

**1<sup>st</sup> Quarter Report of 2014 to the Minister for  
Jobs, Enterprise and Innovation detailing the  
analysis and performance of the SME Credit  
Guarantee Scheme at 31<sup>st</sup> March 2014**

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## 1 Credit Guarantee Scheme

The Credit Guarantee Scheme (CGS) provides a State guarantee through the Department of Jobs, Enterprise & Innovation (the “Department”) to accredited Lenders (Allied Irish Banks, Bank of Ireland and Ulster Bank Ireland) of 75 per cent on eligible loans or Performance Bonds to viable Micro, Small and Medium-sized Enterprises (SMEs). The Guarantee is paid by the State (the “Guarantor”) to the Lender on the unrecovered outstanding principal balance on a Scheme Facility in the event of a Borrower defaulting on the Scheme Facility repayments.

The purpose of the Scheme is to encourage additional lending to SMEs, not to substitute for conventional lending. SMEs are thus enabled to develop a positive track record with the Lender with the objective of returning to standard commercial credit facilities in time. It will also place Irish SMEs on a competitive level-footing relative to other trading competitors who are able to avail of a guarantee in their own countries.

It is important to note that funds provided under the Scheme are neither a grant nor a support for ailing businesses or customers in difficulty. All decision-making at the level of the individual Scheme Facility is fully devolved to the participating Lenders.

The Credit Guarantee Scheme (CGS) became operational on the 24<sup>th</sup> October 2012. In the two month period ending 31<sup>st</sup> December 2012 six CGS facilities were sanctioned. During 2013 eighty eight CGS facilities were sanctioned. In the first quarter of 2014 fourteen additional facilities were sanctioned.

Five CGS facilities have been repaid in full to date, one CGS facility with lending value of €100,000 was repaid in quarter three 2013, another with lending value of €50,000 was repaid in quarter four 2013. In the first quarter of 2014 there was three loans repaid with the individual amounts being €50,000, €180,000 and €70,000.

The overall uptake of the scheme remains very disappointing.

Due to the low volume of approved CGS facilities it is difficult to highlight emerging trends.

A positive outcome of the CGS lending to SMEs is that it is expected that 479 new jobs will be created and 255 jobs will be maintained.

## 2 Analysis of the Credit Guarantee Scheme (CGS)

Since the launch of the scheme on 24<sup>th</sup> October 2012, €14,597,500 has been sanctioned by the participating lenders through one hundred and nine CGS facilities.

**Table 1 Activity Levels**

	No. of CGS Facilities Sanctioned	Amount of CGS Facilities Sanctioned	Average CGS Facility Sanctioned
<i>From 24<sup>th</sup> October 2012 to 31<sup>st</sup> December 2012</i>	6	€582,000.00	€97,000.00
<i>From 1<sup>st</sup> January 2013 to 31<sup>st</sup> March 2013</i>	18	€2,549,600.00	€141,644.44
<i>From 1<sup>st</sup> April 2013 to 30<sup>th</sup> June 2013</i>	23	€2,774,500.00	€120,630.43
<i>From 1<sup>st</sup> July to 30<sup>th</sup> September 2013</i>	33	€5,285,000.00	€160,151.51
<i>From 1<sup>st</sup> October to 31<sup>st</sup> December 2013</i>	14	€1,498,400.00	€107,028.57
<i>From 1<sup>st</sup> January to 31<sup>st</sup> March 2014</i>	15	€1,908,000.00	€127,200.00
<b>Total as at 31<sup>st</sup> December 2013</b>	<b>109</b>	<b>€14,597,500.00</b>	<b>€133,922.02</b>

Status	No. of CGS Facilities	Amount of Lending €
CGS loans sanctioned by Lenders since the CGS Launch on 24 <sup>th</sup> October 2012	109	€14,597,500
Declined by the customer	18	€2,805,000
Ineligible	1	€61,000
Cancelled by the customer	1	€30,000
Customer Consent to Data Sharing outstanding	6*	€755,000
<b>CGS Facilities at 31<sup>st</sup> March 2014</b>	<b>83**</b>	<b>€10,946,500</b>

\*Six CGS facilities have been sanctioned by the participating Lenders, however the SME has not yet consented to data sharing. No further analysis is available on these six loans for data protection reasons.

\*\*Due to data protection reasons the remainder of this report is based on analysis of eighty three CGS facilities, five CGS facilities have been repaid in full, one each in quarter three and four of 2013 with three repayments in quarter 1 of 2014.

- Since the launch of the scheme on 24<sup>th</sup> October 2012, €14,597,500 has been sanctioned by the participating lenders through one hundred and nine CGS facilities.
- The average loan amount sanctioned by the participating lenders based on the one hundred and nine CGS loans sanctioned since the CGS was launched is €133,922.02
- Eighteen CGS facilities with a total lending value of €2,805,000 were declined by the borrower and did not proceed.
- One case was initially accepted but subsequently cancelled by the borrower for €30,000.
- Based on feedback provided, the main reasons for declining CGS approved facilities are:
  - The customer was approved for a lower value commercial loan
  - The customer did not wish to proceed with the CGS facility
  - The customer decided to use internal working capital
  - Business plan changes
  - The customer was unwilling to meet normal lending requirements and
  - Planning permission issues
- One CGS facility with total lending value of €61,000 was initially sanctioned by a participating lender but upon review was subsequently deemed ineligible for the CGS and did not proceed.
- Five CGS facilities have been repaid in full to date, one CGS facility with lending value of €100,000 was repaid in quarter three 2013, another with lending value of €50,000 was repaid in quarter four 2013. In the first quarter of 2014 there was three loans repaid with the individual amounts being €50,000, €180,000 and €70,000.
- Six CGS facilities have been sanctioned by the participating Lenders, however, the SME has not yet consented to data sharing as at 31<sup>st</sup> March 2014.
- As at 31<sup>st</sup> March 2014, sixty-four CGS facilities with a total lending value of €6,676,500 have been fully or partially drawn down by CGS borrowers.
- The remainder of this report is based on eighty three CGS facilities with total lending value of €10,946,500. As noted above five of these facilities have been fully repaid since quarter 3 of 2013.

## 2.1 Activity Levels

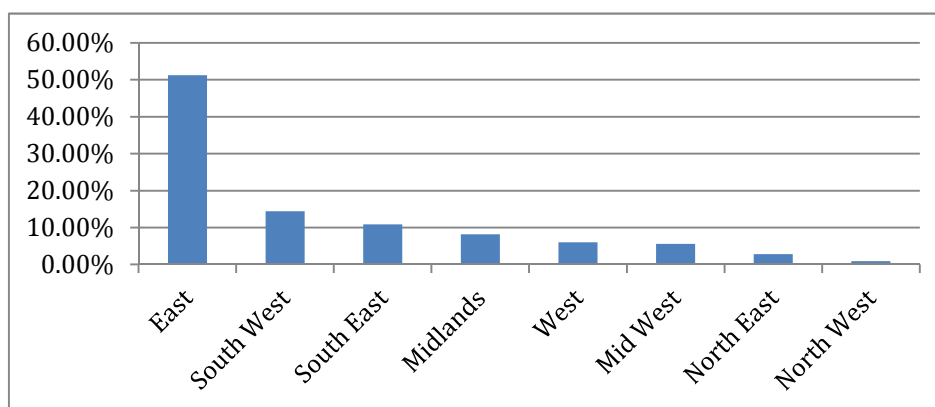
### 2.1.1 Activity by Region

CGS Facilities were sanctioned to SMEs in the following regions:

**Table 2 Activity by Region**

Region	No. of CGS Facilities Granted	CGS Lending Sanctioned	Percentage of CGS Lending Sanctioned by Region (Monetary Value)	Average Loan Amount Sanctioned
East - (Dublin, Kildare, Meath and Wicklow)	32	€5,602,000	51.2%	€175,063
South West - (Cork and Kerry)	14	€1,578,400	14.4%	€112,743
South East - (Waterford, Wexford, Carlow, Kilkenny and South Tipperary)	6	€1,193,000	10.9%	€198,833
Midlands - (Laois, Longford, Offaly, Roscommon, and Westmeath)	9	€892,000	8.2%	€99,111
West - (Galway and Mayo)	9	€661,100	6.0%	€73,456
Mid West - (Limerick, Clare and North Tipperary)	9	€615,000	5.6%	€68,333
North East - (Cavan, Louth and Monaghan)	3	€305,000	2.8%	€101,667
North West - (Donegal, Sligo and Leitrim)	1	€100,000	0.9%	€100,000
<b>Total</b>	<b>83</b>	<b>€10,946,500</b>	<b>100.0%</b>	<b>€131,886</b>

**Figure 1 Percentage of CGS Lending Sanctioned by Region (Monetary Value)**



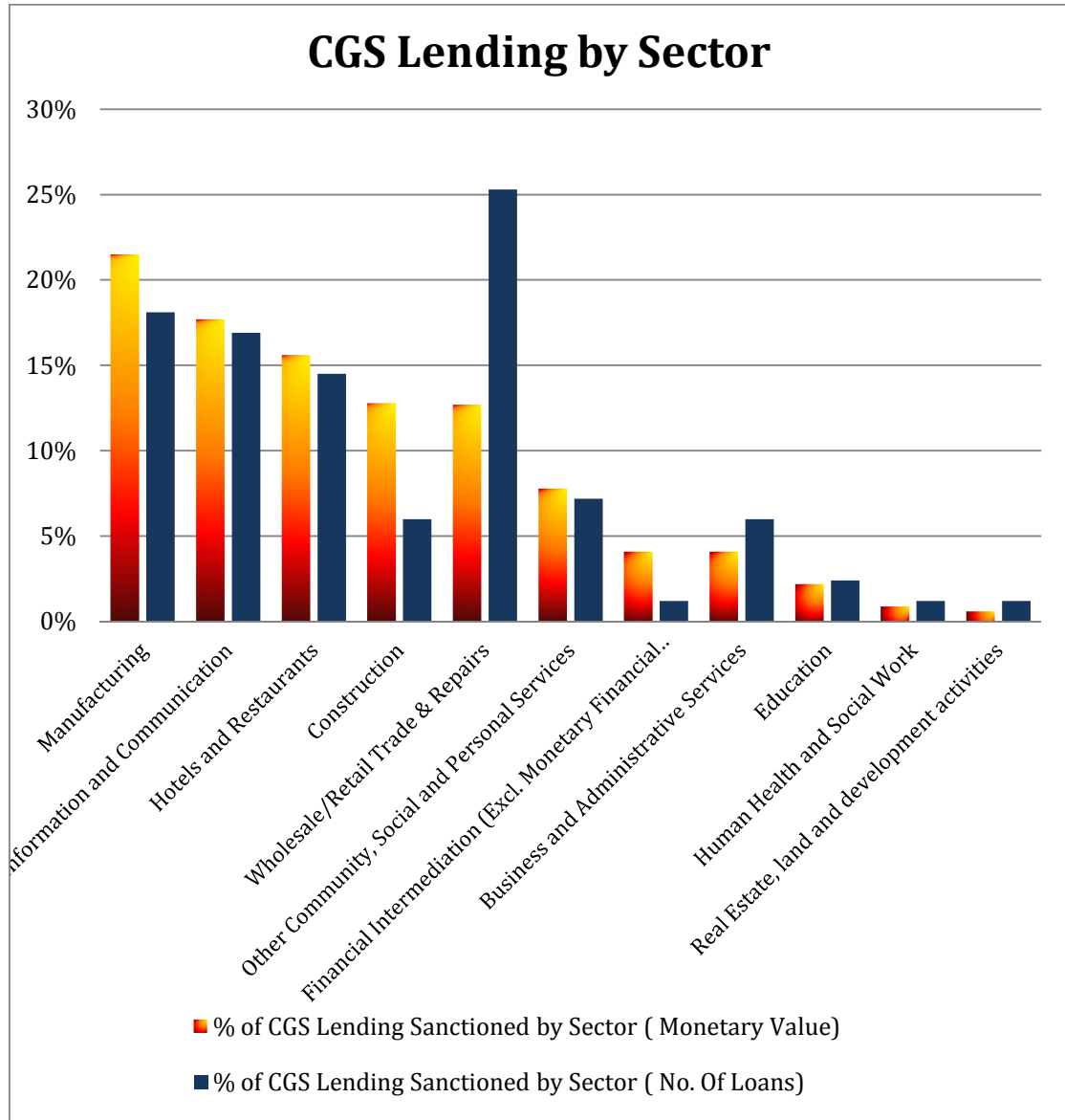
## 2.1.2 Activity by Industry Sector

CGS facilities were sanctioned to SMEs in the following Industry Sectors:

**Table 3 Activity by Industry Sector**

Industry Sector	No. of CGS Loans	% of CGS Lending Sanctioned by Sector ( No. Of Loans)	CGS Lending Sanctioned	% of CGS Lending Sanctioned by Sector ( Monetary Value)
Manufacturing	15	18.1%	€2,348,000	21.5%
Information and Communication	14	16.9%	€1,930,000	17.7%
Hotels and Restaurants	12	14.5%	€1,710,600	15.6%
Construction	5	6%	€1,405,000	12.8%
Wholesale/Retail Trade & Repairs	21	25.3%	€1,395,400	12.7%
Other Community, Social and Personal Services	6	7.2%	€856,500	7.8%
Financial Intermediation (Excl. Monetary Financial Institutions)	1	1.2%	€450,000	4.1%
Business and Administrative Services	5	6%	€445,000	4.0%
Education	2	2.4%	€246,000	2.3%
Human Health and Social Work	1	1.2%	€100,000	0.9%
Real Estate, land and development activities	1	1.2%	€60,000	0.6%
<b>Total</b>	<b>83</b>	<b>100%</b>	<b>€10,946,500</b>	<b>100%</b>

Figure 2 Percentage of CGS Lending Sanctioned by Sector (Monetary Value)





### 2.1.3 Activity by Legal Form

Seventy-one CGS facilities were provided to Private Limited Companies.

Eleven CGS facilities were provided to Sole Traders.

One CGS facility was provided to a partnership.

### 2.1.4 Impact on Jobs

As a result of the CGS lending to SMEs as of 31<sup>st</sup> March 2014 it is expected that 479 new jobs will be created and 255 jobs will be maintained.

**Table 4 Activity by Industry Sector**

Number of Jobs Increased	2012	2013	2014
<i>Quarter 1</i>	N/A	148	70
<i>Quarter 2</i>	N/A	92	N/A
<i>Quarter 3</i>	N/A	81	N/A
<i>Quarter 4</i>	33	55	N/A
<b>Total as at 31<sup>st</sup> March 2014</b>	<b>479</b>		

Number of Jobs Maintained	2012	2013	2014
<i>Quarter 1</i>	N/A	20	19
<i>Quarter 2</i>	N/A	90	N/A
<i>Quarter 3</i>	N/A	19	N/A
<i>Quarter 4</i>	5	102	N/A
<b>Total as at 31<sup>st</sup> March 2013</b>	<b>255</b>		

## 2.1.5 Exports

- Twenty-five CGS facilities were granted to SMEs who are exporters.
  - Seventeen of the CGS facilities were granted to SMEs primarily exporting to the United Kingdom of Great Britain and Northern Ireland.
  - Eight CGS facilities were granted to SMEs primarily exporting within the European Union.

## 2.1.6 Market Inefficiencies - Pillar 1 &/or Pillar 2

The main purpose of the Credit Guarantee Scheme is to address specific market failures that prevent lending to some commercially viable businesses.

Target groups are commercially viable SME businesses that cannot secure credit facilities due to the following two market inefficiencies; insufficient collateral for additional facilities and/or the SME is a growth/expansionary SME and due to its sector, market or business model is perceived to be higher risk under the participating banks current credit risk evaluation practices.

Based on statistical information relating to CGS borrowers, insufficient collateral remains the primary reason for an SME not securing a credit facility through the traditional commercial lending route.

**Table 5 Market Inefficiencies**

Reason for not securing Normal Credit Facilities			
	<i>Insufficient Collateral</i>	<i>Insufficient Collateral and Higher Risk Model/Sector/Product</i>	<i>Higher Risk Model/Sector/Product</i>
<b>Total as at 31<sup>st</sup> March 2014</b>	<b>63</b>	<b>12</b>	<b>8</b>

## 2.1.7 Year of Establishment of Borrowing SMEs

**Table 6 Year of SME Establishment**

Year of Establishment	Number of CGS Loans as at 31 <sup>st</sup> March 2014
2013	4
2012	9
2011	9
2010	5
2000-2009	42
1951-1999	14
<b>Total</b>	<b>83</b>

## 2.1.8 Term of Facility

The term or duration of each facility is decided by the participating Lender. However, irrespective of the term of the facility, the maximum period for which the Guarantee is available on the facility is three years from the date of acceptance of the Lender's offer by the borrower.

**Table 7 Term of Facility**

Term of Facility	Number of CGS Loans as at 31 <sup>st</sup> March 2014
< 1 Year	16
> 1 < 2 Years	3
2 Year	1
3 Year	22
4 Year	2
5 Year	29
> 5 Years	10
<b>Total</b>	<b>83</b>

## 2.1.9 Purpose of the CGS Facility

Table 8 shows the main reasons for the CGS Borrower seeking finance.

**Table 8 Purpose of CGS Facility**

Purpose of Credit Guarantee Scheme Facility	Number of CGS Facilities
Working Capital	34
Purchase of Equipment	14
Renovation/Maintenance of Premises	8
Product or Service Development	7
Cost of Acquisition	6
Purchase of Premises	4
Research and Development	2
Development of Visitor Centre/Museum and retail shop	2
Supplier Guarantee	2
IT improvements	1
Franchise Set up	1
To Fit out Premises	1
Performance Bond	1
<b>Total</b>	<b>83</b>

## 2.1.10 Classification of SMEs

Micro, Small and Medium-sized enterprises (SME) are defined according to their staff headcount and turnover or annual balance-sheet total.

A microenterprise is defined as an enterprise which employs fewer than 10 people and whose annual turnover and/or annual balance sheet total does not exceed €2 million.

A small enterprise is defined as an enterprise which employs between 10 and 49 persons and whose annual turnover and/or annual balance sheet total does not exceed €10 million.

A medium-sized enterprise is defined as an enterprise which employs between 50 and 249 persons and whose annual turnover does not exceed €50 million or whose annual balance-sheet total does not exceed €43 million.

Table 9 Profile of SME

	<i>Micro Enterprise</i>	<i>Small Enterprise</i>	<i>Medium Enterprise</i>
<b>Total as at 31<sup>st</sup> December 2013</b>	<b>40</b>	<b>39</b>	<b>4</b>
<b>Total Lending Sanctioned as at 31<sup>st</sup> December 2013</b>	<b>€3,415,500</b>	<b>€6,141,000</b>	<b>€1,390,000</b>
<b>Percentage of Total €9,788,500</b>	<b>31.2%</b>	<b>56.1%</b>	<b>12.7%</b>

### 2.1.11 Premium Collection

SMEs availing of the CGS must pay a premium of 2% per annum to the Department of Jobs, Enterprise and Innovation which partially covers the cost of providing the guarantee. The premium is collected annually or quarterly in advance throughout the three year life of the guarantee based on the annual contracted principal balance.

Between 24<sup>th</sup> October 2012 and 31<sup>st</sup> March 2014 €113,627.02 of premium payments were paid by Credit Guarantee Scheme Borrowers into a segregated bank account held in trust for the Minister for Jobs, Enterprise and Innovation.

Table 10 Premium Payments Received

<b>Premium Payments Received</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<i>Quarter 1</i>	N/A	€8,852.00	€30,544.95
<i>Quarter 2</i>	N/A	€14,306.67	N/A
<i>Quarter 3</i>	N/A	€26,935.00	N/A
<i>Quarter 4</i>	€2,410.00	€30,555.90	N/A
<b>Total for Year</b>	<b>€2,410.00</b>	<b>€80,649.57</b>	<b>€30,544.95</b>
<b>Total as at 31<sup>st</sup> December 2013</b>	<b>€113,604.02</b>		

### 3 Summary

- As at 31<sup>st</sup> March 2014 the CGS has been operationally live for seventeen months.
- Usage of the CGS remains disappointing and lower than anticipated.
- Since the launch of the scheme on 24<sup>th</sup> October 2012, €14,597,500 has been sanctioned by the participating lenders through one hundred and nine CGS facilities.
- The average loan amount sanctioned by the participating lenders is €133,922.02.
- Eighteen CGS facilities, with total lending value of €2,805,000 were declined by the SME and did not proceed.
- Five CGS facilities have been repaid in full as at 31<sup>st</sup> March 2014 with a total value of €450,000.
- As a result of the sanctioned CGS lending to SMEs, as of 31<sup>st</sup> March 2014, it is expected that 479 new jobs will be created and 255 jobs will be maintained.