

Gross fixed capital formation is forecast in *SPU 2020* to grow by €0.8 billion in 2020.<sup>32</sup> This increase in general government terms is also reflected in exchequer capital spending. The slowdown in building and construction activity could result in lower capital spending. However, Approved Housing Bodies purchase completed homes as well as funding new builds. As many of these bodies are included in the general government sector, general government capital spending may be less sensitive to new building activity.

### Box F: Policy measures introduced since the Covid-19 outbreak

The government has introduced a range of fiscal supports since the onset of the Covid-19 outbreak in Ireland. Broadly speaking, these efforts have focussed on three areas; providing income support to those made unemployed as a result of the crisis, including directly subsidising wages for employees who otherwise would have been made unemployed, delivering cash flow supports to businesses, and directing additional funding towards the health sector.

All told, the government has allocated an additional €14 billion (8 per cent of estimated GNI\* for 2020) of funding for the provision of these programs (of which €7 billion is through direct spending). This box provides a brief overview of the government’s fiscal measures outlined to date, along with some tentative indications as to how these programmes may evolve over the coming months.

**Table F.1: Overview of Fiscal Measures**

	Est. cost €m
<b>Income Supports</b>	4,500
<p><b>Pandemic Unemployment Payment:</b> Emergency unemployment payment of €350/week to those who have lost their jobs on or before 13th March due to Covid-19. It is higher than the standard jobseeker’s allowance of €203 and the government has budgeted for such payments to run over a 12-week period until 8th June.</p> <p><b>Temporary Wage Subsidy Scheme:</b> A tiered payments system that subsidises between 70% and 85% of an eligible employee’s salary up to maximum of €412/week (equivalent to pre-tax annual income of almost €22,000).<sup>2</sup> The scheme was launched on 26th March with a duration set to 12 weeks by the government.</p> <p><b>Enhanced Illness Benefit Scheme:</b> The Illness Benefit Scheme for those who have been either diagnosed with the virus or have been told to self-isolate by a medical professional has been increased to €350/week, up from the standard Illness Benefit rate of €203. This payment is provided for 2 weeks for those medically required to self-isolate, and 10 weeks for those diagnosed with the virus. It is unclear whether this payment will extend beyond the 12-week lockdown period.</p>	
<b>Business Supports</b>	7,500
<p><b>Covid-19 Working Capital Loan Scheme:</b> Designed to facilitate access to short-term liquidity for businesses impacted by the virus. The term of these loans is reflective of this aim, and is between 1 and 3 years, with a maximum fixed interest rate of 4 per cent.</p>	

<sup>32</sup> An increase of €0.9 billion was projected in *Budget 2020*.

<b>Covid-19 Future Growth Loan Scheme:</b> An upgraded pre-existing facility to provide longer term loans to firms impacted by Covid-19. The interest rate ceiling is set at 4.5% for this facility, with durations between 8 and 10 years.	200
<b>Sustaining Enterprise Fund:</b> Designed to provide manufacturing and internationally traded services companies with capital to help stabilise and rebuild their businesses	180
<b>Credit Guarantee Scheme:</b> Designed originally to offer protection to SMEs affected by Brexit. The facility is intended to reduce the onset of liquidity and credit constraints for smaller borrowers who would otherwise face barriers to attracting credit.	150
<b>Pandemic Stabilisation and Recovery Fund:</b> This fund will form part of the Irish Strategic Investment Fund's portfolio, replacing the amount allocated to its global investments. The fund will invest in medium to large scale enterprises across all sectors, with a focus on near term economic stimulation and stabilisation of the Irish economy.	2,000
<b>Covid-19 Credit Guarantee Scheme:</b> Credit guarantees of 80% on lending to SMEs until the end of 2020, for terms between 3 months and 6 years, and values between €10,000 and €1m. Lenders are subject to a portfolio cap of 50%, with the scheme applying to all sectors of the economy.	2,000
<b>Restart Grant for Micro and Small Businesses:</b> The grant will reimburse micro and small businesses equivalent to a maximum amount reflecting their 2019 commercial rates bill, with a cap per business of €10,000, and a minimum of €2,000.	250
<b>Commercial Rates Break / Tax Forbearance:</b> Revenue tax and commercial rates breaks and deferrals have been facilitated for businesses. Tax liabilities for businesses will be 'warehoused' for one year following the recommencement of trading. Rates will be deferred for 3 months beginning 27th March for businesses forced to close as a result of the shutdown	2,260
<b>Health Sector Supports</b>	2,000
<b>Capacity Increasing:</b> Additional capacity, increasing staffing and overtime.	
<b>Securing Private Hospitals:</b> Securing the use of private healthcare facilities.	
<b>Additional Funding:</b> Measures to support the Covid-19 Action Plan and supports for nursing homes. Customs 'green routing' for critical pharmaceutical goods.	
<b>Total:</b>	<b>14,000</b>
-- of which direct spending*	7,000
-- of which guarantees / loans/investments	7,000
Less funds previously allocated for other purposes	-750
<b>Total (less funds previously allocated)</b>	<b>13,300</b>

Sources: Department of Finance; Department of Business, Enterprise, and Innovation; Fiscal Council workings.

\*The government has also launched a round of smaller direct grants to supplement the main lending facilities and investments detailed in this box.

On a headline basis general government expenditure is forecast to fall in 2021 (€2.4 billion or 2.5 per cent), nevertheless leaving it €7.2 billion above its 2019 level. The projected fall reflects halting spending on the main government support schemes and the ending of exceptional health spending related to Covid-19 (Figure 3.4), partly offset by higher compensation and other costs.