COVID-19 Startup Supports
Proposals to Government
March 31 2020
Priority recommendations for startups during COVID-19

1. **Clarify Eligibility for Supports**: ensure innovation-driven startups are eligible

   **Recommendation 1**: Government to clarify the criteria for support measures for businesses to ensure pre-revenue or companies that are otherwise dependent on investment capital are eligible.

2. **Employment Taxes & VAT**: extend holiday for Payroll taxes and VAT

   **Recommendation 1**: Government to extend the holiday for payment of employer related taxes (PAYE, USC, PRSI) due for the Jan-Feb period to cover the period March - end September, extending payment deadline to end 2020.

   **Recommendation 2**: Where refunds of VAT or other taxes are due, they should be processed immediately.

   **Recommendation 3**: Government to extend the holiday to defer the payment of VAT liability for the trading period Q2 - Q3 2020, extend payment to end 2020.

3. **R&D Tax Credits**: Immediate release of cash from R&D tax credit scheme

   **Recommendation 1**: Government (Revenue Commissioners) to process all approved R&D tax credit refunds immediately without delay, with priority for SMEs.

4. **Bridging Financing**: Introduce Government-backed Bridging Financing

   **Recommendation 1**: Government to introduce a COVID-19 Bridging Financing Fund to support startups to survive the crisis using appropriate mechanisms e.g. non-recourse loans or loans in the form of Convertible Loan Notes on attractive terms.

   **Longer-term Recommendation**: Increase commitment from Government sources to existing VC Funds, relax criteria for match funding.

5. **Stimulate Additional Funding**: Incentivise short-term angel investments; Stimulate VC funding

   **Recommendation 1**: Government to introduce short-term enhancements to EIIS to encourage investment in 2020 and 2021 (or such longer period as might be required).

   **Recommendation 2**: Introduce automatic leverage for angel capital investments whereby the angel investment would be matched with state capital through Enterprise Ireland or the Ireland Strategic Investment Fund.

   **Recommendation 3**: Government to reduce the Enterprise Ireland requirement for matching private sector funding for direct supports to companies.

   **Recommendation 4**: Support the establishment of new VC funds.

6. **Other Measures**: support for co-working spaces and a Coronavirus Challenge Fund

   **Recommendation 1**: Government to introduce rates relief or holiday for Q2 and Q3 of 2020 for co-working spaces and startup hubs.

   **Recommendation 2**: We recommend that the Government introduces the Irish Coronavirus Challenge Fund to incentivize investment into startups that are providing innovative solutions to problems arising from Covid-19.
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Why do startups need a specific policy response?

Innovation-driven startups and scaleups differ from traditional SMEs. They are often by definition loss-making enterprises in the early stages, and are reliant on risk capital for growth. With COVID-19 causing a global economic shock, there is a real risk that a generation of these companies (in particular pre-seed to Series A, but also later stage companies that have a high rate of expenditure) with short runways will be unable to survive without targeted government support.

As many of them lack material revenue, they do not profit from fiscal support measures and depend on next funding rounds that are likely to be postponed. Solutions designed for SMEs like rates relief or loan financing are not necessarily applicable to startups.

Startups and scaleups represent a significant employer base across Ireland, with TechIreland tracking “product innovation” companies numbering 1,800+ companies with less than 100 employees, employing 24,000 people in total and 100+ companies between 100 and 500 employees, employing 21,000 people in total.

Furthermore, startups are innovators helping solve problems related to COVID-19 in health-tech (helping find cures, treatments), and helping respond to the crisis better (connecting people remotely, edtech and more).

Ensuring these firms survive COVID-19 is critical to safeguard some of our most innovative companies that - if they survive this crisis - have the greatest potential to become the home-grown multinationals of the future.

Specific problems startups are facing

During COVID-19 startups across Ireland are facing the following problems most acutely:-

**Zero or low revenue at the early stages of growth:** Many early-stage startups have zero or minimal revenue and are investing in innovation with the view to generating revenue and significant scale in the longer term. In this business model P&L revenue and cash flow are not directly tied, thus revenue provides minimal contribution to operating costs. This impacts their ability to access debt, and if eligibility criteria for government supports include an ability to demonstrate reduced revenues they may inadvertently be excluded.

**Reduced availability of Investment:** Startups are typically dependent on external investment to fund their operations. Many startups are in the process of fundraising and are finding that all types of investors are slowing down investment processes; with VCs focusing in particular on companies that are already in their portfolio, while angel investors are reluctant to invest due to worries about personal liquidity.

**Retaining teams of skilled employees:** The main asset a startup has is human capital, with approximately 70% of the cost base salary related in many cases. They have limited scope to cut costs without reducing employee numbers or salaries. Because of the dependence on teams of knowledge workers, reducing headcount in the short-term can have very significant long-term strategic implications.

In addition, other problems facing startups include

- **Clarity in Guidelines** - delay in providing clear guidelines for announced measures e.g. eligibility criteria can have a significant impact on decision-making within a small company with limited resources.

- **Delay in implementation of COVID-19 measures** - our members are finding there is a delay between announcement of measures and implementation, especially where third parties such as banks are involved.
• Adapting the Business Model - many startups have to quickly identify an alternative business model as economic conditions change but may be unable to implement an alternative business model without additional capital.

• Operations - maintaining Business as Usual while moving to a lockdown / remote-working environment

• Access to Specialist Facilities - particularly acute for startups reliant on shared specialist labs or other technical facilities, e.g. hardware or life science startups needing access to incubator spaces or wet labs respectively.

• Supply Chain Issues - firms that have outsourced development or rely on third parties for components will be badly affected by disruption to supply chains.

Summary of findings from the COVID-19 Startup Survey are included in Appendix A, and the Startup Sector in numbers is in Appendix B.

“Innovation-Driven Enterprises” - a different type of SME

In its work on innovation-driven entrepreneurial ecosystems, MIT draws a distinction between innovation-driven enterprises (IDEs) and traditional SMEs in terms of cash flow and potential growth over time, as represented in the graphs above.

These “innovation-driven” startups have a different growth cycle in comparison to SMEs with more traditional business models, with their growth journey typically characterised by a “J-Curve”,

This business model means they typically need access to risk capital at all stages of growth and require specific types of globally mobile talent.

Furthermore, IDEs require a particular type of business environment in order to grow and achieve market share. To thrive, they need a strong entrepreneurial ecosystem, where successful founders are encouraged and incentivised to reinvest their expertise and capital in the next generation of startups.
1. **Eligibility**: ensure innovation-driven startups are eligible for business and employment supports

**Recommendation 1**: Government to clarify the criteria for support measures for businesses to ensure pre-revenue or companies that are otherwise dependent on investment capital are eligible.

As many startups lack revenue for a period of time, they do not profit from fiscal support measures and depend on new investment rounds that are highly likely to be postponed. Solutions designed for SMEs like rates relief or loan financing and short-term employment supports are not necessarily applicable to startups. In developing guidance for existing and new schemes to support businesses and employees (e.g. eligibility criteria) policymakers must take account of the unique characteristics of startups,

Eligibility for employment support packages is particularly important for startups, such as the Temporary COVID-19 Wage Subsidy Scheme, because employees are a startup's greatest assets, and breaking up strong teams potentially causes major strategic damage or even the demise of the business.

**International Case Studies**

**France**: Targeted measures taking account of the specific business model for startups

In recent years France, led by President Macron, have invested in an ambitious strategy for the startup ecosystem including the development of a dedicated startup-focused enterprise agency "La French Tech" and the introduction of a series of policy measures. The quote below from Cédric O, Secretary of State for Digital, reflects how the Government is introducing a package of dedicated emergency measures to support startups:

"Many startups are still fragile SMEs due to their development model, based on substantial investments, strong growth and achieving profitability only after several years of activity, and their positioning on innovative products and services. They also develop innovative products and services whose usefulness is all the more recognized by the French in the context of confinement, in particular for teleconsultation, teleworking or delivery. **Because of the specificity of their development model, it was necessary to take dedicated emergency measures in order to support, alongside their shareholders, those whose activity is strongly affected by COVID-19. In total, nearly 4 billion euros will benefit startups for their cash flow... in addition to the measures open to all companies (available [here](#)), startups can therefore benefit from specific measures:**

- **Source**: Department of Economy - Startup Support Measures [link](#) (see Introduction)
- **See also**: TechCrunch [link]

**Netherlands**: Proposal to include startups with "history of high performance which are now stalling" in support measures

Startup Association TechLeap has proposed that measures be adapted such that "Startups with clear growth trajectories that have a history of high performance which are now stalling due to the current situation are the ones that should be focused on for any support measures."

**Source**: Techleap.nl [link]
2. **Employment Supports, Employment Taxes & VAT:**

extend holiday, accelerate reimbursement

**Recommendation 1:** Government to extend the holiday for payment of employer related taxes (PAYE, USC, PRSI) due for the Jan-Feb period to cover the period March - end September, extending payment deadline to end 2020.

Payroll is the biggest cost for most startups and by extending the scheme to end Q3 this will create more certainty for cash flow planning. Furthermore clear messaging around key details such as timeline for repayment and costs included in the measure would support financial planning and decision making.

**Recommendation 2:** Where refunds of VAT or other taxes are due, they should be processed immediately.

For companies owed VAT refunds or other taxes, in the interest of cash flow, these refunds should be processed without delay. Immediate payments can facilitate potential measures within that company to reorient business operations, let companies focus on workplace innovation and drive business competitiveness which will be a key tool for business recovery.

**Recommendation 3:** Government to extend the holiday to defer the payment of VAT liability for the trading period Q2 - Q3 2020, extend payment to end 2020.

As companies quickly adjust their cash flow planning for the year, clarity around when VAT payments will come due for payment will affect decision making, provide certainty for cash flow planning and help protect jobs.

**International Case Studies**

A. **Global: Summary of VAT cuts to support businesses during Covid-19**

Countries around the world are turning to emergency tax breaks to support their stuttering economies under the coronavirus (COVID-19) threat. A snapshot of measures taken is linked below.

**Source:** Avalara article [link](#)

B. **Denmark: Extension of payment deadline for VAT and labor market contributions**

In Denmark, companies' payment deadline for A-tax for March - June 2020 are postponed. In addition, the payment deadline regarding B-tax for April and May 2020 is postponed, so payment must be made on 22 June 2020 and 21 December 2020 respectively. Furthermore, “for companies, which pay VAT every 6 months, the first and second periods are combined, with a payment deadline 1 March 2021 for both periods. However, each period must be reported within the usual deadlines”. 

**Source:** Department of Economy [link](#)

C. **France: Economic support plan where companies can defer tax payments for 3 months, accelerated reimbursement**

The economic support plan in France includes a measure where French companies can defer tax payments for 3 months, in addition to rent and utility bills: “The date of payment of these contributions may be postponed up to 3 months: information will be communicated later on. No penalty will be applied.”
Furthermore, France has introduced measures such that startups can receive tax returns more quickly e.g. VAT returns: “All companies have the possibility of … an accelerated processing of requests for reimbursement of VAT credits by the General Directorate of Public Finance (DGFiP).”

Source: Department of Economy - General Business Support Measures [link](#)

D. Italy: deferring taxes for companies earning under €2m revenue

In Italy companies can ask to suspend tax payments and those earning under €2m revenue don’t have to pay taxes.

3. **R&D Tax Credits:** immediate release of cash from R&D Tax Credit Scheme

**Recommendation 1:** Government (Revenue Commissioners) to process all approved R&D tax credit refunds immediately without delay, with priority for SMEs.

One simple solution that would provide immediate liquidity to startups is for the Government to fast track R&D tax credit payments, allowing R&D claimants who are not profitable to avail of the ‘cash back’ mechanism upfront, in one instalment, rather than the current mechanism that processes the refunds over a 3 year period.

Where 2nd and 3rd instalments have not yet been paid out, and would normally fall due at a later date, these should be paid immediately.

Where an Audit or Query is in process or has been scheduled, payment should be made immediately without waiting for completion of the audit process. Given the tax system operates under self-assessment, these refunds should be released immediately and any outstanding queries can be dealt with over the next number of months, as appropriate.

**Other recommended changes to the R&D Tax Credit system to support cash flow for SMEs:**

- Consider increasing the rate of R&D tax credit to (say) 50%, from 1 April 2020. The new rate would apply to salary costs only and could be capped at (say) €1m. This will incentivise companies to retain employees.
- Revenue to reduce audit window for R&D tax credit claims to (say) no later than 18 months after the return is filed, provided the R&D tax credit claims (to include science and finance information) are submitted to Revenue (either with the CT1 for future claims, or separately where the CT1 has already been filed). This would remove any concern that a company may have in relation to investing the R&D tax credits back into the business i.e. it would remove any concern that the R&D tax credit would be clawed back under an almost 5 year audit window (which is the current situation).
- Consider amending the provision included in Finance Act 2019 relating to the notification of sub-contractors, as this will mean that some SMEs that were previously availing of the R&D tax credit, will no longer be able to (if they will receive notification letters from larger entities).

**International Case Studies**

A. **France:** The accelerated reimbursement by the State of refundable corporate tax credits in 2020, including the research tax credit (CIR) for the year 2019

“Startups as SMEs and / or young innovative companies (JEI) are eligible for the immediate return of the CIR. They can therefore request now and without waiting for the filing of the result declaration (“tax bundle”) a refund of the CIR for
the year 2019, which corresponds to a cash advance of around 1.5 billion euros. Corporate tax services (SIE) are mobilizing to process business reimbursement requests as quickly as possible, within a few days.”

Source: Department of Economy - Startup Support Measures link (see Section 3)

4. **Bridging Financing:** introduce government-backed bridging finance

Unlike conventional businesses, startups and scaleups are highly dependent on external capital. In the short term, startups are going to face extreme difficulty accessing private institutional and angel capital as investor concerns about liquidity and the financial health of their existing portfolio companies hit. This is leading to the withdrawal of funding offers and dramatic lengthening of investment decision making processes. For this reason measures will be required to support companies who are unable to access private capital.

**Recommendation 1:** Government to introduce a COVID-19 Bridging Financing Fund to support startups to survive the crisis using appropriate mechanisms e.g. non-recourse loans or loans in the form of Convertible Loan Notes on attractive terms.

Government-backed loans are not sufficient: for startups, specific government-backed funds providing Bridging Financing during COVID-19 are necessary. The Government will play a key role as investors either directly in startups or as LPs for VCs.

The Government can provide this Bridging Financing using different mechanisms, such as:

- **Convertible Loan Note (CLN)** - a loan that converts into equity at some future date if not repaid. The loan typically attracts interest and converts at a discount to a price set in a future funding round.

- **Simple Agreement for Future Equity (SAFE)** - an instrument similar to a CLN that provides rights to the investor for future equity in the company similar to a warrant, but without the requirement to value the company at the time of investment and without interest.

- **Non-recourse Loans** - for later stage companies that have some repayment capacity, non-recourse loans with a government guarantee should be made available. These loans could be delivered through the existing pillar banks with a minimal interest rate and a rapid underwriting process.

We recommend the Government introduce a fund of up to €100m to provide CLNs or SAFEs for early-stage business of up to a maximum of €1m which would provide a runway extension and a bridge for viable firms to their next full funding round after the peak of the crisis. This could be funded from existing resources (such as the Ireland Strategic Investment Fund) and delivered through multiple channels or a dedicated organisation established for that purpose.

**Longer-term Recommendation:** Increase commitment from Government sources to existing VC Funds, relax criteria for match funding

In addition, the Government should consider increasing commitments to existing venture capital funds to enable them to continue to make new investments and to increase support to their existing portfolio company. This is important as other source of investment capital dry up; loss of revenue reduces runway and companies must source investment from existing investors.
In parallel, the Government should eliminate any requirement for additional matching private capital in these funds as such private capital is very unlikely to be available in the current climate.

**International Case Studies**

A. Austria: Corona bridging of €5-350k (if revenue less than €5m) & €50-500k (if revenue €5m+)

Bridging finance is provided if companies are facing the following: Declines in orders and sales; Delinquency and bad debts; Goods procurement and purchasing problems; Loss of personnel or personnel expenses.

**Source:** Department of Economy [link](#) (see Guarantees detail)

B. France: €80m to finance bridges between two fundraising rounds, dedicated to startups, financed by the Investments for the Future Program (PIA) and managed by Bpifrance

“The targets of this system are startups which were in the process of raising funds or which were to carry out one in the coming months and who are unable to do so due to the contraction of venture capital. These financings take the form of bonds with possible access to capital and are intended to be co-financed by private investors, constituting a total of at least €160 million.”

**Source:** Department for Economy - [link](#) (see Section 1)

C. UK: Proposed Runway Fund

To keep viable startups alive in the UK the "Runway Fund" has been proposed to give extra time to early-stage businesses in need of Bridge Financing. The fund would provide CLNs with discounts to startups of up to £500k to give them at least nine months of operations. The loan would then convert into equity at the next round. The proposed fund of £300m could invest initially in around 600 startups.

**Source:** Financial Times, 30 March - [link](#)

### 5. Stimulate Additional Funding: incentivise angel investments; stimulate creation of new VC Funds

Beyond the immediate need for bridging finance to get startups and scaleups through the immediate cash flow crisis, companies will face a very difficult funding environment for the foreseeable future. Existing VC funds and angel investors will focus their investment firepower on their current portfolio while new VC funds will find it extremely difficult to raise capital due to liquidity concerns in their Limited Partner investors.

**Recommendation 1:** Government to introduce short-term enhancements to EIIS to encourage investment in 2020 and 2021 (or such longer period as might be required).

1. Increase the individual EIIS limit for 2020 and 2021 to €1m to encourage those who can to deploy capital in the short term and to facilitate startups and scaleups to raise larger amounts of capital through EIIS.


3. Offer CGT relief on investments made during 2020 and 2021. This would operate in a similar way to the relief introduced in 2012 for property investment under Section 604A Taxes Consolidation Act 1997.
Recommendation 2: Introduce automatic leverage for angel capital investments whereby the angel investment would be matched with state capital through Enterprise Ireland or the Ireland Strategic Investment Fund.

This could operate on a basis similar to the European Investment Fund (EIF) scheme whereby accredited angel investors can match investment with EIF funding (see link).

Recommendation 3: Government to reduce the Enterprise Ireland requirement for matching private sector funding for direct supports to companies.

A reduction from a minimum of 50% matching to, for example, 35% private sector matching would stimulate the private sector investment by increasing the leverage gained from new investments.

Recommendation 4: Support the establishment of new VC funds.

Creation of new VC funds will be impossible in the short term and extremely challenging in the longer term as private limited partner (LPs) investors withdraw from the market in order to protect liquidity and rebalance portfolios.

1. Government should support the creation of new funds by making capital available through all government LPs at a local (Enterprise Ireland, ISIF) and European level (EIF, EIB, etc.).

2. Requirements for matching private capital should be relaxed in order to facilitate the rapid creation of new funds.

International Case Studies

UK: stimulating Angel investment through EIS & SEIS schemes

In the UK the EIS and SEIS schemes have been very effective in mobilising private capital into the startup sector. This provides a very useful model for incentivising investment in entrepreneurial ventures, which specifically excludes certain types of activity e.g. property development or running a hotel. The rules for EIS approved funds will be changing on 6 April 2020 to take account of the changes that will “focus approved funds on knowledge-intensive investments”.

Source: Gov.uk - link

6. Other Measures: support for co-working spaces and a Coronavirus Challenge Fund

Recommendation 1: Government to introduce rates relief or holiday for Q2 and Q3 of 2020 for co-working spaces and startup hubs.

As many coworking spaces will either be mandated to close during the coronavirus pandemic, or see their member numbers sharply decline as more people are forced to work from home we recommend the introduction of rates relief or holiday for Q2 and Q3 of 2020.
This in turn will impact the vibrancy of startup ecosystems. The development of this network of infrastructure has been 5-10 years in the making and there is a big risk that we lose a critical element of the ecosystem.

**Recommendation 2:** We recommend that the Government introduces the Irish Coronavirus Challenge Fund to incentivize investment into startups that are providing innovative solutions to problems arising from Covid-19.

The EU has already opened a challenge asking for startup help addressing the big challenges that come from Coronavirus. The Irish Government should replicate this call.

Solicit startups and ecosystems to identify digitally-based devices, logistics systems and protocols that are both rapidly feasible from a technical point of view and relevant or even essential to the work of health authorities. This could potentially include: Fintechs being leveraged to push out government business support including loans etc more rapidly than traditional banks; Marketplaces being used for purchasing space and other critical needs to build our HSE capability; Data modelling firms helping the Government to map demand and support.

*International Case Studies*

**Israel: 50-75% funding for Coronavirus initiatives**

The Israeli Ministry of Economy and Industry, and the Manufacturers Association of Israel are calling on industrial facilities and companies to submit R&D plans for the increased production of coronavirus-related products. As part of the initiative, the government will offer financial support of 50% to 75% of expenses to plans that will demonstrate the potential to bolster the country’s healthcare system or provide breakthroughs in the fight against coronavirus.

**Source:** Calcalistech - [link](#)
Appendix A - COVID-19 Startup Survey

Key insights from the survey are included below:

Dates carried out: 27 March - 31 March
Number of respondents: 206
Respondent type: Startup Founders 87%  Investors 1%  Hub Manager 3%  Other 9%

Key findings from startup founders:

Location of Startups:

- Dublin: 56%
- Cork: 12%
- Waterford: 6%
- Galway: 5%
- Kildare: 5%
- Other: 26%

Number of people employed:

1,555 in Total
Regional Breakdown: 155 Cork; 951 Dublin; 205 Galway; 26 Kerry; 34 Kildare; 14 Limerick; 26 Sligo; 93 Waterford;

Sectors:

- Enterprise Solutions: (15.8%)
- Fintech: (14.1%)
- Health / Medical: (13.6%)
- Consumer/eCommerce: (6.2%)
- Other: (50.3%)

Pre-COVID-19, was your startup viable and meeting target milestones?

- Yes: (91.5%)
- No: (1.1%)
- Unsure: (7.3%)
In terms of company operations, what concerns you most about the current Coronavirus situation?

In collaboration with Techleap.nl we have compared the concerns against an equivalent survey carried out in the Netherlands amongst startup founders, included below:

![Bar chart showing concerns in Ireland and Netherlands]

**What actions have you taken to cut costs already?**

![Bar chart showing actions taken to cut costs]

**When do you expect the financial impact to become critical for your business?**
(i.e. you will run out of cashflow and will be without funding.)

- 1-3 months (31.1%)
- 3-6 months (36.2%)
- 6-9 months (19.2%)
- Other (13%)
Since the Covid-19 crisis began, how much has your revenue declined?

- By less than 25% (8.9%)
- Between 25 and 50% (17.8%)
- Between 50 and 75% (15.6%)
- More than 75% (16.3%)
- Revenue has stayed the same/increased (13.3%)
- N/A we are pre-revenue (28.1%)

What is your perception of current or future investing willingness?

1 (Not at all confident) 2 3 4 5 6 7 8 9 10 (Extremely confident)

Are you satisfied with the help for startups offered by the Government to date?

- Yes (11.8%)
- No (43.3%)
- Moderately satisfied (44.9%)

What kind of Government support do you need the most to help you through this time?

( % of top choices in order of preference)

- Employee Subsidy: Access to the COVID-19 Wage Subsidy Scheme (51.4%)
- Bridge Funding: Government backed Bridge Funding (49.7%)
- Reduce Tax Bill: Employer Tax Exemptions/postponements (PAYE, PRSI) (40.2%)
- Reduce Tax Bill: VAT exemptions / postponements (32.4%)
- Guidance: Clarity around eligibility for Government supports (32.4%)
R&D Tax Credits: Immediate R&D Tax Credit repayment (28.5%)
Debt: Guarantees for loans to cover operational costs (28.5%)
Government Procurement: Government contracts (17.3%)
Advice: International trade/transport advice/mentoring (10.6%)
Advice: Financial Advice (6.1%)
Advice: HR advice (1.1%)
Advice: International trade/transport advice/mentoring (10.6%)
Other (13.8%)

Quotes from respondents:

Q. Do you have any suggestions or comments on your current situation which you would like Government and policymakers for immediate consideration?

"Proprietary directors want to keep working - they need the wage subsidy. The Covid 19 payment is classed as an 'Unemployment' benefit - for those NOT working”

“A fast track, short term Enterprise Ireland arrangement where startups are minimally funded to keep them alive over the next few months. This could be in the form of equity, loans or hybrid arrangement. This should be systemic and be aimed at keeping the startup ecosystem alive and ready to engage when the economy eventually recovers. It's worth saying that as a community we are used to dealing with existential threats and making personal and financial sacrifices to build our businesses. Our businesses are going to be the powerhouse of growth in the Irish economy over the next 5 to 10 years. It would be a shame to have it all burn to the ground in the next 3 to 6 months as it will take many years to grow back."

“A simple change to the R&D will help us to protect a lot of jobs.”

“Fast payment of R&D tax credits would be most welcome.”

“France has taken decisive action to support their startups with convertible loans to act as “bridge” finance. Having spoken to key Irish startup agencies, there are no specific supports to help startups survive the COVID 19 crisis. All that appears to be on offer are existing grants mainly designed to fund new projects or additional external consulting spend. Investor reaction is mixed, many are more cautious and investment processes, even where investors are fully engaged, will be slower due to many factors, including adjusting to remote processes where travel is not possible for pitch meetings. Many investors have pulled back from new investments as they focus on their existing companies, this was the case with the lead investor on our current late seed round.”

“Government backed lending initiatives that work for startups. We have heard from Bank XXX that they will only lend to profitable businesses - this is useless for startups who are investing in R&D and growth to create jobs and don’t aim to make profits for a number of years to come.”

“We have a viable startup addressing a global problem that is not affected by the Pandemic. We have private investors who will invest but only when they see how the world is after things have returned to some semblance of normality. They might be persuaded to invest if the Govt (perhaps through Enterprise Ireland) were to underwrite their investment. This would allow us to press on with development which, in turn would necessitate us hiring people thereby generating much needed employment.”
“We’re not eligible for main Government subsidy as we have cash in the bank despite the fact our revenue is down 30% or more”

“Tech companies typically have higher salaries but there is no support for people earning more that EUR76k. This causes a major issue as we don’t want to let anyone go - especially not critical team members, but many such people are earning EUR80-100k and we cannot get any support for keeping them on.”

“The current Employee Subsidy is blunt, in the sense that your typical loss making start up may have the cash to pay in any one week, and therefore cannot claim the subsidy, but will need to make money to give it sufficient ‘runway’ before further investment is obtained. Therefore, rather than benefiting from the subsidy, start ups will tend to leave people go, good people, people hard found, to minimise cash burn.”

“What I feel would be fantastic if they [Government] launched an ‘interim R&D’ grant through EI for any HPSU, and make the process a 7 day application - grant process. Any amount would be fantastic, €25k would be amazing and would see companies like XXX through this terrible time.”

“Limited support for pre-revenue or early stage revenue companies. We employ 9 highly skilled people and will reduce by 50% and taper development in the absence of support. This action will be taken to prolong the cash runway.”
Appendix B - The Irish Startup Sector in numbers

Our partner TechIreland is tracking 1.8k+ active Irish tech startup & scaleup businesses employing 45k people across Ireland:

- 1,800 companies with less than 100 employees, employing 24,000 people.
- 106 companies between 100 and 500 employees, employing 21,000 people.

While half of these companies are based in Dublin, 70% of their employees are outside Dublin and broadly dispersed across the country.

Major regional clusters include Cork (190 companies) Galway (150 companies) and Limerick (90 companies) and smaller clusters in Co. Clare, Kerry, Kildare, Louth and Waterford.

85% of these companies offer Business-to-Business solutions and depend on other businesses for revenue. Nearly all of these companies are focused on export markets.

Nearly half of these companies are based in the over 300 accelerators, coworking spaces and research centres across the country.

These startups provide critical employment across the country. According to economic research, each job in a startup supports an additional 5 indirect jobs.
About ScaleIreland

Creating a globally competitive environment for indigenous innovation-driven enterprises to scale is essential to securing Ireland’s future economic wellbeing and help drive balanced regional development.

ScaleIreland’s mission is to inform and shape government policy to empower Ireland’s ambitious innovation-driven enterprises to succeed and scale.

Scale Ireland is an independent non-profit organisation providing a unified policy voice for Ireland’s innovation-driven startups.

Who we are

The organisation is chaired by Brian Caulfield, serial entrepreneur and investor and led by Liz McCarthy (Executive Director).

The Steering Group is made up of leaders from across Ireland’s startup ecosystem who share ambition for Ireland’s innovative entrepreneurs, listed below.

To learn more see our website [www.scaleireland.org](http://www.scaleireland.org).