Case Study
November 2024

Growth & Sustainability Loan Scheme in Ireland

European Commission

European Investment Bank

Growth & Sustainability Loan Scheme in Ireland

DISCLAIMER

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union or the European Investment Bank. Sole responsibility for the views, interpretations or conclusions contained in this document lies with the authors. No representation or warranty express or implied are given and no liability or responsibility is or will be accepted by the European Investment Bank, the European Commission or the managing authorities of Structural Funds Operational Programmes in relation to the accuracy or completeness of the information contained in this document and any such liability or responsibility is expressly excluded. This document is provided for information only. Financial data given in this document has not been audited, the business plans examined for the selected case studies have not been checked and the financial model used for simulations has not been audited. The case studies and financial simulations are purely for theoretical and explanatory illustration purposes. The case projects can in no way be taken to reflect projects that will actually be financed using Financial Instruments. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information on this document or correct any inaccuracies contained therein.

Abbreviations

Abbreviation	Full name
ABER	Agricultural Block Exemption Regulation
ACRES	Agri-Climate Rural Environment Scheme
DAFM	Department of Agriculture, Food and the Marine
DETE	Department of Enterprise, Trade and Employment
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
FGLS	Future Growth Loan Scheme
GBER	General Block Exemption Regulation
GSLS	Growth and Sustainability Loan Scheme
R&D	Research and development
SBCI	Strategic Banking Corporation of Ireland
SMEs	Small and medium-sized enterprises

Table of contents

01 Summary

This case study presents a financial instrument set up in 2022 to support small and medium-sized enterprises (SMEs)[1] and Small Mid-Caps[2], including farmers and fishers in Ireland. The Growth & Sustainability Loan Scheme (GSLS) features a national counter-guarantee facility launched by the Department of Enterprise, Trade and Employment (DETE) and the Department of Agriculture, Food and the Marine (DAFM) of Ireland. The government of Ireland entrusted the European Investment Fund (EIF) as the body implementing the financial instrument. The EIF provides a counter-guarantee to Strategic Banking Corporation of Ireland (SBCI) – the national promotional bank and financial intermediary for GSLS. SBCI, in turn, guarantees five on-lenders[3] selected via an open call for expression of interest.

The scheme targets SMEs, Small Mid-Caps, farmers and fishers, aiming to bridge the gap in longer-term, affordable finance faced by many enterprises in Ireland. This was noted in an independent review of the Future Loan Growth Scheme (FLGS) – the predecessor of the current initiative – carried out in 2022[4]. The GSLS therefore builds on learning from the previous scheme while taking account of a changing market, including the emergence of alternative lenders.

Enterprises can benefit from 64% guarantee coverage on loans up to EUR 500 000 for 7 to 10 years, as well as preferential interest rates and no collateral requirements. Loans can be for: 1) fostering enterprise growth and resilience, and 2) promoting climate action and environmental sustainability.

Alongside the Irish Government as junior/first loss risk taker (with just over EUR 73 million from the national budget), the European Investment Bank (EIB) Group covers the senior risk tranches of the portfolio counter-guarantee for some EUR 250 million. Combined with commercial bank financing, the scheme will make EUR 500 million available to eligible Irish businesses, with a target of at least 30% for investments in climate action and environmental sustainability.

As at mid-2024, GSLS has already seen a strong uptake, with almost 1 000 loan approvals totalling more than EUR 170 million. Around 70% of these loans have been disbursed (either wholly or in part), reflecting robust demand and effective use of funds. Whilst disbursements began in 2023 they significantly accelerated in 2024, with most in the first half of the year. This increase in access to finance, particularly for micro and small enterprises, showcases the effectiveness of GSLS in filling a critical gap in the market.

The scheme has had a strong impact in the agricultural sector, where dairy farming has received nearly half of the agricultural loan value. This highlights the scheme's role in supporting key industries and promoting sustainable growth.

A unique feature of the scheme, is the online SBCI Hub IT application, which integrates the EIB's Green Eligibility Checker tool. This integration was supported by EIB Advisory Services, with funding from the InvestEU Advisory Hub[5]. The tool has streamlined the customer journey as well as simplified green investment eligibility assessment and reporting, ensuring that climate and environmental considerations are incorporated into the loan application process.

1 As defined by Commission Recommendation 2003/361/EC, SMEs are enterprises that have fewer than 250 employees, an annual turnover not exceeding EUR 50 million and/or an annual balance sheet total not exceeding EUR 43 million, are independent and autonomous, not part of a wider group of enterprises and have less than 25% of their capital held by public bodies.
2 'Small Mid-Cap' means an undertaking that is not an SME and with less than 500 employees.
3 The on-lenders are financial or credit institutions incorporated, established or operating in Ireland and duly authorised to carry out lending, which act as financial sub-intermediaries under the scheme.
4 Further information available at: https://enterprise.gov.ie/en/publications/review-of-the-future-growth-loan-scheme.html.
5 The InvestEU Advisory Hub is the single entry point for project promoters and intermediaries seeking advisory support, capacity building and technical assistance related to centrally managed EU investment funds. For more information please visit: InvestEU Advisory Hub.

GROWTH & SUSTAINABILITY LOAN SCHEME, IRELAND

Funding sources
National funds of the Irish Government and guarantees from the EIB Group

Type of financial product
Portfolio counter-guarantee

Financial size
EUR 73.3 million from national funds. Together with contributions from the guarantors and financial intermediaries, the financial instrument provides financing of EUR 500 million.

Thematic focus
Growth and environmental sustainability

Timing
From 2022 to 2026

Partners involved
Managing authority
DETE and DAFM
Body implementing the financial instrument
EIF
Counter-guarantor
EIB Group
Financial intermediary
SBCI
On-lenders
Allied Irish Bank, Bank of Ireland, Close Brothers, Finance Ireland, PTSB

ACHIEVEMENTS

Public leverage[6]
6.8 times

Main achievements
By 30 June 2024, 905 loans had been contracted with final recipients for a total of EUR 174 million, of which EUR 94 million had been disbursed. In the current loan portfolio, loans support the expansion of existing establishments (26%), improved agricultural performance and sustainability (21%) and 6% has been allocated specifically to environmental sustainability and climate action. The average loan is around EUR 190 000.

6 Leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 500 million (based on the maximum portfolio size), divided by the total public fund allocation to the financial instrument, i.e. EUR 73.3 million, gross of management fees. It also does not include the reuse of resources returned to the instrument that might eventually help achieve even greater leverage of the public funding contribution.

02 Objectives

2.1 Context

In Ireland, GSLS is an important initiative providing SMEs and Small Mid-Caps, including farmers and fishers, with long-term financing. The scheme seeks to address a critical gap where access to longer-term finance can be challenging particularly for asset-light or service-oriented SMEs. In the Irish market offerings rarely exceed 7 years for cash flow-based funding (i.e. reliance on a business's cash flow as the primary source for loan repayment) and normally require substantial collateral.

The scheme responds to the evolving lending market in Ireland, which has lost a number of credit providers since the financial crisis, though alternative lenders have emerged alongside traditional banks. While domestic banks offer a full range of banking services, alternative lenders specialise in leasing, hire purchase, invoice discounting and loans. Some credit unions also offer financial products for SMEs, contributing to a diverse array of financial instruments and sources to support the target final recipients.

GSLS has two main objectives. The first is to encourage the growth and resilience of enterprises through more affordable longer-term financing, facilitating investments in new technologies and processes to enhance efficiency and reduce production costs. The second is to promote green and sustainable investments aligned with government policies on climate action and environmental sustainability. In that respect, government climate policy has targets for reducing greenhouse gas emissions to become carbon neutral by 2050. The scheme's eligibility requirements carefully address these dual aims. SMEs and Small Mid-Caps should have access to finance with the appropriate tenor, pricing and collateral requirements empowering them to invest in the future of their enterprises while contributing to broader environmental objectives.

GSLS is expected to make EUR 500 million available to final recipients. The scheme's unsecured loans should help SMEs and Small Mid-Caps make substantial improvements in their performance, quality of output and market reach. Beyond this, the investments made through the GSLS also safeguard employment and contribute to the efficiency and resilience of the Irish economy.

2.2 Previous experience with financial instruments in Ireland

GSLS builds on the FGLS, which was launched in 2018 with EUR 300 million to enable eligible SME's and Small Mid-caps including the primary agriculture and seafood sectors to support strategic long-term investment. The scheme experienced rapid uptake, indicating strong demand for long-term investment financing in these sectors.

FGLS also provided valuable insights into the needs and challenges faced by SMEs and agricultural businesses. FGLS did not target activities and the loans were used for business expansion, sustainability, premises improvement, infrastructure development and modernisation. The most common investments were in new buildings, machinery and equipment.

A positive experience from FGLS was the customer journey experience. The simplicity of the scheme included its seamless integration into the existing portfolios of the lenders.

Despite the success of FGLS in addressing the market failure for longer-term lending barriers remained indicating the need for further financial instrument support. There were valuable lessons about some operational aspects of implementation, with the challenges of managing excess demand. Ensuring adequate resources and capacity to meet demand effectively was important.

2.3 Ex-ante assessment

Previous studies of SME investment revealed considerable unmet need for longer-term finance, emphasising the necessity of addressing a significant financing gap via appropriate financing. The quick uptake of FGLS provided further evidence of the strong demand for longer-term investment finance.

An independent review[7] conducted by SQW on behalf of DETE in 2022 highlighted strong demand for long-term lending. This was driven by business expansion, climate mitigation and adaptation efforts in primary agriculture, as well as investment in research, development and innovation. The assessment concluded there remained a significant 'untapped' market for longer-term lending given the long-standing challenge of underinvestment by businesses in Ireland.

The demand was apparent from businesses that had already secured finance from FGLS and those who had not. As highlighted by the review of FGLS, a significant portion of businesses, particularly in the 'Non Take-Up Group'[8], faced obstacles such as lenders no longer accepting new applications or reaching their allocation limits. This emphasised the need to continue and potentially increase the size of such a scheme.

Commercial lenders still perceive long-term lending as commercially unattractive due to the associated risks, especially when unsecured. Hence, there remains a crucial role for state guarantees to ensure affordable financing for businesses. Although most lenders expressed interest in participating in a new scheme as a result of their positive experience with FGLS, future supply would be limited by the reduced number of banks in the Irish market.

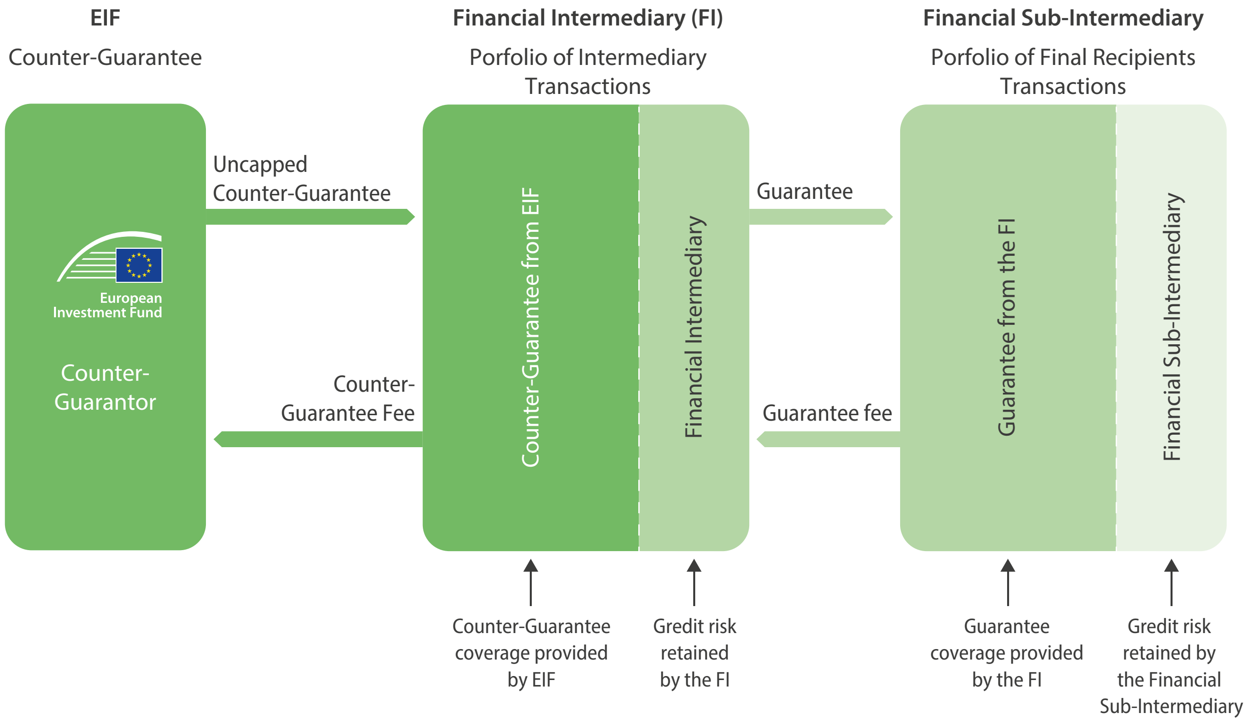
Determining the suitability of the financial instrument included considering several key factors. Foremost, the instrument had to align with the needs of SMEs and Small Mid-Caps, as well as with government policy objectives. The ideal product would not only provide longer-term funding but also offer it at affordable interest rates. Furthermore, the instrument had to facilitate unsecured term loans from on-lenders to target recipients, enhancing accessibility and flexibility for them.

The uncapped counter-guarantee product implemented under FGLS proved to be an adequate choice of instrument. Counter guarantees mitigate risk by providing an additional layer of security. With the AAA-rated EIF as counter-guarantor financial intermediaries benefit from capital relief, which was also passed through in full to the borrower. The uncapped structure allowed the financial intermediary (i.e. SBCI) to mitigate their risk exposure as they could seek reimbursement if they had to pay a claim under a guarantee they issued to the financial sub-intermediaries.

7 Further information is available at Review of the Future Growth Loan Scheme, August 2022: https://enterprise.gov.ie/en/publications/review-of-the-future-growth-loan-scheme.html.

8 In the FGLS review the 'Non Take-Up Group' consisted of businesses that had confirmed their eligibility but had not secured a loan.

Figure 1: Typical structure of an uncapped counter-guarantee instrument provided by EIF



Source: EIF.

The assessment highlighted considerations for a potential future scheme based on feedback including:

- **Flexibility in loan terms:** varying repayment periods (i.e. 5 to 15 years) based on business risk profiles and planned activities;
- **Tailored offering for agriculture businesses:** allocating funds for young farmers or broadening the scope of implementation purposes to address sector-specific challenges;
- **Greater focus on sustainability:** striking a balance between a flexible and accessible product with a policy-oriented approach considering sustainability through a broader lens beyond environmental criteria;
- **Engaging with alternative banking sectors:** considering lenders in addition to traditional banks to increase supply, exploit synergies and avoid duplication.

03

Design and set-up

The key set-up and implementation milestones of the financial instrument are summarised in Table 1 below.

Table 1: Timeline for setting up the financial instrument

Date	Event
April 2022	Independent review of FGLS on behalf of DETE
December 2022	Funding agreement signed by EIF and the managing authority
February 2023	SBCI opens the call for expression of interest to select on-lenders
March 2023	Call for expression of interest closed
September 2023 - April 2024	Operational (guarantee) agreements signed between SBCI and the selected on-lenders
August 2023	Funding agreement and intercreditor agreement amended
September 2023	Counter-guarantee agreement signed between SBCI and EIF
October 2023	First loan contract signed with final recipients
November 2023	Counter-guarantee agreement amended

Source: EIF, SBCI.

3.1 Selection of the implementing body and financial intermediaries

The government of Ireland is represented by two departments: the DETE and the DAFM. They signed a funding agreement with EIF as the body implementing the financial instrument. An intercreditor agreement was signed between EIF and EIB to clearly define each of their roles as risk takers within the product structure. Both EIB and EIF contribute their financial resources and capacity to the counter-guarantee for SBCI.

SBCI was established in September 2014 as Ireland's national promotional institution to provide lower cost longer term funding to businesses when the private sector was unable or unwilling to do so. SBCI promotes the provision of additional credit to businesses in Ireland, in particular SMEs, facilitating their growth, innovation and prosperity and encouraging competition in the lending market.

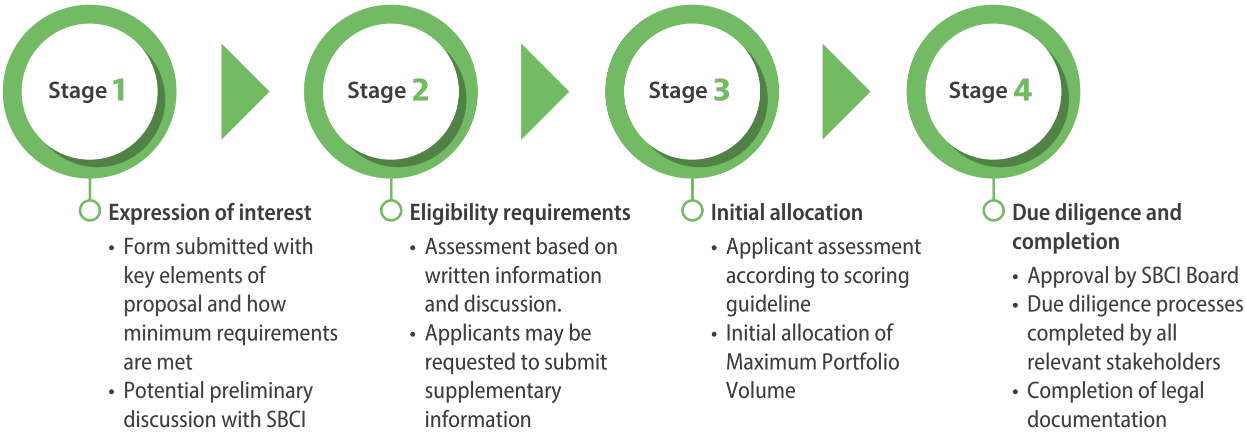
SBCI was appointed to deliver the scheme through on-lenders. The terms and conditions of the deal were defined in the counter-guarantee agreement signed between EIF and SBCI.

For the ownership structure, the Minister for Finance holds sole ownership of the issued share capital. A board of directors and three committees established by the board oversee SBCI activities.

The selection of on-lenders was via a public tender launched by SBCI. The process involved four stages, as illustrated in Figure 2 below. Firstly, applicants had to submit an expression of interest outlining their ability to meet the scheme's requirements. Secondly, applicants were assessed against eligibility criteria. Those that met the minimum requirements progressed to Stage 3, where an initial allocation of the maximum portfolio volume was determined based on evaluation criteria. The final stage was due diligence, with various conditions including confirmation of SBCI Board approval and finalising the legal documentation.

Failure to meet Stage 4 requirements could result in the reallocation of maximum portfolio volumes to successful applicants on a pro-rata basis. The process accommodated differences between existing and new on-lenders, with SBCI able to request additional information or clarification as needed, using a risk-based assessment approach throughout.

Figure 2: The selection process for on-lenders



Source: Own elaboration, based on data provided by SBCI.

Following this process, six on-lenders were selected for the scheme: Allied Irish Bank, Bank of Ireland, Close Brothers, Finance Ireland and PTSB.

3.2 Funding and governance

The Irish Government contributed EUR 73.3 million to the first loss piece of the counter-guarantee, while the EIB Group (being both EIB and EIF, but 'fronted' by EIF) cover the mezzanine and senior tranche of the portfolio counter-guarantee for a total exposure of EUR 246.7 million. This brings the total funds available for the counter-guarantee to EUR 320 million. Following the 20% risk retention by SBCI in accordance with the counter-guarantee rate, the portfolio of new guarantees offered to the on-lenders and backed by the EIF counter-guarantee is EUR 400 million. Consequently, the 20% risk retained by the on-lenders results in a potential portfolio of new loans totalling EUR 500 million.

Table 2: Funding sources and amounts

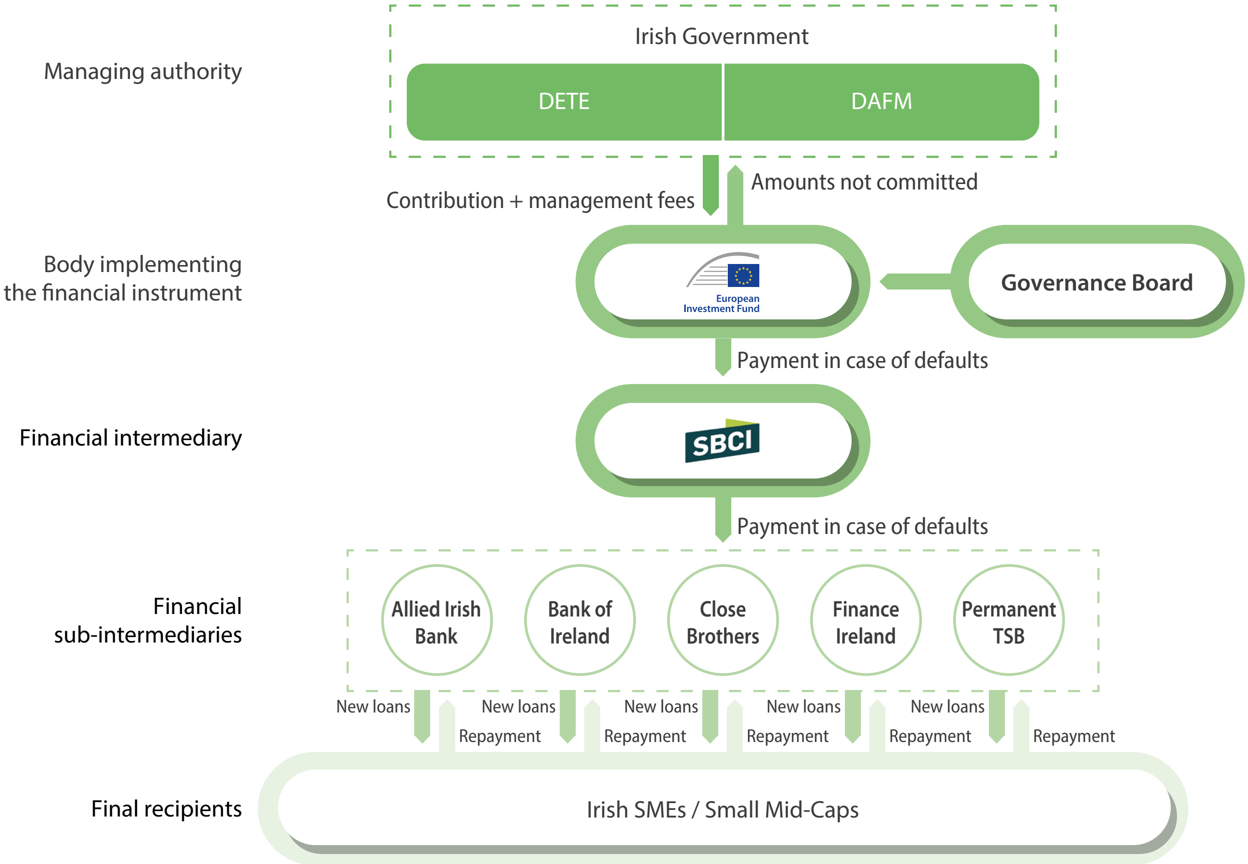
Funding or risk taking source	Amount
National budget	EUR 73.3 million
EIF	EUR 28 million
EIB	EUR 218.7 million
SBCI	EUR 80 million
On-lenders	EUR 100 million
TOTAL	**EUR 500 million**

Source: EIF.

The managing authority is DETE and DAFM, two departments within the Irish Government sponsoring the scheme and EIF is the body implementing the financial instrument. SBCI is the financial intermediary and the on-lenders are financial sub-intermediaries.

The Governance Board includes representatives from the government (one from each of the two Departments acting as managing authority and one from the Ministry of Finance) as well as delegates of the EIB Group. This board oversees the strategic direction and implementation of the scheme. As at March 2024, there had been one board meeting and two written procedures, which included the discussion and approval of the use-case document (see Section 4.3). Additionally, there are weekly meetings with stakeholders to discuss ongoing activities and address any issues. Furthermore, a monthly in-person meeting is convened with a larger group of senior members.

Figure 3: Governance structure



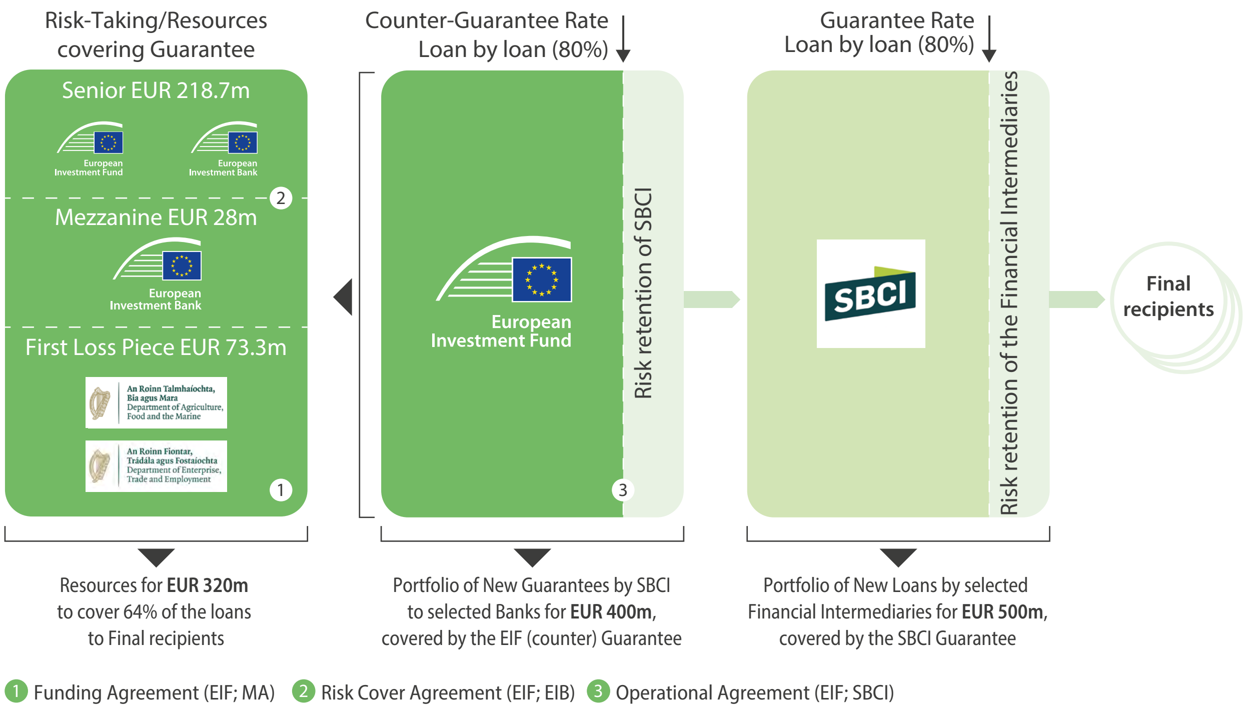
Source: Own elaboration.

04 Implementation

GSLS provides credit risk coverage for a portfolio of new guarantees issued by SBCI to selected banks. The guarantee is supported by funding from DETE and DAFM and underpinned by a counter-guarantee from the EIB Group. The on-lenders losses are shared between the Irish Government covering the first-loss piece (about 18% of any losses), the EIB Group covers the mezzanine and senior tranche (62%) and SBCI retains 20% of the risks. With the guarantee rates set at 80% on a loan by loan basis for the counter-guarantee as well as at the guarantee, the instrument ultimately covers 64% of each loan.

The scheme's maximum volume of new loans provided by the on-lenders is EUR 500 million. To increase lending competition, the maximum volume is sub-divided into: Portfolio 1 of EUR 450 million for on-lenders with long term ratings from international rating agencies and Portfolio 2 of EUR 50 million for those without a long term rating.

Figure 4: Product implementation mechanism



Source: EIF.

4.1 Financial product and terms

The scheme provides long-term financing for two distinct purposes: 1) to encourage the growth and resilience of enterprises and 2) to improve their climate action and environmental sustainability.

A wide range of investments is eligible under the scheme, though certain sectors are subject to EIB Group and domestic policy restrictions. These include tobacco, distilled alcoholic beverages[9], weapons and ammunition, gambling, pornography, R&D related to human cloning, genetically modified organisms, fossil fuel-based energy production, energy-intensive and/or high CO2-emitting industries and sectors, pure real estate development, land acquisition, purchase of livestock and purchase of fishing vessels.

Growth and resilience investments can be in tangible or intangible assets, machinery or equipment, research and development, business expansion, premises improvement, process innovation, etc.

A minimum of 30% of the total value of loans under the scheme is reserved for climate action and environmental sustainability. Transactions counting towards this threshold include loans related to green investments and green enterprises.

The eligibility criteria for green investments (i.e. loans promoting climate action and environmental sustainability) is constantly being reviewed and expanded. Currently they cover:

- Projects related to renewable energy such as solar panels, wind turbines and geothermal heat pumps, alongside associated components and installation expenses;
- Construction or renovation of commercial buildings to achieve minimum energy performance standards, covering insulation, window and/or door replacement, energy-efficient heating, ventilation and air conditioning;
- Standardised energy efficiency measures including household appliances, insulating products, heating and cooling systems, as well as smart monitoring and regulating equipment;
- Investments in technology, equipment, or machinery aimed at significantly reducing energy consumption and greenhouse gas emissions, including electrical equipment, variable speed drives and modernised irrigation networks;
- Investments in low and zero-emission transport, including renewing and retrofitting infrastructure for clean energy vehicles and vessels.

Green enterprises are businesses with at least 90% of revenues from climate action or environmental sustainability activities (such as renewable energy, energy efficiency, circular economy, waste prevention and recycling) or are farm holdings with a sustainable enterprise / green eco label.

EIB Advisory Services also supported SBCI to incorporate the EIB's Green Eligibility Checker[10] into a streamlined online application portal – the SBCI Hub. This centrally verifies climate action and environmental sustainability eligibility for GSLS. This tool enables Irish farmers, amongst others, to assess the eligibility of their projects/activities during the application process and assists financial intermediaries with eligibility verification, monitoring and reporting (see Section 4.3 below).

9 Finance to support distilled alcoholic beverages and related products are eligible under the scheme but are subject to a cap of 20% of each on-lender's allocation.
10 More information about the EIB Green Eligibility Checker is available here: https://greenchecker.eib.org/.

Table 3: Financial product key characteristics

Loan amount	From EUR 25 000 to EUR 3 000 000.
Counter-guarantee rate	80%
Guarantee rate	80%
Preferential interest rate	A minimum interest rate discount of 1.5% for Portfolio 1 and 1.0% for Portfolio 2. Additional 0.25% interest rate discount for loans related to climate action and environmental sustainability.
Loan maturity	From 7 to 10 years.
Grace period	Capital and interest moratoria (up to 90 days) are permitted under the scheme. Further capital moratoria in line with on-lender credit policies may be permissible without extending loan repayment dates.
Collateral requirement	Loans unsecured up to EUR 500 000. Personal guarantees for loans in excess of EUR 500 000 are limited up to 20% of the loan amount.
Eligible final recipients	Viable SME and Small Mid-Cap businesses, including farmers and fishers established in an EU Member State and operating in the Republic of Ireland.
Loan purpose	a. Growth and resilience investments. b. Investments in environmentally sustainable measures.
Eligible investments	Growth and resilience investments, including: • investments in tangible or intangible assets • machinery or equipment • research and development • business expansion • premises improvement • process innovation Investments in environmentally sustainable measures, including: • building upgrades and renovations • roof and wall insulation • replacement windows • replacement of existing lighting with energy efficient LEDs • electric vehicles and electric vehicle charging points • manufacture of energy efficient equipment • manufacture of renewable energy equipment • minimum tillage equipment • tractor and harvester replacement • agriculture building renovation or upgrading
Eligibility period	Until 30 June 2026 or until the scheme has been fully subscribed (whichever is earlier).

Source: EIF / SBCI.

4.2 State aid

At the level of the body implementing the financial instrument as well as the financial (sub-) intermediaries there is State aid compliance. The remuneration (i.e. management costs and fees) reflects current market conditions, the on-lenders have been selected through an open, transparent, non-discriminatory and objective selection procedure and the financial advantage of the public contribution to the instrument is fully passed on to the final recipients.

For final recipients, State aid compliance is achieved through either the de minimis rules[11], under the General Block Exemption Regulation (GBER, or Regulation 651/2014)[12], or under the Agricultural Block Exemption Regulation (ABER, or Regulation 2022/2472)[13].

Depending on the type of final recipient and loan, the following State aid schemes are applied:

- GBER Article 17 ('Investment aid to SMEs') for SMEs borrowing funds to invest in growth and resilience measures;
- GBER Article 29 ('Aid for process and organisational innovation') for SMEs and undertakings in the fishery and aquaculture sector implementing process and organisational innovation projects;
- ABER Article 14 ('Aid for investments in agricultural holdings linked to primary agricultural production') for SMEs active in the primary production of agricultural products;
- ABER Article 17 ('Aid for investments in connection with the processing or the marketing of agricultural products') for SMEs processing and marketing agricultural products;
- *De Minimis* regulation for Small Mid-Caps and SMEs borrowing funds for climate action and environmental sustainability measures.

11 Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid.

12 Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

13 Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

Table 4: Summary of relevant State aid rules

State aid scheme	Loan purpose	Eligible final recipients	Excluded entities	State aid threshold
Art. 17 GBER	Long term investment in: • setting up a new establishment or extension of an existing one; • diversifying output to new products; • fundamental change in production process; • acquisition of assets where a business would have otherwise closed without the purchase.	SMEs.	Undertakings active in the primary agricultural production sector; Undertakings active in the fishery and aquaculture sector; Small Mid-Caps.	Maximum aid is EUR 7.5 million per undertaking per investment project. Maximum aid intensity is 10% of eligible costs for medium-sized enterprises and 20% of eligible costs for small enterprises.
Art. 29 GBER	Long term investment in process and organisational innovation.	SMEs Undertakings active in the fishery and aquaculture sector.	Businesses investing but not innovating in terms of process and organisation.	Maximum aid is EUR 7.5 million per undertaking per project. Maximum aid intensity is 50% of eligible costs.
Art. 14 ABER	Long term investment linked to primary agricultural production.	SMEs active in in the primary agricultural production sector.	Land purchase Livestock Working capital Drainage Biofuels Annual plants	EUR 500 000 per project for primary agriculture. Maximum aid intensity is 40% of eligible costs.
Art. 17 ABER	Long term investment in processing and marketing agricultural products.	SMEs active in processing and marketing agricultural products.	Land purchase Livestock Working capital Drainage Annual plants Biofuels Small Mid-Caps	Maximum aid is EUR 7.5 million per undertaking per project. Maximum aid intensity is 40% of eligible costs.
De minimis	Long term investment.	SMEs/Small Mid-Caps.	Undertakings active in the primary agricultural production sector. Undertakings active in the fishery and aquaculture sector.	EUR 300 000 in a 3-year fiscal period.

Source: SBCI.

4.3 Financial flow and appraisal process

The scheme is partially delegated to on-lenders, as some verification is retained by SBCI (i.e. adherence to the green criteria).

First, potential recipients are referred to the SBCI website, known as the SBCI Hub[14], to initiate the application. They complete an online Eligibility Application Form to verify if they can access the scheme. Successful applicants are issued with an eligibility code which is active for six months. To assist applicants, a helpline and email support service, outsourced to a customer service provider, are available. More complex inquiries are redirected to SBCI staff for resolution.

Green investments must be aligned with the Use Case Document for eligibility of Climate Action and Environmental Sustainability support. They are assessed via the green checker tool during the SBCI Hub application. The Use Case Document details eligibility criteria and the assessment methodology for investments under the measures for climate action and environmental sustainability.

The measures are investments in:

- climate change mitigation (related to renewable energy);
- agricultural equipment;
- energy efficiency of commercial buildings;
- energy efficiency in an industrial context;
- zero and low emission mobility.

Two options are evaluated to determine if an enterprise qualifies as 'green':

- The SME is engaged primarily in sustainable activities, generating at least 90% of its revenue from eligible, sustainable activities (as outlined in the Use Case Document referred to above);
- Farmers holding a Green Eco Label, either as beef/sheep or dairy farmers participating in quality assurance or biodiversity schemes and members of the Agri-Climate Rural Environment Scheme (ACRES) and Bord Bia's Sustainable Farming Origin Green programme, or certified organic farmers participating in the Department of Agriculture's Organic Farming Scheme.

Applicants seeking a climate action and environmental sustainability loan are directed to a green checker tool on the SBCI's portal, developed and adapted by the EIB for the scheme, to provide ex ante clearance by SBCI on the green criteria.

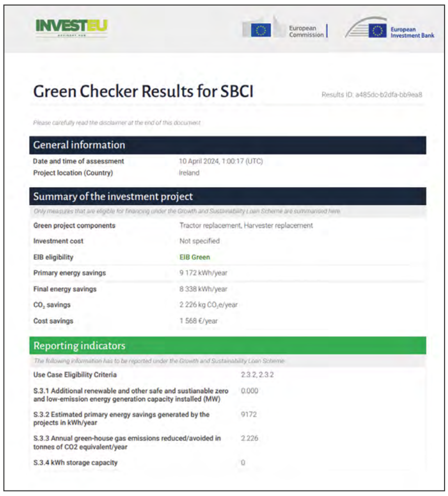
The Green Eligibility Checker tool assesses sub-projects against EIB Climate Action & Environmental Sustainability eligibility criteria and confirms 'EIB Green' if these criteria are met. If the user selects 'Send results to SBCI' after assessing one or more investment measures, the results of the assessment and any client data input are automatically sent to SBCI. To confirm the eligibility of sub-projects under the scheme, there are additional requirements in line with contractual documentation.

14 For more information visit the SBCI Hub here.

Green Eligibility Checker for SBCI

- This online tool was developed by EIB Advisory and tailored to support on-lenders evaluating climate action and environmental sustainability investments;
- The coverage of investment types keeps growing;
- Final recipients begin by selecting one of the 40+ measures (investment types) for assessment, then providing basic technical details about the measure and adding/editing additional measures if necessary;
- Results are summarised in a single PDF report (see example on the right) detailing green eligibility and estimated annual cost savings.

Source: https://sbci.greenchecker.eib.org/.


INVESTEU

European Commission

European Investment Bank

Green Checker Results for SBCI

Results ID: a485dc-b2dfa-bb9ea8

Please carefully read the disclaimer at the end of this document

General information

Date and time of assessment	10 April 2024, 1:00:17 (UTC)
Project location (Country)	Ireland

Summary of the investment project

Only measures that are eligible for financing under the Growth and Sustainability Loan Scheme are summarised here

Green project components	Tractor replacement, Harvester replacement
Investment cost	Not specified
EIB eligibility	EIB Green
Primary energy savings	9 172 kWh/year
Final energy savings	8 338 kWh/year
CO_2 savings	2 226 kg CO_2e/year
Cost savings	1 568 €/year

Reporting indicators

The following information has to be reported under the Growth and Sustainability Loan Scheme

Use Case Eligibility Criteria	2.3.2, 2.3.2
S.3.1 Additional renewable and other safe and sustianable zero and low-emission energy generation capacity installed (MW)	0.000
S.3.2 Estimated primary energy savings generated by the projects in kWh/year	9172
S.3.3 Annual green-house gas emissions reduced/avoided in tonnes of CO2 equivalent/year	2.226
S.3.4 kWh storage capacity	0

Applicants receiving the SBCI eligibility code can present the application to a participating on-lender for further credit assessment. If approved, the loan contracts are signed between the final recipients and the on-lender.

4.4 Monitoring and reporting

To ensure transparency and accountability, the scheme has robust reporting, with weekly, monthly, and quarterly reports shared with stakeholders.

Some reporting on each loan is collected via the SBCI Hub including final recipient name, contact, sector, previous State aid, turnover, total assets and employees. Information such as cumulative disbursement, outstanding principal, interest rate, final recipient score/rating and any date of default are tracked through reporting from the on-lenders.

SBCI, in addition to standard aspects of scheme use, also provides regular updates on the green component, notably green investments, or investments carried out by green enterprises.

According to the funding agreement, at least 30% of the portfolio must be green investments. If it is less, the EIF may refrain from supporting other non-green loans or permit only green transactions until the minimum 30% requirement is met.

In addition to monitoring the green component, SBCI must disclose information on final recipients and the corresponding aid on its website if the State aid awarded to a SME/Small Mid-Cap is greater than EUR 100 000 or exceeds EUR 60 000 if the final recipient is active in primary agriculture.

05 Output

GSLS has had remarkable results, particularly in promoting productive investments, job creation and green initiatives.

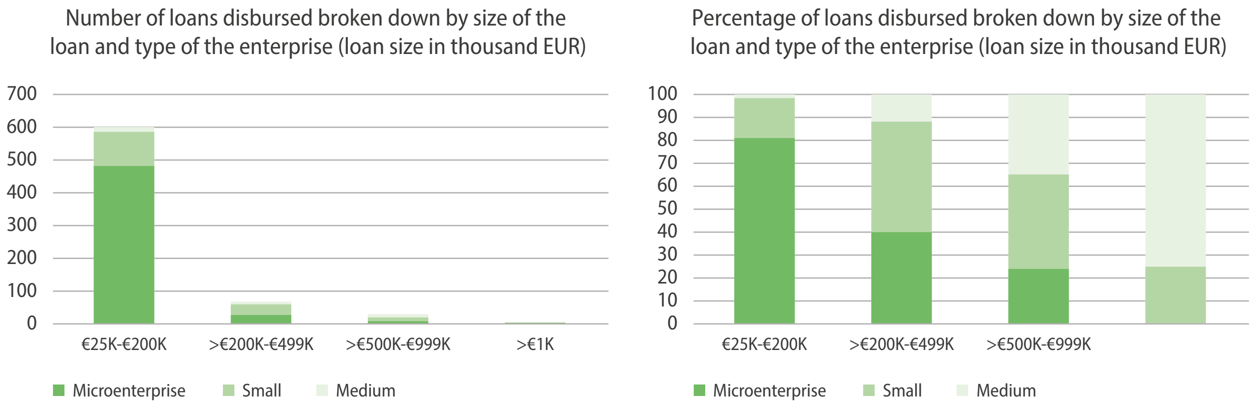
There is a noticeable evolution in the acceptance and use of guarantee schemes by on-lenders and SMEs in Ireland. In that respect, SBCI has emerged as a key player in the financial ecosystem, facilitating increased access to affordable and appropriate debt finance. Moreover, government departments have also recognised guarantee schemes as vital policy tools and an excellent way to leverage resources.

Disbursements began in 2023, for 36 loans. In 2024 the scheme saw 666 loans disbursed in the first two quarters alone. By 30 June 2024, 905 loan applications totalling EUR 174 million had been approved, with 702 and a total of EUR 94 million disbursed, showing very active use of the scheme.

There was significant uptake from microenterprises, which accounted for 638 of the approved loans and EUR 79 million of the disbursement. Small enterprises also received a large portion, with 214 transactions totalling EUR 57 million. Medium-sized enterprises received EUR 38 million in 53 contracts, a higher average reflecting the size of these businesses.

A breakdown of loan size shows that 86% of disbursements were in the EUR 25 000 to EUR 200 000 range, and totalled EUR 51 million. A smaller portion (10%), range from EUR 200 000 to EUR 499 000, made up EUR 9.4 million of the disbursed amount. Only 4% of loans fell into higher ticket categories, indicating that the scheme primarily supported smaller-scale investments.

Figure 4: Disbursed loans by size of the loan and type of enterprise



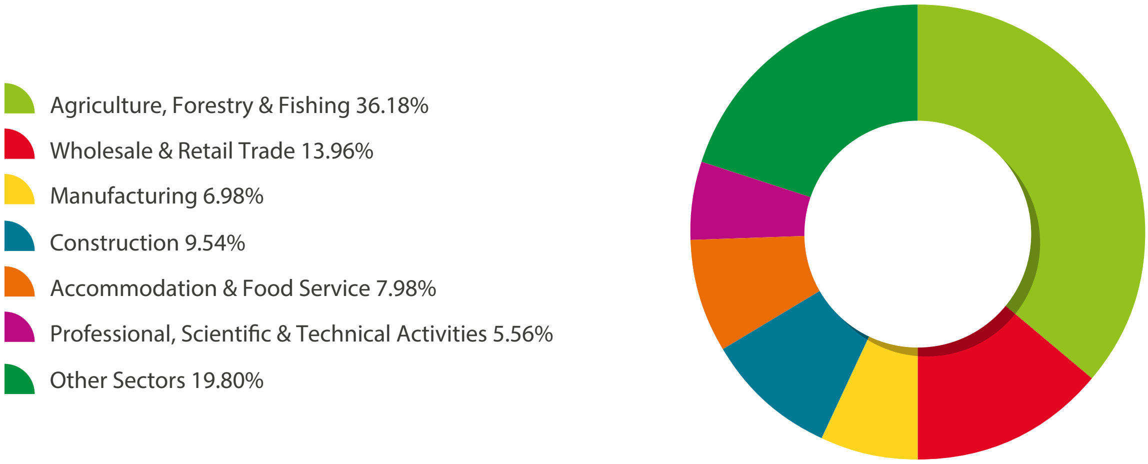
Source: SBCI, 30 June 2024.

A total of 306 loans, 44% of those disbursed, had a maturity of 84-96 months 5 loans (1%) had a maturity of 97-108 months, while 391 loans (56%) had a longer maturity, of 109-120 months.

The scheme's impact was spread across Ireland. The East region had the most loans disbursed (158) and these totalled EUR 24.5 million, followed by the South-East region, with 133 loans for EUR 15 million. The South-West region has also been significant, with 120 loans worth EUR 16 million. The Midlands and the West regions still had a notable uptake with EUR 9 million and EUR 10 million respectively. They were followed by the North East, North West, Mid-West regions, with EUR 8 million, EUR 7 million and EUR 5 million total disbursed loan amounts.

The sectoral distribution of loans demonstrates a clear focus on supporting the agriculture and agri-food sectors, which together accounted for 254, or 38% of the loans issued and EUR 25 million. The wholesale and retail trade sector also saw significant support, with 98 loans disbursed for EUR 15 million, making up 14% of the loan portfolio. Construction, another key sector, received 67 loans amounting to EUR 9 million, 10% of those disbursed.

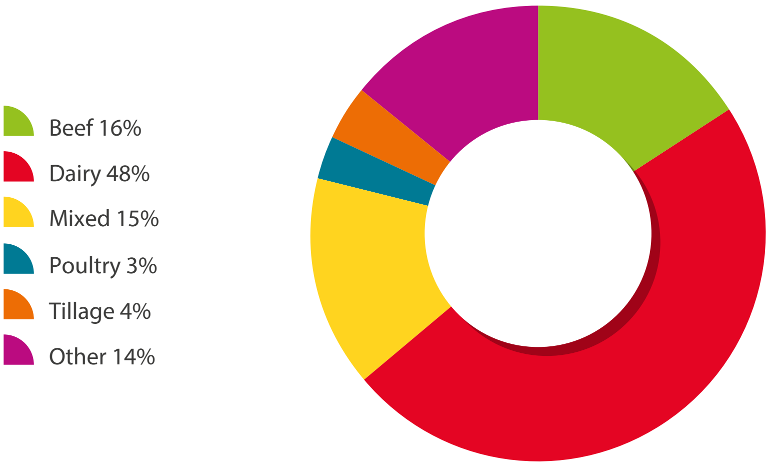
Figure 5: Loans disbursed by industry sector



Source: SBCI, 30 June 2024.

A deeper look at agricultural sub-segments (see Figure 6) reveals a concentration of loans in dairy farming. This sector alone has 127 loans totalling EUR 12 million, almost half the loan value for the agriculture sector. Subsequently, the beef sector accounted for 43 loans, with EUR 2.5 million disbursed and 16% of the agriculture loans. Mixed farming accounted a similar proportion, with 39 loans, representing 15% of the total loans in the sector Other sub-sectors such as poultry and tillage also received support, though to a much lesser extent.

Figure 6: Loans disbursed within the agriculture sector



Source: SBCI, 30 June 2024.

06 Lessons learnt

6.1 Success factors

The scheme's emphasis on green investments, with a minimum requirement of 30% of the portfolio supporting such initiatives, sets it apart from previous measures. By specifically catering to green SMEs and farmers, including those involved in eco-label or organic farming, the scheme is aligned with sustainability goals and addresses environmental concerns.

The tailored green checker tool in the SBCI Hub significantly streamlines the customer journey. This simple, digital platform is integral to the application process, facilitating applicants and ensuring that climate and environmental considerations are incorporated into the supported investments.

The scheme's success is further highlighted by its broad distribution in the market, with banks targeting SMEs and the agriculture/aquaculture sectors, including farmers and fishers. This accessibility and inclusivity reaches a diverse range of potential beneficiaries. Additionally, unsecured financing, particularly for amounts up to EUR 500 000, has increased financial inclusion especially for segments such as young farmers who may lack collateral.

Strong partnerships and cooperation among stakeholders including the EIB Group, SBCI and most on-lenders have increased the scheme's effectiveness. The involvement of SBCI, closer to the market and engaged in the loan appraisal process, adds value particularly in less developed financial sectors and rural areas.

The scheme's visibility is ensured through a comprehensive marketing strategy endorsed by stakeholders. Traditional media channels, video case studies, participation in business events and engagement with multiple groups have all contributed to raising awareness and promoting the availability of the scheme.

6.2 Challenges

Reconciling the green criteria across different stakeholders posed a significant challenge for the GSLS. Aligning the eligibility requirements and policy goals of the EC, the EIB and the Irish Government involved complex negotiations and coordination. The green policy angle advocated by the EC had to be harmonised with national policy goals as well as EIB climate action and environmental sustainability objectives. This necessitated upstream discussions and agreements on the policy objectives to ensure that financing sources were aligned with the environmental sustainability goals while meeting the specific needs of SMEs and other beneficiaries.

It was important to ensure a smooth and user-friendly experience when navigating the application process. This involved integrating eligibility criteria, documentation requirements and assessment procedures into a coherent and accessible format. Balancing simplicity with thoroughness was essential to avoid overwhelming applicants while ensuring all the necessary information was captured accurately. The bespoke SBCI green checker, linked and integrated into the application process is a major part of a seamless customer journey.

6.3 Outlook

Longer-term investment lending is expected to remain integral to the success of SMEs and Small Mid-Caps in Ireland. Such debt instruments enable them to implement strategic change, enhance productivity and efficiency and expand into new products and markets which fosters continued growth and innovation. The scheme launched after the GSLS was the Home Energy Upgrade Loan Scheme, which provides low-cost finance for homeowners to retrofit their property for energy efficiency and decarbonisation.

Home Energy Upgrade Loan Scheme

- This EUR 500 million scheme is backed by the Irish government in partnership with the EIB Group;
- It is delivered by SBCI via selected on-lenders;
- The scheme is the first of its kind, offering homeowners low-interest loans of EUR 5 000 to EUR 75 000, repayable over 10 years;
- The interest rates are lower than those in the market, thanks to an EIB Group loan guarantee and a government-funded interest rate subsidy;
- Homeowners can use these loans for comprehensive energy efficiency and renewable energy upgrades;
- This initiative targets energy efficiency while addressing climate action targets, contributing to Ireland's broader goals.

Source: EIB.

The sophistication and policy focus has increased for each scheme starting with the first generation of the FGLS launched in 2018 through the current GSLS to the Home Energy Upgrade Loan Scheme launched in 2023. This step-by-step learning curve started from a relatively simple scheme with the EIB being the sole risk-taker and disbursement only by commercial bank, to more complex products and more types of stakeholder, including non-commercial banks as on-lenders.

www.fi-compass.eu
contact@fi-compass.eu

European Commission
Directorate-General
Agriculture and Rural Development
B-1049 Brussels

European Investment Bank
EIB Advisory
fi-compass
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg