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Abstract

We update estimates of aggregate revenue shortfalls due to COVID-19 in the Irish Small and Medium Enterprise (SME) sector for the full year 2020. Acknowledging heightened uncertainty, we estimate shortfalls of between €10.3bn and €11.7bn, based on reported reductions in firms' costs (including wage support take-up) and revenues since March, and macroeconomic projections. In aggregate these shortfalls will be met by a combination of utilisation of pre-existing SME cash reserves, draw-downs of existing credit commitments, new borrowing, government non-wage grants and reliefs, guaranteed loans and loss-sharing where payments have been missed. In cases where these options are insufficient, shortfalls may also lead to the closure of firms. We review recent debates on the relative merits of debt, grants and equity-like support mechanisms, and conclude with results from a model of SME financial distress. The model assesses SMEs' capacity to meet operating losses with cash or to service interest on bank debt, analysing the role of policy supports in mitigating these risks. The current policy support package, including elements related to both wage and non-wage costs, lowers the rate of financial distress by one-sixth. Encouragingly from a financial stability standpoint, the effect of current policy is larger when focussing on debt balances, reducing the financial distress rate by two-fifths. These results point to the importance of non-financial support policies, including those aimed at restructuring of liabilities of distressed enterprises, in the current environment.

1 Introduction

The economic effects of the COVID-19 pandemic have been particularly severe in parts of the Irish SME sector. Due to the nature of many of their business models, SMEs are likely to be facing considerable financial strain in the current pandemic relative to larger corporations and households. As time has passed since March, the uneven nature of the shock across sectors has become more apparent, with firms in some sectors such as the accommodation and food sector continuing to report large falls in activity relative to pre-pandemic norms. In contrast, there are sectors where the effects have been muted throughout such as some service, information technology and manufacturing sectors.

The Irish government has responded with a wide range of policy supports for the enterprise sector, with the rapidly introduced Temporary Wage Subsidy Scheme (TWSS) supporting firms to retain workers on payroll, followed by an announcement of €6.5bn worth of schemes in May, and by extensions and additions to many of the schemes announced in May in the "July Stimulus". Based on information available at the time of writing, support schemes add up to €3.3bn of debt-based support, €2.3bn of non-payroll grant support, a €2bn Pandemic Stabilization and Recovery Fund,

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€1.9bn of tax warehousing, €2.8bn of TWSS up to end-August 2020, and an additional commitment of €2.35bn through the Employee Wage Subsidy Scheme to March 2021.

Some of these supports have had a direct, immediate alleviating effect on enterprise finances, such as the TWSS and re-start grants. Other schemes provide cash flow support for firms without necessarily eliminating obligations, such as tax warehousing, while the effect of schemes like the Credit Guarantee Scheme will be contingent on take-up levels and the implementation of non-state entities, such as banks. Finally, outside of government policy, payment breaks available since March have provided six months of important liquidity relief to the SME sector, allowing the delay of scheduled repayments, while monetary and macroprudential policy decisions since March have acted to increase banks' capacity to provide credit to the real economy.²

In this Note we present estimates of the likely losses that are being experienced in the SME sector over the whole of 2020, updating estimates for the immediate effects in Q2 published by McGeever, McQuinn and Myers (2020). These estimates are now informed by five waves of the CSO's "[Business Impact of COVID-19 Survey](#)" (BICS), which allows reporting firms' direct experiences since March on both revenues and costs to be factored into calculations. Cost reductions incorporate the take-up of wage supports before arriving at shortfall estimates. Our estimates for gross operating losses for the nine months from the onset of the pandemic to year-end are between €10.3bn and €11.7bn across the SME sector, before accounting for the effect of non-payroll policy supports already announced. We highlight that these figures are **not estimates of the required size of policy support schemes**; rather, these shortfalls can be met by a combination of non-wage fiscal support, cash balances, drawdown of existing credit facilities, new borrowing, and loss-sharing of existing creditors through forbearance and haircuts. Where the above do not suffice, there is the prospect of the failure of some SMEs.

We complement the updated estimates of SME losses with a discussion on the design of SME support policies. We highlight the importance of firms to the wider economy, pointing to a number of considerations relevant when weighing up policies that will determine whether firms can survive ongoing financial distress. The relative merits of debt, equity and grant-based supports are also outlined.

Finally, we present policy counterfactuals from a new model of Irish SME financial distress calibrated to the COVID-19 shock (McCann and Yao, 2020). Firms are classified as financially distressed where they either have insufficient liquid assets to cover three months' operational losses, or they cannot meet three months of interest payments on debt while being in negative equity. The model is used to assess the effect of SME support policies on the share of firms in financial distress.

Relative to a no-policy scenario, we implement firms' lowering of wage costs, both through TWSS wage supports and the transition of employees to the enhanced benefit levels of the PUP, as well as non-wage policies worth €7.5bn, capturing the role of the credit guarantee, other lending, tax warehousing and enterprise grant policies. When the full package of policies announced in 2020 are included in the model, distress rates fall from 18.6 to 15.6 per cent (or 25.9 to 14.3 per cent when weighting firms by their debt balances outstanding). This latter finding on debt-weighted distress suggests that support schemes will have more beneficial financial stability effects than are visible when looking at a simple share of enterprises falling into financial distress. The greater efficacy of policy in lowering debt-weighted distress relates to the tendency of larger SMEs to have larger debts, implying that these firms draw down larger amounts of total scheme funds available, as well

² Payment breaks have allowed borrowers to opt for three-month relief from loan repayments, followed by the option to extend for an additional three months where requested. Policy around payment breaks is described in Box 5 of the Central Bank's [Financial Stability Review 2020:1](#). A detailed overview of the macroprudential, monetary and supervisory policy response is also available in the FSR 2020:1. Further elaboration on the central banking policy response is available in recent remarks from the [Governor of the Central Bank to the Institute for International and European Affairs](#) and the remarks of the [Deputy Governor for Central Banking to the Dublin Economics Workshop](#).

as to the concentration of SME debt among affected sectors such as the accommodation, food, wholesale and retail sectors.

Finally we show that, relative to currently calibrated support policy, a hypothetical “viability-based” grant system that targets firms based directly on the size of their operating losses, supporting firms closest to viability first, would reduce distress rates to about half the levels modelled under currently-designed policy. Such a hypothetical system would prioritise solely the minimization of the financial distress rate, for a given fiscal outlay, and is therefore not intended as a specific recommendation but rather to illustrate the effect of current supports relative to a benchmark model. In practice of course, policy must take on board sector-specific, regional and longer-run considerations that go beyond solely the minimization of financial distress rates.

Our results point to the importance of a dual approach to policy for SMEs, where targeted and effective financial support is required in the first instance, but a focus is also placed on the system-wide capacity to restructure the liabilities of potentially-viable firms. This latter step will ensure that the set of firms with the greatest prospects of survival over the medium term are given a chance to trade through the current challenges posed by the pandemic.

2 The experience of SMEs from March to August

The economic impact of COVID-19 on Irish enterprises has been sudden, large and uneven. The aggregate economic impact is reflected in aggregate Quarterly National Accounts data showing that GDP declined 6.1 per cent in volume terms in 2020Q2 compared to 2020Q1.³ However, these figures understate the local impact and modified domestic demand (accounting for trade in aircraft, aircraft leasing and research and development and thus more indicative of domestic economic activity) declined 16.4 per cent in volume terms in 2020Q2 over the previous quarter driven by declining personal consumption (19.6 per cent) and domestic capital formation (28.2 per cent).

In this economic environment, the path for economic activity since March has been characterised by a growing dispersion in outcomes across economic sectors. Business and consumers have in many cases adapted to online and remote methods of delivery, while businesses least able to move away from face-to-face interaction are confronted with a more uncertain path to recovery.⁴ For instance, the CSO Monthly Services Index for July 2020 reports that the output for the Accommodation sector was 80.7 per cent below the same month in the previous year whereas output in the Food and Beverage sector (not including bars) was down 17 per cent.⁵ Across other sectors there has been a wide dispersion in outcomes, with turnover increasing by 9.5 per cent in the Industrial sector according the CSO Industrial Turnover statistics.⁶ Within the Wholesale & Retail sector, which grew on aggregate by 4.5 per cent year-on-year, further detailed data from the Retail Sales Index for July reveals dispersion, with Bars experiencing the most extreme decline of 52 per cent year-on-year, while Hardware and Electrical Goods both experienced growth of close to 20 per cent.

³ CSO Quarterly National Accounts:

<https://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter22020/>

⁴ The CSO Retail Sales Index shows that the share of online retail sales for Irish registered enterprises peaked in April 2020 at 15.3 per cent, up from 3.5 per cent in February, before the pandemic, but has since declined to 4.5 per cent in July.

<https://www.cso.ie/en/releasesandpublications/er/rsi/retailsalesindexjuly2020/>

⁵ Year-on-year output declines in other sectors amounted to between 43.6 in Transport & Storage sector to 14.3 in Professional, Scientific and Technical Services. In some sectors, output was up on the previous year such as in the Information & Communication (2.3 per cent) and Wholesale and Retail (1.1 per cent) sectors. Data from the CSO Monthly Services Index are available here:

<https://www.cso.ie/en/releasesandpublications/er/si/monthlyservicesindexjuly2020/>

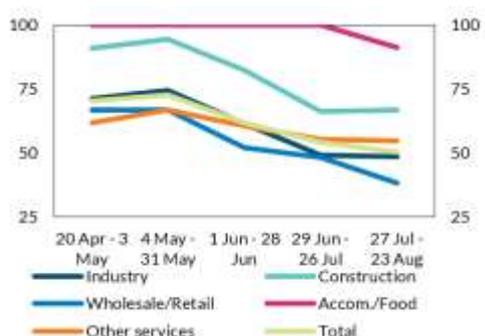
⁶ Industrial turnover index:

<https://www.cso.ie/en/releasesandpublications/er/ipt/industrialproductionturnoverjuly2020/>

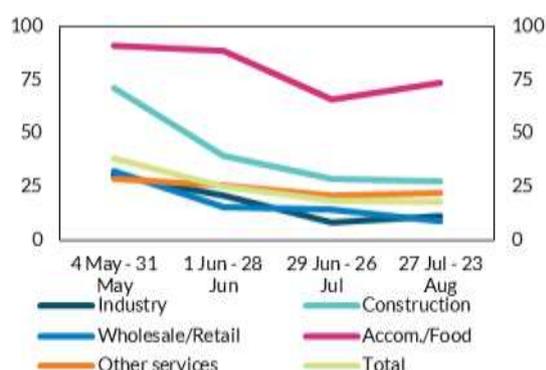
Firm-level survey data from the CSO’s BICS show substantial shares of businesses report decreases in turnover by more than 10 per cent (Figure 1a).⁷ The incidence of these declines is especially widespread in the Accommodation & Food and Construction sectors and are persistent in the former. Figure 1b shows the dispersion across sectors more dramatically: as recently as July/August, 74 per cent of firms in the Accommodation & Food sector experienced turnover declines in excess of 50 per cent and in the second most affected sector, Construction, the respective share was 27 per cent. Declining turnover has necessitated firms to seek to reduce costs, particularly non-personnel costs as government has provided substantial support for personnel costs. Figure 2 shows many firms experiencing the largest declines in turnover of over 50 per cent or more have decreased non-personnel costs by more than 20 per cent with more doing so over time. Nonetheless, the fact that over two thirds of firms with large turnover falls have not experienced cost reduction beyond 20 per cent is indicative of the profitability pressures facing large cohorts of the SME population currently.

Figure 1: Share of firms with turnover declines relative to pre-pandemic norms of 10 per cent or more, and 50 per cent or more, by sector

1a: Share of firms with turnover declines of 10 per cent or more



1b: Share of firms with turnover declines of 50 per cent or more

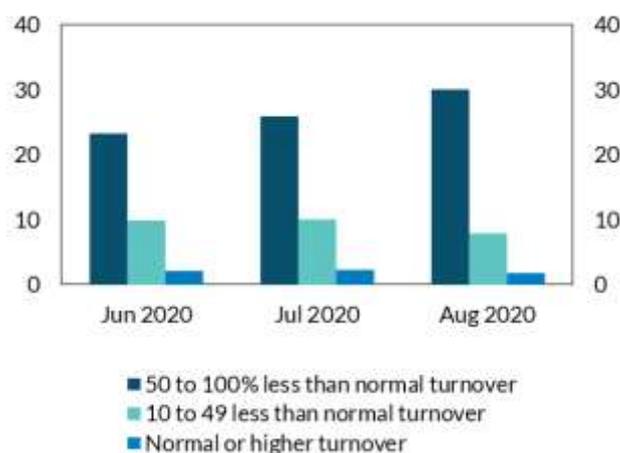


Source: CSO Business Impact of COVID-19 Survey, authors' calculation

Note: Results on Left Hand Side (1a) are displayed for revenue reductions of 10 per cent or more due to lack of consistency across survey waves in reporting of sectoral results for more detailed buckets of revenue reduction. For a shorter timeframe, 1b displays firms reporting 50 per cent or worse reductions. Surveys may not be fully representative of the population of Irish SMEs and are provided on a best-efforts basis by the CSO to depict the revenue and cost situation facing these firms

⁷ CSO Business Impact of Covid-19 Survey: <https://www.cso.ie/en/statistics/multisectoral/businessimpactofcovid-19survey/>

Figure 2: Share of firms with non-personnel cost reductions of over 20 per cent, by change in turnover



Source: CSO Business Impact of COVID-19 Survey, authors' calculation

3 SME revenue shortfall estimates – an update to end-2020

SME liquidity needs for the first three months of the COVID-19 shock were estimated by McGeever, McQuinn and Myers (2020) to be in the range of €2.4bn to €5.7bn. These estimates were arrived at using a range of assumptions around the share of firms within affected sectors that would run a loss, and the size of losses relative to ex-ante revenues. Such an approach was necessary at the time, given the lack of data on the experience of firms during the pandemic.

We update this approach by using information on the path for turnover and costs as reported by firms in five waves of the CSO's BICS, as used in Section 2. Sectoral averages across the April, May and June survey responses are used to calibrate a Q2 shock to turnover and costs, while information from June/July and July/August surveys are used to proxy the Q3 shock, with the precise numbers matching those reported in Section 2 of this *Note*. Using these figures, we shock starting values to construct an estimate of Q2 and Q3 revenue and costs for SMEs using sectoral data from the CSO's business statistics. Central Bank *Quarterly Bulletin* forecasts are used to roll forward sectoral revenue, in proportion with the expected growth rate in employment in the *Bulletin* (a 7 per cent growth rate in the last quarter in the baseline case; a 5 per cent quarter-on-quarter contraction in the adverse). Due to a lack of available information or reliable modelling approach, business costs in the final quarter are assumed to remain at their 2020Q3 levels, which may introduce a slightly favourable bias into the overall estimates. These steps are outlined in Figure 3 below. The uncertainty inherent in each of the modelling steps must be emphasized, with both revenue and non-personnel cost change estimates coming from surveys that are not necessarily representative of the population, but a best-efforts attempt to depict the situation facing firms during COVID-19.

Figure 3: Schematic of model assumptions

	Starting Point	2020 Q2	2020 Q3	2020 Q4
Revenue	CSO Business Statistics, Sector Level, 2017	Apply CSO BICS survey responses from March, April and May at sector level	Apply CSO BICS survey responses from June/Jul and Jul/August at sector level	Central Bank <i>Quarterly Bulletin</i> Forecast Paths for Q4 applied (using employment growth rates under baseline and adverse)
Personnel Costs	CSO Business Statistics, Sector Level, 2017	Apply TWSS/PUP take-up rates for May to proxy reduction at sector level	Apply TWSS/PUP take-up rates for July to proxy reduction at sector level	Assumed to remain at 2020Q3 levels
Non-Personnel Costs	CSO Business Statistics, Sector Level, 2017	Apply CSO BICS survey responses from March, April and May at sector level	Apply CSO BICS survey responses from June/Jul and Jul/August at sector level	Assumed to remain at 2020Q3 levels

Figure 4 reports results from the liquidity needs model. Shortfalls are the simple difference between shocked revenue and costs. The baseline and adverse scenario differ only in their treatment of Q4 revenues, as survey data are used to inform all figures in the top panel for Q2 and Q3. The greyed results show that our Q2 estimates, using survey information from the CSO, arrive within but at the upper end of the projections of McGeever, McQuinn and Myers (2020), suggesting that the effect of COVID-19 on SMEs has been as harmful as researchers were willing to bound their projections in April. Moving to the full year, the baseline scenario, where a growth rate of 7 per cent is applied to all revenues during Q4, leads to estimates of €10.3bn. The adverse scenario, where revenues decline 4.6 per cent in the last quarter, leads to an increased estimate of €11.7bn. These estimates are for the shortfall that exists in the SME sector over 2020, allowing for the cost reductions that are reported by firms as having been achieved during the crisis. These estimates do not factor in the role of any non-payroll fiscal support announced during 2020.

In the lower panel, we implement a set of flat cost reductions to non-personnel costs, combined with the adverse scenario, both to allow for uncertainty in survey estimates of cost reductions, and to assess the size of the effects of potential cost reduction. In these model runs, the same level of personnel cost adjustments are applied as in the top panel, based on TWSS and PUP usage. A model where all companies can reduce costs by only 10 per cent relative to pre-pandemic levels would lead to liquidity needs of €16.4bn across the sector. By contrast, across the board cost savings of 20 and 30 per cent would lead to aggregate liquidity needs of €8bn, and €4.1bn respectively. The reductions in shortfall estimates are large in these cases, due to the across-the-board nature of the assumptions implemented, and the nature of profit margins meaning that negative margins can disappear rapidly for relatively small changes in the cost base. These numbers are also instructive as to the potential overall shortfalls in the system in the event that survey information on non-personnel costs are poorly measured.

These scenarios highlight the importance of the cost base of SMEs for their capacity to alleviate the most severe effects of COVID-19. SME cost base reductions can come from operational efficiencies but also their ability to negotiate reductions in certain fixed cost items such as commercial rents. Further, payments will have been missed during the pandemic, for example to suppliers or landlords, and overall revenue shortfalls will reduce to the extent that these missed payments are waived or written off. The potential to implement such cost reduction represents an important alternative to direct fiscal intervention to support SMEs. There is a risk-sharing rationale to motivate the participation of SME creditors through waivers and haircuts, to complement direct fiscal transfer in bearing the losses experienced during the pandemic.

Figure 4: SME sectoral losses under various economic and cost reduction scenarios, €bn

Scenario	3-month estimate for Q2 (€bn)	Full Year estimate (€bn)
Baseline	5.53	10.31
Adverse	5.53	11.69
<i>Flat non-personnel cost reductions of 10-30 per cent for all firms, adverse macroeconomic scenario</i>		
10	8.93	16.38
20	5.91	7.96
30	3.24	4.10

4 How might firms' losses be financed?

The analysis in section 3 has arrived at combined liquidity needs estimates for 2020 of between €10.3bn and €11.7bn, depending on the macroeconomic scenario chosen. In this section we discuss the ways in which these shortfalls can be met. We emphasize here that total revenue shortfall estimates are **not an estimate of the size of overall required Government support**. Rather, there are a number of ways in which firms' revenue shortfalls can be met, not listed in any order of priority or preference:

Existing cash buffers – insights from Martinez-Cillero, Lawless and O'Toole (2020) suggest 40-50% of overall "revenue gaps" in 2020 could be met by firms' liquid assets (if drawn all the way to zero across the system). It may not be desirable, either from a financial stability or macroeconomic standpoint, that all available cash would be devoted to meeting revenue shortfalls resulting from COVID-19 in 2020, as this would leave large parts of the SME sector with no resources to respond to any further unexpected event. Nonetheless, given the extent of the challenge facing the economy and the public finances, it is reasonable to expect that SMEs' pre-existing cash holdings are meeting and will continue to meet some of these shortfalls.

Loss-sharing between SMEs and their creditors. In many cases, these shortfalls may simply be sitting on creditor, landlord or government accounts, neither paid nor written down. Some of the aggregate €10.3bn to €11.7bn shortfall in the system is likely to be accounted for in the event that trade credits, commercial rents or other missed payments are waived or reduced through renegotiation, whether voluntarily or through legal processes.

Drawdown of existing overdrafts – Many enterprises operate with credit line and overdraft facilities. As part of the overall response of the sector to COVID-related losses, one would expect that these resources would be utilised. At end-April, SMEs in Ireland had €2bn of undrawn facilities at retail banks, with a skewed distribution in which the majority of facilities are very small or already highly utilised. Data to end-June show there is little evidence of widespread usage of these facilities in the first quarter of the COVID-19 crisis.

Access to new lending. The banking sector is a primary source of external financing for the SME sector. Interventions from the Central Bank of Ireland, the European SSM and the ECB since March have aimed to facilitate banks to lend and avoid a "credit crunch" where banks respond to adverse

economic conditions or weakening balance sheets by tightening credit appetite.⁸ Even with policy accommodations in place aiming to stimulate lending, private bank decisions may mean that new lending is more likely to be offered to those with pre-existing bank relationships, particularly at a time of uncertainty. This poses a particular risk to the more than half of SMEs who have reported not having any bank debt and the quarter of SMEs with neither bank debt nor a bank relationship.⁹

Government-guaranteed-or-sponsored loans – Given the risk that private banks have different objectives to public policymakers, with risks that credit supply may reduce at a time of macroeconomic weakness, governments globally have ramped up their coverage of credit risk through bank loan guarantees (see for example the [IMF's database](#) tracking such supports). In Ireland, the development of the COVID-19 Credit Guarantee Scheme will facilitate up to €2bn of lending to SMEs from September 2020. Further, lending schemes operated through the Strategic Banking Corporation of Ireland (SBCI) on behalf of Government, such as the COVID-19 Working Capital Loan Scheme and the Future Growth Loan Scheme will provide more than €1bn of lending with the retail banks acting as on-lenders.

State equity/transfers/grants – Direct fiscal support for SMEs can also come via grant aid, or the taking of equity in companies. Taking such an approach removes the risk of debt overhang and repayment difficulties that comes with a reliance on debt-based supports to aid SMEs recover from pandemic-related losses. The relative merits of debt, equity and grant-based support will be discussed in detail in section 5. In the case of the revenue shortfalls estimated in our model, the role of the TWSS has already been factored in as a source of wage cost reduction for firms, meaning that only non-wage grants will form part of the meeting the €10.3bn-€11.7bn shortfall.

Finally, we note that a combination of the above measures in some cases will not suffice to return a firm to viability. In such cases, an SME may liquidate in response to an inability to meet outgoings, in which case the impact of its revenue shortfall is experienced fully by its creditors. The damaging effects of widespread and simultaneous closures on wealth, employment, and local economies are difficult to estimate but likely to be large. McCann and Myers (2020) have previously assessed the business-to-business linkages between firms most affected by COVID-19 and their customers and suppliers. They show that Irish SMEs are among the most reliant in Europe on trade credit as a source of external finance and that there are €40bn worth of annual sales from Irish businesses to those firms experiencing the most direct demand effects of COVID-19, indicating risk of cascading liquidity shocks through the input linkages domestically.

5 Considerations for designing policy responses to SME financial distress

5.1 Firm failures: the trade-off between re-allocation and protection

Policy design is fraught with difficulty given the circumstances of the COVID-19 shock, characterised by unexpected and unprecedentedly large falls in revenue for many firms and short to medium term uncertainty. A delicate balance is being – and must continue to be struck – between the imperative to use public money and expand borrowing in a long-run sustainable way, and the need to contribute to supporting firms and productive capacity in the economy, both in the short and longer term. A number of key considerations on policy design have previously been outlined in

⁸ Experience suggests that bank lending appetite is likely to tighten during periods of macroeconomic stress, and in response to deteriorations on bank and borrower balance sheets (see for example, [Gambacorta et al. \(2011\)](#) and [Ciccarelli et al. \(2015\)](#) for research on the link between monetary policy, the economy, balance sheet health and credit appetite).

⁹ Central Bank of Ireland [SME Market Report 2020](#) reports that 36 per cent Micro firms lack debt or a bank manager relationship compared to 15 per cent of Small and 8 per cent of Medium firms.

the [Central Bank Governor’s Blog \(8 July 2020\)](#), and the [Central Bank Governor’s Pre-Budget 2021 letter](#) to the Minister for Finance and are briefly reiterated and elaborated on here.

The uncertainty around public health policy and future economic outcomes means that there may be long-run viability for many companies that appear illiquid and insolvent based on current financial information. Viable firms with short-run liquidity problems will only be able to survive as going concerns if ample support from the financial sector and the State are provided. It will be necessary for firms that do receive support to put the funding and extra time to good use, to adapt business practices to the new operating environment and to improve productivity. The failure of companies leads to losses that go beyond those experienced by owners and investors. A local community, employees, customers and suppliers will all experience unnecessary losses if potentially long-run viable firms are liquidated hastily during the COVID-19 shock.

There is a risk that the current operating environment for retail, tourism, hospitality, arts and other “face-to-face” activity will be more persistent. If this adverse scenario arises, there is a risk that structural changes will be required. Within sectors, there will be variation in companies’ capacity to adapt to these potential structural changes, with an inevitable path towards firm failure for those least able to adapt. In such cases, continued public financial support would merely delay rather than avoid insolvency, and amount to an inefficient use of public funds. Currently the likelihood of this scenario is unknown, but public policy will have to adapt as more information on the virus becomes available. [Beck \(2020\)](#), while arguing for continued enterprise support and forbearance in the short run, also highlights the need to prepare now for this eventuality:

However, it is also clear that now is the time for preparation to deal with a wave of necessary insolvencies of unviable firms in the near future. It seems unlikely that the regular insolvency regimes can deal with this. And even if they did, not all overleveraged firms are unviable; restructuring (as under chapter 11 in the US) might be more efficient than liquidation (as under chapter 7 in the US).

While there are many SMEs with strong balance sheets who will not require support and will have capacity to take on debt, the degree of burden-sharing or loss-sharing will be a critical determinant for struggling companies’ capacity to survive. The system up to the time of writing appears to be characterised by high degrees of forbearance, with tax liabilities “warehoused”, and banks offering payment breaks which initially covered 23 per cent of Irish SME loan volumes, reducing to 18.5 per cent by September ([Kearns et al., 2020](#)). However, temporary forbearance or delay of loss recognition cannot sustainably go on indefinitely; at some point, the restructuring of unsustainable amounts owed will be required.

The operation of burden-sharing will vary greatly depending on the liability involved and the degree of co-ordination possible. In the case of taxes, the State is the only creditor, meaning that a consistent approach to all SMEs can be readily implemented. In banking, similarly, a small number of banks accountable to a single regulator hold the majority of SME liabilities, allowing a common approach to be applied in many cases, even if concrete outcomes depend on case specifics. Banks have been and will continue to be pressed by the Central Bank in the coming months to ensure that restructuring offerings are readily deployable to arrive at outcomes that are long-run sustainable for the borrower.¹⁰ Unlike payment breaks in place since March, which have been available market-wide with minimal credit assessment, this future restructuring will occur on a case-by-case basis after assessments of borrower finances have been carried out.

In the case of commercial rents however, in the absence of a central “arbitration” mechanism, there is a risk that landlords with strong bargaining positions may make decisions that appear individually optimal but collectively lead to suboptimal levels of company insolvency. In supply chains where trade creditors are involved, a similar principle applies. A challenge for policymakers in this area is the paucity of data. CSO BICS report that at end-May, close to three quarters of accommodation

¹⁰ Central Bank supervisory expectations on the post-payment-break environment have been published [here](#).

and food businesses had reduced or deferred “property-related payments” (either rent, rates or utilities), suggesting that issues with this type of cost are widespread. Uncertainty continues to reign about the success of SMEs in renegotiating missed rent payments and downward reviews of future rental costs.

The optimal degree of burden-sharing is a delicate balancing act involving many stakeholders with differing priorities. Large write-downs will rapidly reduce SME liquidity shortfalls, but may cause knock-on shocks in the banking system, the public finances, or in the commercial property sector. Overly punitive treatment of firms, on the other hand, will lead to scarring, liquidation, and costly job loss.

[Blanchard, Philippon and Pisani-Ferry \(2020\)](#) synthesise facets of the above in their discussion of the optimal path for enterprise policy:

In normal times, policies should help the reallocation process, letting some firms fail and others expand, and helping the reallocation of workers across sectors. These are not normal times, however: many firms may fail because they are insolvent even if they are viable. Given the very high uncertainty, banks may be reluctant to advance credit. Unemployment is extremely high, making it difficult for laid off workers to find other jobs. For these reasons we think that protection (of workers) and preservation (of firms) should be given a higher priority than in normal times.

A similar view is put forward by [Beck \(2020\)](#), arguing on the side of additional forbearance in the short run due to the heightened uncertainty within the financial and economic systems globally:

Withdrawing support now seems the wrong moment; the world is still in the middle of the pandemic and (non-financial) markets are certainly not even close to functioning properly.

Unfortunately all of the above must be balanced against the long-run debt sustainability of the State. These are difficult challenges to surmount even in normal times, and particularly so given the uncertainty around firms’ prospects and the delicate balance of regional and sectoral issues at play. Support structures that minimize long-term distortions such as disincentives to work, or that allow for upside potential for returns for the State, are beneficial in this regard.

In the Irish context, a policy priority should be to ensure that the cost, complexity and operational capacity of all legal structures involved in the resolution of financially distressed firms are working in the best interests of the wider economy. While firm closures will be inevitable, wide-spread and simultaneous closures pose financial stability issues due to the well-known risk of “fire-sale” externalities which can depress asset prices. A policy priority of the Central Bank of Ireland is that the expiry of payment breaks will be followed by the sustainable restructuring and modification of enterprise debt, commensurate with the borrower’s financial position.

5.2 Firm supports: loans, grants or equity?

One element of the policy debate globally in recent months has focussed on the relative merits of debt-based, equity-based and grant-like support for enterprises from governments. A wide range of potential support mechanisms have been proposed. In the Irish case, up to and including the “July Stimulus” announcements, there has been a blended approach to policy design, summarized in Appendix Table 1.

Across the €5.6bn of non-payroll support that has been committed to firms to date (excluding the Pandemic Stabilisation and Recovery Fund, due to its targeting of larger firms, and tax warehousing), there is a 60/40 split between debt-based support and grant-like support.¹¹ If tax

¹¹ Debt supports of €3.3bn in this calculation are the sum of the COVID-19 Credit Guarantee Scheme, Future Growth Loan Scheme, COVID-19 Working Capital Scheme, and schemes from Micro Finance Ireland. Our measurement of “grant-like” support for non-payroll items, €2.3bn is the sum of tax measures announced in the July Stimulus (€900m), a commercial rates waiver (€600m), the Restart Grant (€550m), Sustaining

warehousing is measured as debt, then debt-based supports dominate 70/30. These amounts must be placed in context against the over €5bn in direct fiscal support to company wage bills through the TWSS and EWSS.

[McGeever, McQuinn and Myers \(2020\)](#) previously discussed the relative merits of credit guarantee schemes, lending schemes and direct fiscal supports. Credit-based supports can come via guarantees or direct lending. Credit guarantees on loans can reduce the regulatory risk weight of these loans, enabling banks to issue more loans, and may reduce banks' demands for collateral. However, the lenders' operational capacity and appetite to lend will also determine whether new lending occurs. Recent evidence from the USA suggests that lenders' degree of participation has a meaningful effect on borrower outcomes.¹²

A delicate balance exists between ensuring funding reaches SMEs and ensuring that banks and the government providing the guarantee do not make substantial losses. The policy design in Ireland, guaranteeing 80 per cent of loan amounts while leaving banks liable for 20 per cent, will ensure that lenders maintain "skin in the game" when making risk-based lending decisions. Lenders will have strong information about borrower repayment capacity through borrower relationships, which will aid the allocation process. Borrowing costs will be below market rates, which is likely to support demand for financing.

Governments can also lend directly to SMEs, taking on credit risk either through on-lending schemes or direct lending by state-owned entities. On-lending schemes in Ireland operate through a network of bank and non-bank lenders, who partner with the SBCI and lend at agreed terms, interest rates and risk appetites to the SME sector. De facto lending to SMEs also occurs through the extension of tax payment deadlines and benefit from ease of administration and extension but come with a short-term contraction in government cash flow and may be difficult to target on the basis of liquidity needs and viability.

There are a number of downside risks with debt-based support mechanisms. Issues of debt overhang may arise down the line, where a firm covering pandemic-related losses with guaranteed borrowing may have their growth and investment stymied by these debt obligations, ultimately slowing macroeconomic recovery. For some firms, the size of debt burdens required to stay afloat, combined with the uncertainty around their future revenues, mean that the prospect of survival via borrowing is simply unattractive. Further, in Ireland, enterprises experienced widespread personal and small business bankruptcies related to the pre-2008 credit bubble which is linked to weak borrowing appetite to the present and a reliance of internal financing of investment in recent years. As mentioned in Section 4, firms without pre-COVID lending relationships may also face greater difficulty accessing funds. [Honohan \(2020\)](#) has discussed the risks involved in a debt-based policy support program, proposing that forms of support that involve grant or equity-like features are an important complement, and that the prospect of borrowing firms requiring recapitalisation and restructuring should be planned for immediately:

Not all these forms of assistance really avoid socially damaging financial distress of firms in the pandemic. After all, a firm that borrows significant sums to meet revenue shortfalls may well face financial difficulties even if business returns to normal. Can the firm's directors really say with

Enterprise Fund (€180m), Business Continuity Voucher (€26m), Trading Online Voucher (€20m) and other schemes totalling collectively less than €30m

¹² One study by Granja, Makridis, Yannelis, and Zwick (2020) investigates the effectiveness of the Payroll Protection Program (PPP) and Pandemic Unemployment Insurance (PUI) for small businesses' survival in the USA. They find that significant heterogeneity across banks in terms of disbursing PPP funds, which does not only reflect differences in underlying loan demand. The top-4 banks alone account for 36% of total pre-policy small business loans, but disbursed less than 3% of all PPP loans. Consequently, areas that were significantly more exposed to low-PPP banks received much lower loan allocations.

sufficient confidence that it is a going concern? What will happen when the financial assistance terminates?

Direct fiscal supports, such as grants or tax or rate waivers, provide liquidity and support the economy but raise issues regarding costs, targeting and moral hazard. These issues have become more salient in recent months as the divergence in outcomes across sectors outlined in Section 2 has become more apparent. Relative to a guaranteed loan, where costs only arise as defaults occur, one euro of grant funding involves much greater up-front fiscal cost. Further, there is no financial return for the State once the grant has been administered, beyond the indirect benefits through macroeconomic multipliers. Uncertainty around debt take-up, banks' willingness to lend, and the extent of pandemic-related financial difficulties mean that grant-like aid must nonetheless form a part of the overall policy response, despite its higher cost.

Equity or equity-like interventions have been proposed by many commentators globally, but implementation has been less widespread than in the case of debt or grants. While not a direct comparison between equity and loan guarantees, information from the IMF's [Fiscal Policy Responses to COVID-19](#) release suggests that across Europe, off-balance sheet guarantees have been far more prevalent. In some European countries, the size of off-balance sheet committed guarantees relative to direct on-balance sheet financing (equity, lending, grants, purchases) is 4 or 5 to one (Germany, Denmark, Finland), whereas in other cases, off-balance sheet commitments are hundreds of times larger than "below the line" direct commitments (UK, Italy).

In the Irish case, among current proposals, the only scheme with an equity component is the Pandemic Stabilisation and Recovery Fund, aimed at larger corporates. Such interventions allow direct aid to be channelled to firms rapidly as in the case of grants, but have the added advantage that they retain a potential return for the State as investor. Debt-for-equity swaps have been proposed as a mechanism to reduce the burden on firms who have borrowed to operate through the first phase of the pandemic (see, for example, [Honohan \(2020\)](#)). Such swaps will recapitalise SMEs, lowering leverage ratios and improving financial resilience of enterprises. Equity stakes could be maintained by lenders as debt is converted, or taken by government, depending on the way schemes are designed. The "direct equity participation" mechanism is more appropriate to larger corporates with traded shares, however and does not necessarily map to the SME sector where many firms are family-owned and/or owner-managed.

A major downside feature of direct equity participation in firms is that government does not necessarily have the expertise or the resources to own and part-direct a wide portfolio of companies in which it has an interest. Further, the prospect of partial state ownership will not be attractive to many company owners. An equity-like mechanism that avoids some of the above issues is proposed by [Boot et al. \(2020\)](#), where SMEs are transferred direct financial assistance in exchange for a pledge towards temporarily higher corporate tax rates. This scheme has the advantage that all firm types can readily access it, the tax authority has the administrative competence and architecture to ensure it operates smoothly, the State does not directly involve itself in the running of companies, yet nonetheless carries some upside gain where companies succeed in returning to profitability. The rate of repayment via temporary corporation tax should be set with consideration to both the ability of firms to invest and build a cash reserve buffer against future shocks and to the fiscal implications for the State. Relative to debt, the [Boot et al. \(2020\)](#) proposal is advantageous in that there are no repayment obligations on SMEs where they make losses; rather, obligations are contingent on success.

There is an additional policy dimension that is distinct from financial support. The model results in Figure 4 show that cost reduction will dramatically reduce the size of aggregate financial shortfalls. Further, modelling in Section 6 will show that, for the most distressed firms, currently-announced supports will have a moderate effect in lowering rates of financial distress. One policy implication is that the focus on fiscal interventions should be complemented by focus on issues of loss-sharing, forbearance, debt restructuring, and the legal processes around examinership, receivership and liquidation. Many firms experiencing financial distress can avoid liquidation if the aforementioned

processes function smoothly and allow firms the time to attempt to trade through the COVID-19 disruptions. The Central Bank will play a role in this process through its supervision of retail banks and other lenders, who will be expected to engage in restructuring of enterprise debts, offering a range of solutions appropriate to borrowers' circumstances, as payment breaks expire. Expectations of lenders have been clearly articulated and lenders' progress against these expectations will continue be followed up through the rest of 2020 and into 2021.

6 The impact of policies on the likelihood of firm financial distress

While Section 5 has highlighted conceptual issues around the design of policy schemes, we now move to a calibrated model based on the Irish SME population and the current design of SME support policy. McCann and Yao (2020) develop a model of SME financial distress using firm-level data from Department of Finance *SME Credit Demand Surveys*. Building on Martinez-Cillero, Lawless, O'Toole (2020), the analysis goes beyond estimating the short-term liquidity gap of SMEs due to revenue shortfalls. The approach also takes into account debt-related variables, such as the leverage ratio and the interest coverage ratio. The key indicators are defined as follows:

1. Liquidity coverage (*LC*) ratio: number of months in which firm's cash reserve covers its operational losses

$$LC = 12 * \frac{\text{Cash}}{\text{Operational Loss}}$$

2. Leverage ratio (*LR*): measure of indebtedness and borrowing capacity of firms

$$LV = \frac{\text{Debt}}{\text{Total Assets}}$$

3. Interest coverage ratio (*ICR*): number of months in which firm's cash flow and cash reserve can cover its interest expenses

$$IC = 12 * \frac{\text{Operational surplus} + \text{Cash}}{\text{Interest expense}}$$

All firms are placed in financial distress (FD) in the model if they have a *LC* below three. For firms with debt, financial distress is also flagged when the leverage ratio is greater than one and the interest coverage ratio is less than three months. McCann and Yao (2020) provide details on the modelling approach, which simulates the COVID-19 shock on revenues and costs at the firm-level, rather than the sectoral level adopted in Section 3 of this Note.¹³

Our FD indicator is not a measure of company failure. Many firms arrive at situations where they temporarily cannot meet their outgoings or their interest expenses. In many cases, these firms will renegotiate and restructure debts with creditors, will enter examinership or receivership, and will continue as a going concern. In only a subset of such cases is liquidation the outcome.

The model can provide useful policy insights. Firstly, Figure 5 shows the heterogeneity in the experienced shock. Over 40 per cent of those in the Accommodation and Food sectors ("Hotels and Restaurants" in the graph) are modelled to be in financial distress over the model horizon to mid-2021. This compares to less than 15 per cent in the Wholesale and Retail sector and Manufacturing sector. However, using granular data also allows insights on the importance of various sectors in the overall picture. Despite lower proportional distress rates, the "Business and Administrative Services" and Wholesale and Retail sectors are both predicted to account for around a quarter of the total pool of financially distressed firms, due to their larger overall size. Notwithstanding this,

¹³ Tests of the robustness of the results to different cut-off points for *LC*, *LV* and *IC* are also provided, with the substantive patterns of the analysis holding for varying cut-off choices.

close to one third of FD firms will come from the Hotels and Restaurants sectors, according to the model.

Figure 5: Financial distress estimates by sector, and the share of total financial distress accounted for by each sector



Source: Department of Finance SME Credit Demand Surveys 2018-2019; Model-based estimates from McCann and Yao (2020)

Note: Financial distress estimates are derived from the model of McCann and Yao (2020). A firm is classified in financial distress if it does not have cash to meet three months of operating losses, or in the case of those with bank debt, if it does not have resources to meet three months of interest payments, while being in negative equity (debt greater than assets)

The model is then used to provide estimates of the FD rate under a range of policy scenarios, each designed in size and impact to represent the way in which policy schemes have been announced in Ireland in recent months. Scheme sizes and mechanisms are implemented in the model to match the announced schemes in Ireland. Grant schemes of €2.3bn in total reflect the sum of tax measures, rate waivers, re-start grant, the sustaining enterprise fund and a range of other schemes outlined in footnote 11. Similarly, “Credit” policy is calibrated at €3.3bn to reflect the sum total of all SBCI- and MicroFinance Ireland-operated schemes, while “Tax” is implemented to match the announced €1.9bn of announced warehousing.

In the modelling approach, in the case of grant aid, recipient firms in the model simply have their losses reduced by the amount available, while in the case of debt and tax warehousing, losses are reduced by the amount available, but this amount is also added to debt balances, therefore affected future leverage and interest cover ratios. Payment breaks are implemented during 2020 only, and debt repayments are modelled as falling due in 2021.

Figure 6 reports results from an exercise where FD rates are reported iteratively as more of the announced policy support is implemented in the model. The authors first implement a scenario where wage costs are reduced in line with sectoral participation rates in the PUP and TWSS at May and July. This exercise suggests that the wage bill reductions alone can reduce FD rates from 19 to 16.5 per cent at year-end 2020. Next, grants, credit and tax supports are added. In each case, the estimates suggest that additional reductions in the FD rate are not large based on currently-announced policy.

The reason for relatively small additional reductions in FD relates to design features of the schemes, in that all firms that surpass particular thresholds for the effect of COVID-19 on revenues are eligible in many cases. This means that many firms who do not require policy support to avoid FD

are just as entitled to receive funding as those in deeper levels of distress, highlighting the practical difficulties in targeting support at those needing it most. Larger firms will also in many cases account for larger volumes of total support, where maximum allowable amounts are relatively large, meaning that funding will not necessarily be available to alleviate FD for all enterprises experiencing FD.

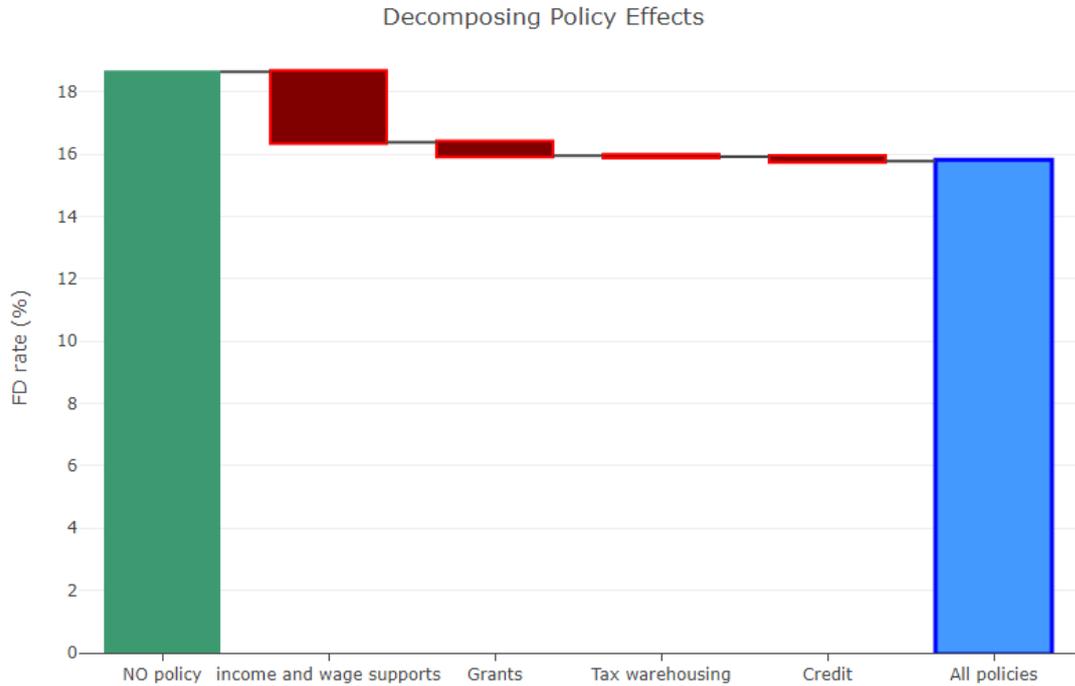
The objective of policy must be recalled when observing these results. While the model only assesses the effects of policy on FD, the current policy package does not have as its sole objective the lowering of FD rates. Funds received by recipient firms will alleviate pressure through many channels, supporting employment and investment even in cases where funds were not required to move recipients out of financial distress.

Taking a financial stability standpoint, we focus on debt balances in Figure 7. When looking only at firms with bank debt and weighting FD rates by debt volumes, the current policy support mix can reduce FD rates from 25.9 to 14.3 per cent, a reduction of two-fifths. These estimates suggest that, while a sizable cohort of smaller firms are likely to remain financially distressed even with policy supports in place, the current package will have non-negligible financial stability benefits among firms with debt. The mechanism at play in this finding relates to the distribution of firms with debt relative to firms in the wider economy, with debt balances being more concentrated in the Hotels and Restaurants, and Wholesale and Retail sectors, which account for large shares of FD in 2020. Further, debt balances will be larger among SMEs with larger levels of turnover typically, implying that these firms are likely to avail of larger shares of currently-designed policy supports. Given that larger SMEs with bigger debt balances are also likely to have bigger supplier networks and wider linkages, this suggests the aggregate economic benefits are larger than patterns solely based on Figure 6.

Finally in Figure 8, we explore the merits of targeting. As an illustrative device, a hypothetical system of “Targeted Grants” is implemented in the model, whereby firms with losses are the only recipients of public funds, with the firms with the smallest losses receiving grants first, and funds sequentially allocated to less and less viable firms, so that the scheme can “save” as many firms from financial distress as possible. The graph compares the FD rate, with and without debt-weighting, for three scenarios: no policies, current announced policy, and a scenario where the targeted grant replaces the €7.5bn of announced non-payroll support. This scheme is shown to lower FD rates to 5.9 per cent, and 8.5 per cent on a debt-weighted basis, which represents more than a halving of FD rates relative to the current policy package and slightly less than a halving of debt-weighted FD. In practice, policy design will not and should not operate as per the system in Figure 8, due to a wide range of regional, sectoral and longer-term considerations. Nonetheless, the results of Figure 8 allow a comparison of currently-designed schemes to a system that minimises FD for a given fiscal outlay.

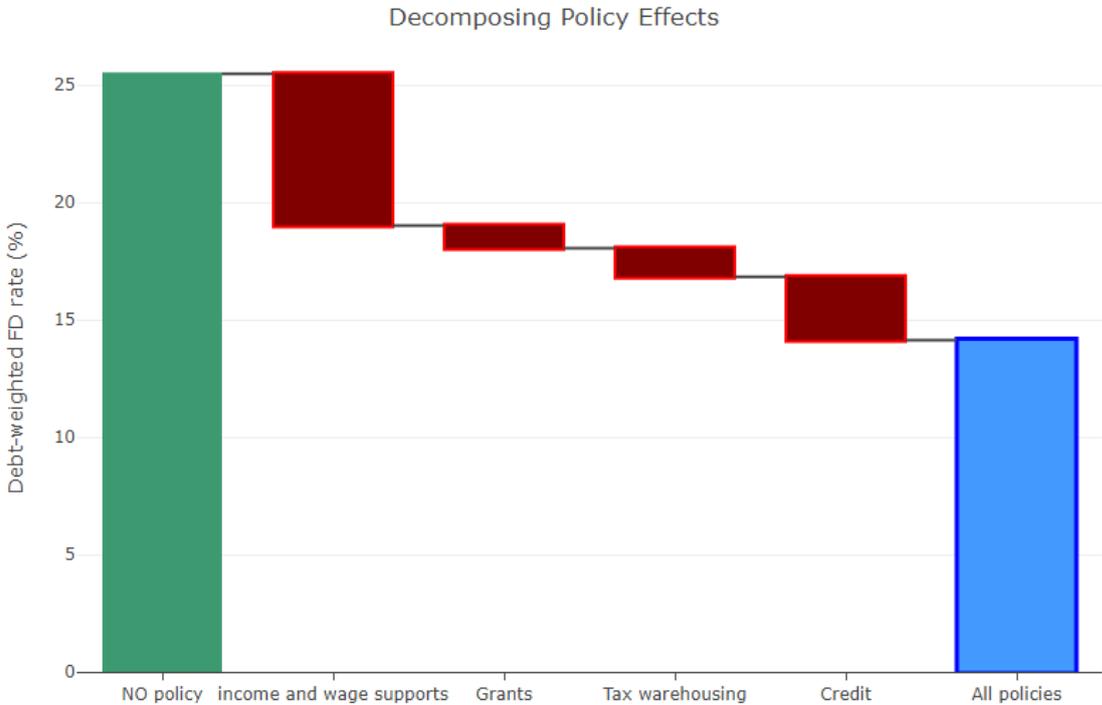
A key finding in this section is that even optimally-targeted schemes totalling €7.5bn would not eliminate financial distress among Irish SMEs, nor should the full elimination of FD be the aim of any policy support scheme. From a policy perspective, the identification of FD does not imply that a company will be liquidated; rather, many of the firms modelled as being in FD may be viable over the medium term but our estimates suggest that to arrive there, current financial supports will not be enough. For the most-affected firms, additional forbearance, restructuring or protection will be required. In order to ensure that viable firms in FD have the chance to trade out of difficulty under renewed financial terms, policymakers must focus immediately on ensuring that mechanisms in place are fit-for-purpose and will be able to operate at the required scale and speed once the current period of forbearance begins to unwind.

Figure 6: Share of firms in financial distress under combination of policies



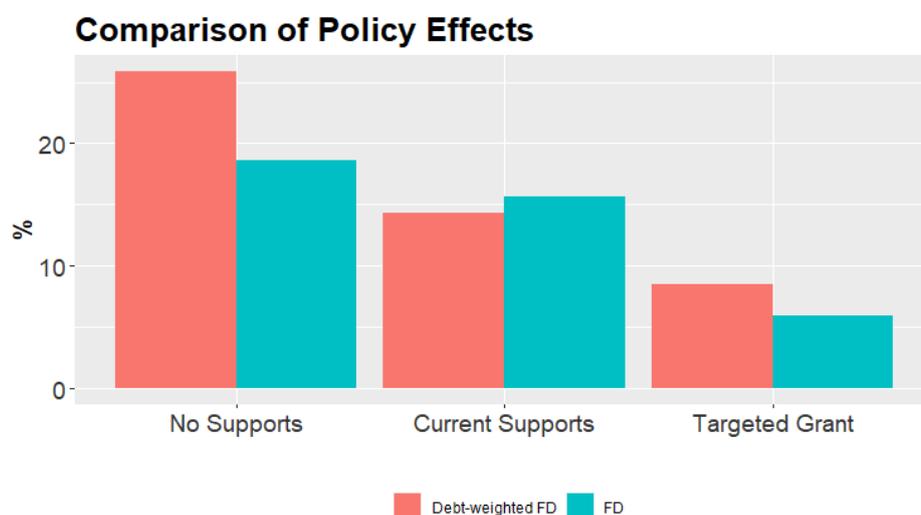
Source: Model-based estimates from McCann and Yao (2020)
 Notes: Moving to the right, additional policy actions are included cumulatively. The blue bar is a model run where all reported policy actions are included together.

Figure 7: Debt-weighted financial distress under combination of policies



Source: Model-based estimates from McCann and Yao (2020)
 Notes: Moving to the right, additional policy actions are included cumulatively. The blue bar is a model run where all reported policy actions are included together.
 Notes: This exercise relates only to firms with debt balances above zero in the 2018-19 data

Figure 8: Comparing a viability-based targeted grant system with current supports



Source: Model-based estimates from McCann and Yao (2020)

Note: "Targeted Grants" replicate payroll supports modelling from the "Current Supports" scenario, but replace the grant, credit and tax components with a €7.5bn grant that provides support to firms in order of their viability (with firms closest to exiting financial distress receiving support first)

Note: by construction, the debt-weighted exercise relates only to firms with debt balances above zero in the 2018-19 data

7 Conclusion

In this Note we have provided estimates of aggregate revenue shortfalls across the Irish SME sector in 2020 as a result of the COVID-19 shock. The model, using survey data on firms' revenue and loss experience from March to August and macroeconomic forecasts to December, projects losses of €10.3bn to €11.7bn. We highlight the importance of SMEs in the wider economy, the risk of scarring as a result of overly widespread liquidation, and the difficulty in assessing viability based on current market signals.

We outline pros and cons of debt, grants and equity as SME support mechanisms in the context of currently-designed Irish Government policy, highlighting in particular the risks associated with an over-reliance on debt supports for firms in an environment of heightened uncertainty.

Finally, using a model of SME financial distress, we estimate that just short of one fifth of Irish SMEs would have difficulty meeting operating losses or interest payments on debt in 2020 due to the economic environment, and that the direct effects of current support schemes can lower this to 16 per cent. Encouragingly from a financial stability perspective, current policy has a greater effect on debt-weighted distressed rates, cutting them by around two fifths from 26 to 14 per cent. We show that a hypothetical grant system that could target firms based on their viability could cut financial distress rates in half relative to those modelled under current supports.

Our results point to the importance of a dual approach to policy for SMEs, where continued and targeted financial support will be required for many firms into 2021, while a focus is also placed on protection and restructuring. There are many firms with financial difficulties currently that are potentially viable over the medium term. Ensuring system-wide capacity to restructure the liabilities of such potentially-viable firms, while also preparing for the inevitability that some SMEs will fail as a result of the pandemic, is an important ingredient of the overall policy mix for the rest of 2020 and into 2021.

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Appendix

Table 1: Summary of SME support policies enacted in Ireland since March 2020

Business Supports	Description	Immediate Response	May Announcement	July Stimulus
Wage Subsidy Schemes (TWSS / EWSS)	Subsidises 70 per cent of employee's wages up to a maximum weekly €410 (equivalent of pre-tax €38,000 per year).	TWSS introduced 26 March and initially expected to last for 12 weeks	Scheme extended to end August 2020	New Wage Subsidy Support Scheme (EWSS) to succeed TWSS, and run until April 2021
Credit Guarantee Schemes (CGS)	Offers a partial Government guarantee (currently 80%) to participating banks against losses on qualifying loans of up to €1m.	Original SME Credit Guarantee pre-dates Covid-19	-	Extends existing CGS with new €2bn Covid-19 guarantee. Loans guaranteed up to €1 million with terms up to 6 years.
Pandemic Stabilisation and Recovery Fund (PSRF)	A fund to make debt/equity available to firms employing more than 250 employees or with turnover exceeding €50mn. Investment in enterprises below these levels where assessed to be of substantial scale and of significant importance at national or regional level	-	€2 billion Fund announced	-
Future Growth Loan Scheme	Provides long terms loans to companies affected by COVID-19 through the SBCI. Loans ranging from €100,000 to €3mn with terms up to 10 years.	€300mn pre-Covid scheme – plans to expand scheme by €200mn	Previously announced scheme expansion increased from €200mn to €500mn.	-
Restart Grant	Grant aimed at helping micro and small businesses with the costs associated with reopening and re-employing workers following COVID-19 closures.	-	€250 million grant (up to €10,000) for micro and small businesses based on a rates/waiver rebate from 2019	Restart Grant plus extends grant to a broader base of SMEs, expands it by €300mn, and increases payment level to €25,000.

COVID-19 Working Capital Scheme	Provides short term liquidity to qualifying firms where cash flow has been impeded. Loans range from €25,000 - €1.5mn up to 3 years, maximum interest rate 4%.	€200mn scheme operational from 26 March	€200mn scheme increased to €450mn	-
Sustaining Enterprise Fund (EI)	Provides repayable advances up to €800,000 to firms with 10 or more employees impacted by COVID-19, repayments subject to a three year grace period.	-	€180 million fund targeted at firms in the manufacturing and internationally traded sectors	Scheme expanded to include direct grant support to viable businesses, in addition to equity and repayable advances.
Microfinance Ireland Loan (MFI)	Covid-19 loans up to €50,000 available to micro firms. 36 month loan period. First six months interest free and repayment free moratorium.	€20mn loan fund launched late March 2020	Fund fully subscribed by June 2020	Up to €55m made available to support small and micro companies
Commercial Rates Waiver	Commercial rates waived for businesses that have been forced to close due to public health requirements.	-	Rates waived for a three-month period commencing 27th March at €260mn expected cost.	Rates waiver extended for the six months to end-September 2020, at €600mn expected cost.
Warehousing of tax liabilities	Tax liabilities on affected businesses warehoused with €1.9bn of tax liabilities warehoused to date (August 2020)	-	Announcement of 'warehousing' of tax liabilities for 12 months, after their recommencement date of trading.	Legislation to be passed confirming previous announcement
Various tax measures	Temporary VAT reduction to 21%, tourism tax credit, corporate tax loss relief, etc.	-	-	Expected cost to exchequer - €900mn

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