew this was a campaign which with his passion and energy was going to make a difference.

I also remembered fighting the slow-burning impacts of the last crisis on my own little hospitality business in France and could see this was going to be different and worse. Without significant and rapid help, the impacts were going to be much more severe as it was a total closure in many cases. The impact would kill so many dreams and hopes before even the owners had time to react. It would leave trails of destruction in communities right across the country, not just in the large industrial parks or building sites of our cities.

It seemed at the outset that we were shouting into a gale-force wind so loud that no one could hear the pleas of the little business owners over the health reports and messaging. But our small committee pushed on by developing core principles and enlisting support. As the campaign gathered momentum, through the force of logic in its principles and a growing empathy with the plight of the businesses and their employees, the reports came back that more and more people were listening and hearing.

In the months which followed, I became more and more impressed by the unwavering drive of all of our team, the courage of business owners and the bravery of those on the policy making side who were prepared to stand up and fight for what needed to happen.

The crisis is far from over but thanks to the many changes made over the past couple of months, there is not just a fighting chance that many businesses will survive but that many will emerge stronger with new business models. Most importantly there is a renewed sense of the importance of small and local businesses to our communities and that battle does not need to be fought again. There will always be more to do but it is on that principle that all future progress can be made.

May I finally express my heart felt gratitude to our incredibly hard working steering group, support teams and the many volunteer right across the country who contributed so much to the results laid out in the pages which follow. Thanks to them, we face the future with hope.

As was said famously by a former President of the United States when he came to visit our shores.

Is Feidir Linn.

FOREWORD



The SME Recovery Campaign was born just 10 months ago to give voice to the small, medium and micro business sector that were struggling to respond to the impact of the Covid Pandemic. Many sectors were facing a complete Wipeout. Others were facing temporary shutdown. Almost all businesses were effected in one way or another. At the core of the campaign was a desire to ensure that the sector that provides the vast majority of employment in the state would be heard.

We wanted to ensure that those proud, hard-working business owners who generate huge economic and social impact would not be dis-enfranchised and left to struggle with a crisis that was not of their making. What was needed to give this sector a voice in an unprecedented crisis was a powerful alliance of those who care - representative bodies, local leaders and committed citizens who did not want to see the SME sector fall flat on its face but to withstand the crisis and lead the recovery of our economy and society post pandemic. We knew how fragile many of these businesses were and how important they were but there was an uphill struggle to bring their voice from the periphery to the centre.

The SME Recovery Alliance, as a collective, has had a huge impact that will sustain the short-term policy response from the crisis. At the outset of our campaign there was just €1 billion in committed support to the SME sector. This has risen to an excess of €15bn when all of the wage supports, grants, fixed cost compensation schemes, funding, credit guarantee scheme and other stimulus measures are put together. Of course the policy response to any crisis is never perfect but we can be sure that our efforts moved the dial, particularly in the most recent budget. The impact of the most recent lockdown on small businesses has been contained because the policy tools and programmes were in place to help.

Early on we forecast that there were circa €10-€12 billion in losses accumulating as a result of the crisis. It took a number of months and a number of parliamentary questions but the ESRI and CBI both validated our assessment in the Autumn. This greatly contributed to the potency of the budget programme announced in October. Some may say that the predicted failure and loss has not arisen and that the potential impact was exaggerated. This however serves only to validate our success. We have been fighting to prevent failure, not create success. We have been advocating for intervention to stave off losses, not generate gains. Within this context our work has been successful.

Although the campaign is now coming to an end the pandemic and its impact is not. Many small businesses are facing into a tough winter and sadly not all will survive. We can however be sure that there are 10,000's of small businesses that will continue to contribute to their communities and provide employment when the pandemic has passed at least partly due to the work of our campaign. In the final phase of the campaign we were keen to ensure that the impact of our work in bringing the voice of the SME front and centre in our economic response could endure. Through our contribution in the SME Growth Taskforce we believe that this impact can be sustained and that there is now a recognition of the need to provide agency support for the domestic non-export orienting businesses that employ at least 800,000 people. This cohort currently has no agency support. This policy action matched with our 'Rainy Day Fund' proposal helps to put the SME sector on a more resilient footing and allows us to Build Back Better.

The final report is laid out in a simple and light format to allow you to clearly see the where, what, when and how of the campaign. We thank all those who contributed directly and indirectly to the success of the campaign, only some of whom are mentioned here. Your impact will sustain.

Jack Foley Butler

OUR CAMPAIGN



OUR CAMPAIGN IN NUMBERS

10 Steering Committee members

35 Local Leaders

28 Supporting organisations

1 agency for small business

Over €15 bn in SME support committed

3 submissions to government

8 Ministerial meetings

1 Meeting with Tánaiste and Taoiseach

4 SME Taskforce meetings

13 Press Releases

1 State Bodies Group Meeting

35+ meetings with TD's

1 Meeting with Minister for DPER and Minister for Finance

1 repositioning of SME's as key to our economy and society

2 Surveys Validating 10-12bn in losses to the SME sector

1 SME Rainy Day Fund commitment

50+ media articles and appearances

Funding the campaign

The campaign could not have been successful without the financial support of GRID Finance, Steering Group members and other supporting organisations. With a modest budget and incredible team the campaign achieved a great deal.

Contributions

Contributions from Steering Group Members	61,500.00
Contributions from other supporting organisations	26,750.00
GRID Finance In-kind contribution	81,000.00
GIRD Finance Cash Contribution	6,500.00
Instinctif In-kind contribution	20,000.00
Total Income	195,750.00
Costs	
Economist	1,000.00
Media	13,000.00
Chairman	32,400.00
Campaign Team	61,350.00
Other Miscellaneous Costs	7,000.00
GRID Finance Team	81,000.00
Total Expenses	195,750.00

*Contributions were not received from Dundalk BID, Drogheda BID, Sligo BID, Dublin Town, CIF, BITC, FECP, BPF1.

OUR IMPACT

From a standing start in mid-March SME Recovery has made a significant impact. Below we take our key recommendations from the National Small Business Recovery Plan and Budget Submission in September. A more detailed research exercise is required to fully evaluate the impact of the campaign on small businesses but we can extrapolate impact by identifying which elements of our recommendations have been taken on-board.

National SME Recovery Plan

Key Action: The three principles above need to be adopted at the heart of any National Recovery Plan

The Programme for Government, July Stimulus and Budget had SME's and their social and economic importance at their heart. This is a major breakthrough for the SME community.

Key Action: Use the strength of the Irish fiscal position going into the crisis and the flexibility of EU State and Fiscal rules to fund a recovery programme of scale comparable to the best in the eurozone.

Irish government leveraging the EU Recovery Programme to fund an extension of EWS

Key Action: Introduce legislation to support recovery actions to stabilise the small business sector.

Introduced in a number of forms

Key Action: Reconvene the SME State Bodies Group and Initiate a small business emergency coordination steering group (SBECG)

It was reconvened in July

Key Action: Targeted policy initiatives should be taken for each phase of the emergency

Partially completed

Key Action: SBCI to be provided a renewed mandate to take increased (not limitless) credit risk either by the provision of guarantees or low interest funding in scale.

Done

Key Action: The SBCI needs to provide funding through the banks and non-bank funders.

Done

Key Action: Introduce a Business continuity funding scheme providing highly flexible working capital to businesses that can continue to trade through the Covid crisis.

Done – Access remains a challenge

Key Action: A non-usage penalty for any unused funds should be applied to any distribution partner for SME liquidity.

Not implemented

Key Action: Introduce a Business reactivation funding scheme providing highly flexible working capital to businesses that need to reactivate after the Covid crisis.

Done – through the restart grant scheme

Key Action: Work should begin immediately to pre-approve small businesses for recovery funding so that funds are in place before they restart their businesses.

Done in part

Key Action: Incentivise small businesses to pay creditors within 90 days by providing a 3% VAT rebate for invoices paid on time.

Not implemented

Key Action: All negative credit reports for missed repayments to be suspended for 12 months.

TBD

Key Action: Do not kick the can down the road on who bears the COVID losses. - Set up a Small Business Compensation Fund to rebuild SME balance sheets.

Implemented through the CRSS scheme and EWS schemes

Key Action: Resource and capitalize the Fund credibly from the outset to pay for losses the SME sector cannot bear on its own.

Implemented not as a fund but through the CRSS scheme which is sufficient

Key Action: Agree quickly the principles of which losses more fairly belong to society and not to individual businesses which had to close for the common good.

Done

Key Action: Agree powers and resources for the Revenue and NTMA to administer claims.

Done

Key Action: Quickly pass legislation if required to create and capitalise the Small Business Resilience Compensation Fund and provide in Budget 2021 for an on-going business levy to build up a sufficient resilience fund against future shocks.

Not necessary

Key Action: Key measures to boost aggregate demand need to taken in the recovery phase.

A number of measures were introduced in the July Stimulus

Key Action: Put all outstanding tax at 28th February 2020 on a long-term payment plan for impacted firms.

Done

Key Action: Introduce negotiating tool for small businesses to secure an emergency rent reduction.

In progress.

Key Action: All rates costs should be deferred for 2020 and reduced materially for 2021.

Done

Key Action: All legal and union impediments to move employees from full-time to part-time should be removed on a temporary basis. The same should apply to salary reductions for salaries over average industrial wage.

Not implemented

Key Action: Introduce a less onerous examinership and liquidation process.

In progress and expected for 2021

Key Action: Introduce incentives to encourage equity investment in small companies.

Not introduced

ISME Recovery Budget Submission

Sustaining SME Recovery

The government should ensure that all government supported lending schemes have ease of access as a key requirement for small and micro businesses.

This point was well made through the SME Taskforce and has been incorporated into the SME Growth Plan

The COVID credit guarantee scheme should be extended to December 2021.

This was extended to June 2021

Tax incentives for company directors and private investors should be introduced to encourage longterm equity investment in businesses.

This was not materially addressed but an equity investment fund for small businesses was announced.

EIS approvals with the Revenue Commissioners should be improved.

This was incorporated into the SME Growth Plan

Capital Gains Tax should be waived on equity investments of €10m or less into domestically owned SME businesses.

Not introduced

The SURE scheme should be expanded – both the maximum size of the relief and the maximum value of income that can be invested.

Improvements in the scheme were incorporated into the SME Growth Plan

The EWS should be extended to December 2021 and wound down on a phased basis. All interest rates should be waived on warehoused PAYE/PRSI.

The EWS has been extended to April and is expected to be extended to June at least for those hardest hit sectors.

A fast track Examinership Lite model should be introduced in January 2021.

Progress made with likely implementation in 2021

A fast track arbitration service for small businesses to negotiate a reduction in small business rent should be introduced.

Progress made but no announcement yet.

SME decarbonisation grants should be introduced in 2021.

This is being introduced in 2021

Public procurement rules should be simplified and streamlined to make access to public contracts easier for small businesses.

This was incorporated into the SME Growth Plan

The introduction of a National Agency for Small Business.

A commitment to this is expected to be announced in the SME Growth Plan as well as recognising the gap in agency coverage for domestic and small Irish businesses.

Building Long-term SME resilience

The introduction of a dedicated Minister for Small Business.

Not introduced

Introduce an SME Rainy day fund programme.

A commitment to this is being made in the SME Growth Plan with a wide recognition of the value and importance of this.

Introduce a National Small Business Resilience Fund.

The CRSS scheme has fulfilled this requirement

A business owner financial literacy campaign should be launched. A simplified SME R&D tax credit regime should be introduced.

A commitment to this is expected in the SME Growth Plan.

OUR SUPPORTERS

Steering Committee



John Moran
Chairman



Derek Foley Butler
Founder and
Coordinator



Ruth Andrews
Chairperson, ITIC



Charlotte Barker
CEO, Institute of Design
Ireland



Sarah Murphy
Managing Director
Business Post Live



Lucy Cronin
Managing Partner,
Instinctif Partners



Neil McDonnell
CEO ISME



Adrian Cummins
CEO RAI



Kathryn Meghen
CEO, RIAI



Duncan Graham
CEO REI

Representative bodies



Local Leaders

We were blessed to have the following represent us as local leaders in the campaign:

Aidan O'Reilly
Aileen Eglinton
Alan Quirke
Alan Jordan
Alex McDonnell
Bart Glover
Chloe Sullivan
Colin Canny
David O'Donnell

Des Rogers
Ruairi Devlin
Eilis Quinlan
Edwina Gore
Elaine O'Driscoll
Elizabeth Ryan
Elizabeth O'Riordan
Fergus Jordan
Finbarr Filan

William Martin
Jamie O'Hanlon
Johnny Flynn
Jo Garrihy
John Connolly
Johnny Dunne
Keith Higgins
Kevin Kelly
Kieran MacSweeney

Louise McDonnell
JP McManus
Morgan Ging
Orson Herbst
Pearce Flannery
Ross McCarthy
Tony Judge
Margaret Doherty

WHAT WE STOOD FOR

Examples of our National Advertising campaigns are outlined below. The objective of these campaigns was to influence policy makers to put the SME Agenda at the heart of the Economic Response to the crisis

OUR GOVERNMENT HAS A CHOICE

SUPPORT SMALL BUSINESSES **NOW** OR LET THEM **FAIL** AND CREATE **500,000 NEW UNEMPLOYED.**

THE PROPOSALS BELOW NEED TO BE IMPLEMENTED **IMMEDIATELY** TO SAVE 1,000'S OF SMALL BUSINESSES.

WE SPENT **€64 BILLION** TO BAIL OUT THE BANKS – WE NEED TO INVEST **€10 BILLION NOW** TO REBUILD SMALL BUSINESSES AND PROTECT THE **968,881 JOBS THEY PROVIDE.**

Coordination

- ✓ Introduce legislation for a 2-year small business financial emergency
- ✓ Put a steering group together with all small business representative bodies to coordinate a response

Financing

- ✓ €6 billion in loan schemes to provide 5-year long loans with a 2-year payment holiday
- ✓ Expand SBFI Mandate to allow them to take greater credit risk and respond to this unique credit event
- ✓ Reward small businesses for paying creditors within 90 days
- ✓ Waive all negative credit reporting

Taxation

- ✓ Waive all 2019 corporate tax bills
- ✓ Put all outstanding tax on a payment plan
- ✓ Waive all employers PRSI
- ✓ Reintroduce 9% VAT rate
- ✓ Waive audit requirements for all small businesses for 1 year

Cost Flexing

- ✓ Put a tool in emergency legislation for small businesses to reset rent to previous levels
- ✓ All rates to be deferred for 2020 and reduced for 2021
- ✓ All barriers to putting employees on part-time work should be removed to allow small businesses to keep people employed

The details of our proposals are at: www.gridfinance.ie/emergency



Thank you to all our public servants for protecting and defending us at this time.

Published in Sunday Business Post March 15th for 3 weeks

NOW IS THE TIME TO SAVE OUR SMALL BUSINESSES







Small and micro-businesses are at the heart and in the soul of our local communities. Our new government must act to help them survive. We must do it for the local business that sponsors the local GAA club. We must do it for the local business that employs three or four people and whose families rely on these jobs for their future. We must do it for every town and village that relies on small business breathing life into our country.



DOWNLOAD THE NATIONAL SMALL BUSINESS RECOVERY PLAN AT WWW.SMERECOVERY.IE

Published in the Sunday Independent and Sunday Business Post on June 7th

www.smerecovery.ie

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SME Resilience Fund

Objective

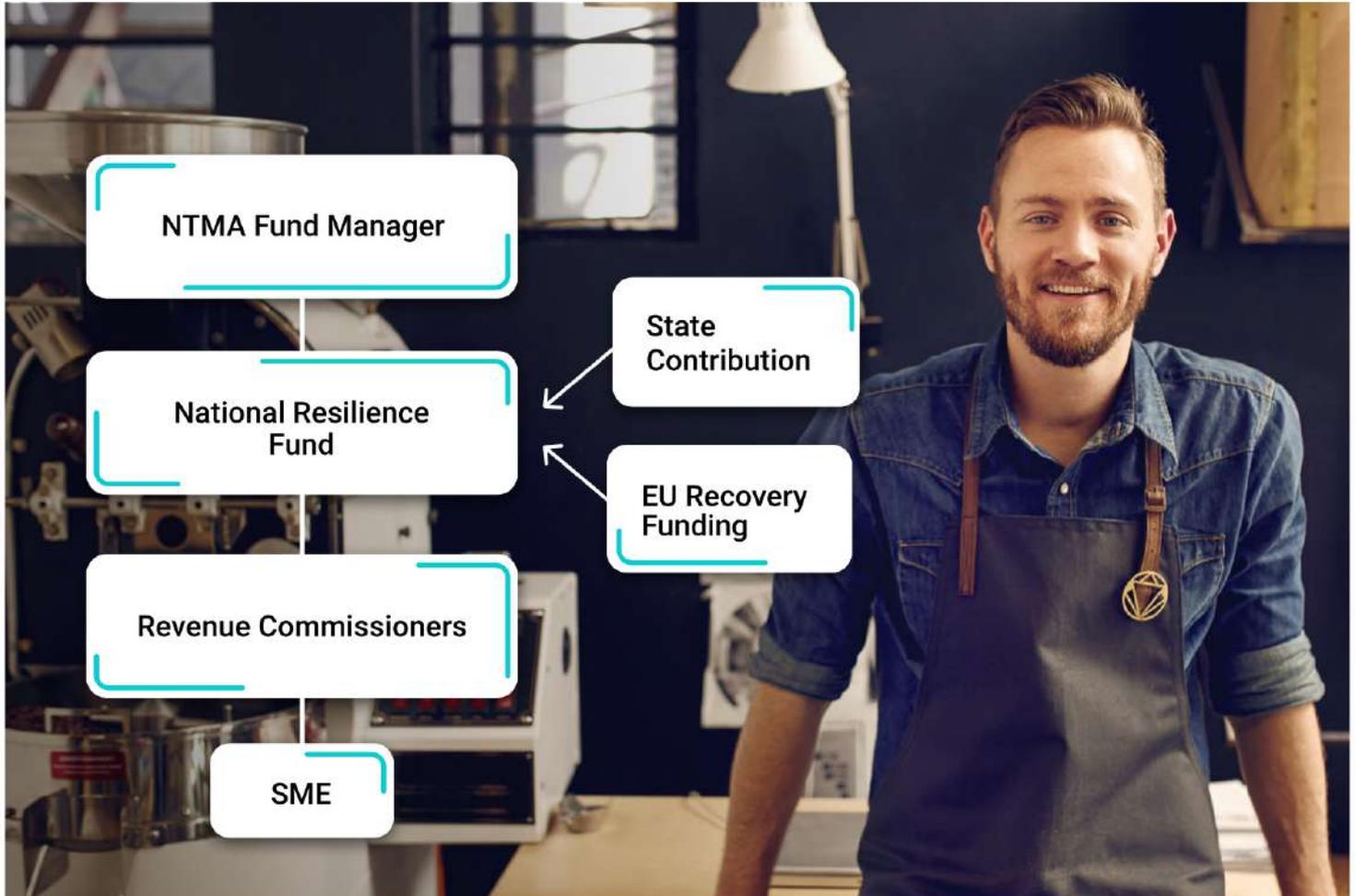
To be an insurance fund for the state to recapitalise small businesses that are subject to force majeure losses that are not otherwise insurable.

Outcome

Recapitalised small businesses that continue to employ and sustain economic activity.

How it works

- Fund anchored and managed in the NTMA.
- Initial contributions from EU Recovery funding and the state.
- Thereafter annual contributions by the state.
- Claims management and disbursement administered through the revenue commissioners.
- Small, Medium and micro businesses make claims based on losses incurred due to uninsurable events and where the businesses own reserves and other state supports have been fully exhausted.
- Approved claims are a % of actual fixed cost losses with the the % determined by predefined metrics.



SME Rainy Day Fund - An SSIA for Small Business

Objective

To create a capital base within small, medium and micro businesses.

Outcome

Better capitalised small businesses that can withstand external shocks and more easily access finance.

How it works

- On an annual/monthly basis small businesses make a contribution of 1% to a segregated bank/Payment account; segregated as their 'Rainy Day Fund'.
- On an annual basis the state makes a contribution to this fund of 20% or % high enough to incentivise the small business to create a 'Rainy Day Fund'.
- Contributions accrue until they reach a pre-determined level e.g. 5% of Revenue or 6 months of companies salary bill at a point in time.
- The bank/payment account provider defers fees on the account and classifies it as capital for the purposes of providing credit.
- The funds are on demand within 21 days subject to evidencing the need to use the funds to deal with an unexpected event e.g. the loss of a key contract; an unexpected closure etc.



National Agency For Small Business

Objective

To create a coordinated approach to the development and implementation of SME policy across the state sector.

Outcome

1. Better designed and implemented state programmes for the SME sector.
2. A streamlining of legal, tax and regulatory rules and regulations for small business that recognises their small scale and unique characteristics.

How it works:

- A new agency for small business would bring together all the states programmes and work in the Indigenous SME space filling the gap between inward investment (IDA) and export-oriented companies (Enterprise Ireland).
- There are 420,000 employees supported through the IDA and Enterprise Ireland. We believe there are 800,000 employees in SME's that are not agency supported and are employed domestic small, medium and micro-enterprises.
- The National Agency for Small Business would ensure that public policy across government recognises the contribution of small businesses and ensure that laws and regulations are not excessively complex and onerous for business e.g. public procurement rules.
- Entities such as Micro Finance Ireland and the local enterprise network would be managed by this agency.
- The agency would report either to the Minister for Enterprise Trade and Employment or a dedicated Minister for Small Business.



Financial Literacy for Business Owners

Objective

To ensure that business owners and directors have sufficient basic financial literacy to be responsible business owners.

Outcome

Better financially managed and more resilient small firms.

How it works

- Anyone can start a small business and become a company director irrespective of their experience, track record and financial skills.
- A business owner who becomes a company director should be mandated to complete a basic financial literacy course in the same way that we do not allow someone to drive without a set of basic driving lessons.
- Basic means a 6-session course, delivered online that highlights an individual's responsibilities (in law and otherwise) and identifies their own skills gaps, which are typically financial.
- The course should be a condition to become a first-time company director.

For further information on the campaign activity, submissions and media go to www.smerecovery.ie



ABOUT SME RECOVERY

SME Recovery Ireland is a platform representing Ireland's small and medium business sector to ensure that policy response to Covid-19 is designed to succeed for SMEs. The small business sector has and will continue to be disproportionately affected by the Covid-19 crisis. Small businesses provide most employment in Ireland and are critical to our social fabric. Small businesses were under-capitalised before the crisis and so lack the financial resilience to survive the force majeure crisis they are facing.

We have set out a series of policies and interventions that will help a broad population of SMEs with a focus on sustaining the recovery and building SME resilience. The policy interventions that we are advocating for will go a long way to stabilise and recapitalise the small business sector so that employment and economic activity can be restored.

The initiative is chaired by John Moran, former secretary general of the Department of Finance.

FURTHER INFORMATION

For further information on the campaign activity, submissions and media go to www.smerecovery.ie

You can also contact us at [+353 1 5241615](tel:+35315241615)

