



STATUTORY INSTRUMENTS.

S.I. No. 393 of 2015



MICROENTERPRISE LOAN FUND SCHEME 2015

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MICROENTERPRISE LOAN FUND SCHEME 2015

WHEREAS pursuant to section 11 of the Microenterprise Loan Fund Act 2012, Social Finance Foundation (SFF), after consultation with the Minister for Jobs, Enterprise and Innovation, the Minister for Public Expenditure and Reform and the Minister for Finance caused Microfinance Ireland, (MFI), (its subsidiary), a private company limited by shares to be formed and registered under the Companies Acts;

AND WHEREAS SFF manages and controls the Fund on behalf of the Minister for Jobs, Enterprise and Innovation, through MFI which runs the loan book attached to the Fund and enables full transparency of Fund expenditure;

AND WHEREAS SFF as administrator of the Fund has sought and obtained charitable status for MFI from the Revenue Commissioners, and has received exemption from the Markets in Financial Instruments Directive (MiFID) and has ensured that it will not be classified as a retail credit firm by the Central Bank of Ireland;

AND WHEREAS SFF has ensured that the Memorandum and Articles of Association of MFI are tailored with the sole focus on microfinance and aligned with the provisions of the Microenterprise Loan Fund Act 2012.

I, GERALD NASH, Minister for State at the Department of Jobs, Enterprise and Innovation, in exercise of the powers conferred on me by section 10 of the Microenterprise Loan Fund Act 2012 (No. 31 of 2012), and the Jobs, Enterprise and Innovation (Delegation of Ministerial Functions) Order 2014 S.I. No. 545 of 2014, with the consent of the Minister for Public Expenditure and Reform and the Minister for Finance, hereby make the following Scheme.

1. Citation

This Scheme may be cited as the Microenterprise Loan Fund Scheme 2015.

2. Commencement

This Scheme comes into operation on the date of its making.

3. Objective of the Scheme

The objective of the Scheme is to promote economic development and to increase employment and enterprise, by providing loans to newly established or growing microenterprises across all industry sectors with commercially viable proposals that do not meet the conventional risk criteria applied by commercial banks.

*Notice of the making of this Statutory Instrument was published in
"Iris Oifigiúil" of 22nd September, 2015.*

The Scheme is not intended to replace any current bank lending or to address any broad deficiencies in the banks' provision of lending.

4. Credit Policy

The objective of the Credit Policy is to lend monies to create the optimum number of jobs in the microenterprise sector, commensurate with the agreed credit risk levels. The Credit Policy is under the control and governance of the Board of Directors of Microfinance Ireland with recommendations for any changes to it coming from its Credit Committee in the light of the quality of loans approved and associated loan loss provisions and write offs. Other inputs will be sought regularly from stakeholders such as Department of Jobs, Enterprise and Innovation, Banks, Local Enterprise Offices (LEOs), European Investment Fund (EIF) etc., to ensure that MFI continues to be relevant to the prevailing market conditions and to the overall objectives of the Fund.

The thrust of the Credit Policy will always be focused strongly on the potential sustainability of the business and the creation and maintenance of jobs.

5. Lending Procedures

The Board of MFI will supply a statement on lending procedures which will require the approval of the Minister for Jobs, Enterprise and Innovation, the Minister for Public Expenditure and Reform and the Minister for Finance.

5.1.1 Loan Eligibility

Microenterprises who require credit and who want to start or develop their own microenterprise, but are outside the risk parameters of conventional commercial lenders.

These microenterprises must possess a business plan.

To be eligible, the proposed business must be based in Ireland and the applicant must possess a valid Personal Public Service Number (PPSN) and Tax Clearance Certificate.

5.1.2 Purpose of Loan

Loans will be provided for business start-up costs, expansion costs and working capital.

5.1.3 Permissible Loan Values

Loans will be for amounts up to €25,000.

5.1.4 Calculation of Interest Rate

The Directors of Microfinance Ireland will set interest rates to be charged on loans to microenterprises taking into account a number of factors including: prevailing market interest rates, economic environment and specific risk factors.

In any case, the rate charged will be calculated based on the cost of funds borrowed from SFF plus a margin of up to 5% on the loan portfolio which will contribute to administrative and overhead costs.

6. Role of Enterprise Bodies

The value of an integrated enterprise development partnership between the LEOs and MFI is recognised as a key component of supporting job creation and retention. The LEOs shall, where appropriate work with MFI and other stakeholders to promote and support the Scheme including but not limited to local marketing and promotion, supporting potential applicants, initially assessing the quality of the business proposals, pre and post approval mentoring where required and agreed with the relevant LEO. The importance of timely intervention, by the provision of advice or mentoring by the LEOs in the event of potential business failure and job losses, alerted through the MFI collections process, is a key component of this collaborative action. The role of the EIF EASI guarantee programme requires evidence of an integrated approach in combining hard and soft supports to microenterprises and the partnership between the LEOs and MFI gives best effect to this requirement. An agreed approach to collaboration, embracing the issues described, should be implemented through a protocol between Enterprise Ireland, on behalf of the LEOs, and MFI. The protocol should be enacted through the Service Level Agreements with each LEO and specific commitments entered into and delivered by MFI. The arrangements within the protocol should include metrics which allow for the measurement and evaluation of engagement and the setting of agreed objectives and targets.

7. Operation of Fund

In operating the Fund Microfinance Ireland shall continue to:

- (i) minimise overall management costs consistent with its lending objectives i.e. volumes of loans, jobs supported and loan losses,
- (ii) ensure a clear financial and management information reporting structure,
- (iii) seek and maintain EIF assistance, and
- (iv) clearly identify the costs involved in operating the scheme.

8. Ministerial and Departmental Oversight

SFF, the Administrator, through its subsidiary MFI, shall undertake the following responsibilities, powers and obligations on behalf of the Minister for Jobs, Enterprise and Innovation:

- Control and Management of the Fund,
- Investment of the fund,
- Establishment of lending criteria,

- Obtaining all necessary information from the Microenterprise for the purposes of lending,
- Determining the terms of a loan agreement including the variation of such terms,
- Maintenance of documents, information, records and books of account,
- Submission of documents, information and reports to the Minister,
- Conduct of audits, examinations, and accounting procedures,
- Completion of review and evaluation of the impact of the loan fund,
- Maintenance of expenses of the administration of the fund,
- Drawdown of EIF funding to mitigate debts,
- Preparation and timely submission of an Annual Report to the Minister on the operation of the Fund for laying before the Houses of the Oireachtas, and
- Winding Up of the fund if required.

9. Chairman and Board of Directors of the Subsidiary

The Chairman and Board of Directors of the Subsidiary shall be appointed by SFF, the Administrator, following consultations with the Minister for Jobs, Enterprise and Innovation, and the Minister for Public Expenditure and Reform with key stakeholders being represented on the Board e.g. SFF (the Administrator), Banks, LEOs and other appropriate bodies/organisations. The Board shall meet at regular intervals, at least quarterly.

It shall provide Annual Reports to the Minister for Jobs, Enterprise and Innovation and shall publish Annual Reports and Financial Statements which shall be laid before the Houses of the Oireachtas.

10. Internal Governance

SFF, the Administrator will continue to ensure that corporate governance standards will be maintained to the highest levels whilst also being responsive, flexible, efficient and adaptive. The Board of MFI is responsible for the operation of the Scheme and discharges this responsibility in accordance with the Microenterprise Loan Fund Act 2012, this Scheme, and the arrangement (pursuant to section 19 of the 2012 Act). Together with the Combined Code, published in June 1998 and updated by the Committee on Corporate Governance, and all subsequent guidance on its application and the Code of Practice for the Governance of State Bodies, these represent the foundations on which MFI's corporate governance is based.

Internal governance arrangements shall include two Board subcommittees to oversee the most critical aspects of the company. The first is a Credit Committee, responsible for all aspects of credit ranging from Credit Policy through to Loan Approval and Loan Loss Reviews. A Credit Policy has been developed which balances the requirement to maximise the number of jobs created with the need to contain bad debts to acceptable levels. The Credit Policy complies and shall continue to comply with the principles of the Code of Conduct for Business Lending to SMEs (as amended). The second Board subcommittee is

an Audit and Risk Committee, responsible for financial oversight and risk management (other than credit risk).

11. Management Information Reporting

SFF, the Administrator shall establish a cost effective operating system in terms of handling applications, approvals, drawings, accounting, repayments, defaults and interest calculations. Appropriate Management Information to meet the requirement of the Board, EIF, Department of Jobs, Enterprise and Innovation and the Oireachtas shall be prepared. The Information Technology structure shall incorporate a website which in time will be capable of handling direct applications from individual microenterprises. Annual reporting shall be provided by the Administrator to the Department on agreed Key Performance Indicators (KPIs) and Targets to include:

- Expenditure — both capital and current, e.g. operational lending and administrative expenses,
- Volume and number of Loan applications received,
- Volume and number of Loan applications assessed,
- Volume and number of loans committed,
- Number of enterprises assisted,
- Number of jobs created/maintained,
- Debt recovery levels,
- Drawdown from any EIF facilities,
- Current value of Loan Book,
- Average loan processing times, and
- KPI reports will be disaggregated on the basis of criteria and categories to be determined e.g. sectoral, geographical (county/region), loan size, company age, type of company, start up or existing business, exporters or local traders etc.

12. Audits

The Comptroller and Auditor General shall conduct the audit of MFI.

13. Staffing and Human Resources

The prime driver of staffing numbers shall be the combination of management, administration and collections support and assessors to deal with the level of demand.

A core group of assessors shall be recruited, supplemented by a panel of additional assessors.

14. Review of Scheme

This Scheme shall be reviewed annually by the Department of Jobs, Enterprise and Innovation and SFF, the Administrator to ensure optimal functioning.

Any amendment to the Terms and Conditions of this Scheme require the approval of the Minister.

15. Termination of Scheme

The Department of Jobs, Enterprise and Innovation may terminate this Scheme without penalty if SFF, the Administrator, does not act in accordance with the terms of the Scheme, or if MFI is wound up for any reason. In such an event the Department shall give SFF, the Administrator, twenty days written notice of intent to terminate, delivered to SFF, the Administrator. SFF, the Administrator, likewise may terminate the Scheme should the financial condition of MFI warrant it. In such an event SFF, the Administrator, shall give the Department of Jobs, Enterprise and Innovation twenty days written notice of intent to terminate, delivered to the Department.

If MFI, the subsidiary, is wound up either voluntarily or by the court, any moneys remaining in the Fund after the payment of all debts of MFI, the subsidiary, incurred in accordance with an arrangement between the Minister and the Administrator shall be paid to the Central Fund.

16. Revocation

The Microenterprise Loan Fund Scheme (S.I. No. 343 of 2012) is revoked with effect from the date of the making of this Scheme.

The Minister for Public Expenditure and Reform consents to the making of the foregoing Scheme.



GIVEN under my Official Seal,
8 September 2015.

BRENDAN HOWLIN,
Minister for Public Expenditure and Reform.

The Minister for Finance consents to the making of the foregoing Scheme.



GIVEN under my Official Seal,
23 July 2015.

MICHAEL NOONAN,
Minister for Finance.

GIVEN under my hand,
17 September 2015.

GERALD NASH,
Minister of State at the Department of Jobs, Enterprise and
Innovation.

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