



Rialtas na hÉireann
Government of Ireland

Spending Review 2021 – The Impact of COVID-19 on State Supported Lending

John Reidy

Department of Public Expenditure and Reform

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Spending Review 2021 – Overview, Aims & Objectives



Overview

- State supported loan schemes were adapted and expanded in response to the COVID-19 pandemic, marking a new development in the use of state supported lending in Ireland.
- Relative to pre-pandemic levels, these developments have been accompanied by strong uptake:
 - Between 2012 and 2020Q1 the total value of supported loan schemes ran to approx. €500m. As of 2021Q1 this has increased to over €1bn.

Aims and Objectives

- Building on the work of two previous spending reviews, this paper;
 - Tracks developments in scheme design and uptake, and provides a profile of loans and businesses within various schemes.
 - Frames these developments in light of market and State responses to the COVID-19 pandemic.
 - Examines the sectoral targeting of the schemes.
- It is intended that this paper will compliment ongoing work by DETE's Evaluation Unit to determine the additionality of State Supported Lending.

Spending Review 2021 – Key Findings



Key Policy Relevant Findings

- **Scheme uptake:** Expansions of various loan schemes in response to the pandemic have been accompanied by high levels of uptake.
- **Sector breakdown:** Sectors that account for high proportions of uptake across all schemes include Wholesale and Retail, Manufacturing, Accommodation and Food, and Construction. This is reflective of the overall enterprise base and also overlaps with sectors most severely impacted by pandemic related restrictions.
- **The use of loans schemes as working capital support:** Credit market data published by the Central Bank indicates that the provision of credit to SMEs contracted throughout 2020. 2020Q3 saw the largest quarterly fall in gross new lending to SMEs since 2011Q1. This provides a clear rationale for the expansion and adaptations of schemes in this period. Credit Grade data suggests that additional risk has been introduced into the overall portfolio of state guaranteed loans, which may have implications for exchequer cost. However, more time is needed to allow loans to mature, observe ex-post cash flows, quantify exchequer costs, and assess the benefit of loans schemes relatively to other forms of pandemic related enterprise supports.