



**SME Equity Finance  
Consultation Paper  
April 2014**



An Roinn Airgeadais  
Department of Finance

## SME Equity Finance - Public Consultation

The Government recognises that SMEs are the lifeblood of our economy and play a crucial role in employment growth in the country. Evidence shows that a stable and appropriate supply of credit promotes growth, encourages start-ups and enables existing firms to grow by exploiting trade and investment opportunities. Government policy focuses on ensuring that all viable businesses have access to a stable and appropriate supply of credit from a diverse range of bank and non-bank sources. As part of this policy focus a suite of state-sponsored financing instruments that provide a broader range of capital, equity, and debt funding across of stages of the business cycle have been developed.

It is recognised that there is a real need to increase the levels of equity investment in Irish SMEs, and that to date this strand of potential funding has been underutilised in Ireland. This, however, is not a challenge that is unique to Ireland, as across the EU there is a realisation of the need to increase SMEs access to, and use of, equity investment. In seeking to address this challenge, the SME Funding Consultation Committee <sup>1</sup>has established an Equity Finance Subgroup to explore this issue further. This subgroup is comprised of representatives from the banking sector, Government bodies and SME representative bodies, and is chaired by the Department of Finance. The terms of reference for this group are as follows:

- To explore the difficulties facing SMEs seeking equity finance;
- To explore the difficulties facing equity investors seeking to provide equity in SMEs;
- To explore the issues discouraging SMEs from seeking equity finance, including cultural reasons and information asymmetries;
- To provide a forum for consultation with stakeholders in relation to Government policy regarding the provision of equity finance to SMEs with particular reference to:
  - The recommendations of Forfas’s Equity Landscape Report;
  - The recommendations of the Entrepreneurship Forum Report;
  - The review of the Employment and Investment Incentive Scheme; and
  - Examination of International Good Practice
- Following consideration of the above, to produce a report for discussion and presentation to the SME Funding Consultation Committee.

In order to facilitate as broad an engagement as possible on this key issue for the SME sector, the Minister for Finance, Mr. Michael Noonan T.D., invites interested parties to make submissions regarding the under-utilisation of equity/quasi equity finance in the SME sector and practical suggestions as to how this situation can be improved.

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<sup>1</sup> The SME Funding Consultation Committee is a consultative forum that meets on quarterly basis. The membership of the group is comprised of senior officials and decision makers from the Department of Finance; the Department of Jobs, Enterprise and Innovation, the Department of the Taoiseach, the Department of Agriculture and Food, Forfás, Enterprise Ireland, ISME, Chambers Ireland, SFA, Bank of Ireland, Ulster Bank, Allied Irish Bank, the Irish Banking Federation, IVCA, IFA.

Submissions may be emailed to [equity@finance.gov.ie](mailto:equity@finance.gov.ie) or posted to 'Equity Finance Consultation', Banking Policy Division, Department of Finance, Upper Merrion Street, Dublin. When responding, please indicate if you are a business, business professional, adviser, representative body or member of the public.

### **Freedom of Information**

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the Department of Finance's [website](#).

**All submissions should be received, at the latest, by 5pm on the 30<sup>th</sup> May 2014.**