

Group Briefing

September 2017

Financing Irish Infrastructure

Review of the Report of the Mid-term Review of the Capital Plan: Building on Recovery 2016-2021

Infrastructure “The Wheels if not the Engine” of Long Term Economic Growth.

September 2017, the Minister for Finance and Public Expenditure & Reform published the output of the long awaited Mid-Term Review of the Capital Plan: Building on Recovery 2016-2021 (the “Report”). The Report places investment in infrastructure in a positive context identifying Ireland as a country which has much to benefit from infrastructure spend and acknowledging the recognised benefits that infrastructure can have to economic growth generally. Transport, housing and education are particularly highlighted. Some would say the positive acknowledgement of the contribution of infrastructure to economic development marks a clear shift in Ireland’s approach over recent years which has been to limit or depress capital spending by focusing on Ireland’s fiscal position rather than its economic competitiveness.

5 KEY POINTS

- **This is a review – there is nothing new!** This Review does not identify new projects but rather reviews the priorities in respect of existing projects (albeit in the context of what is happening in current sectors).

New projects (assuming there will be some) will be contained in the National Investment Plan to be published before year end.

- **Alignment to new planning framework** – The infrastructure review is aligned and will be consistent with the new National Planning Framework – Ireland 2040 Plan due to be published later in 2017.
- **Limited fiscal flexibility** - The Report reiterates Ireland’s commitment to reduce its budget deficit and warns or at least acknowledges that additional capital investment needs to be undertaken within that context.
- **To PPP or not to PPP** – The Report offers mixed signals in relation to PPP. The Public Consultation responses and the Committee on Budgetary Oversight Report discussed mechanisms to increase PPPs while there is a reference to an IMF assessment of the need to tighten restrictions on PPP selection. The existing 8 PPP projects identified in the 2016-2021 Capital Plan are not affected but we will need to see what the National Investment Plan says about the use of PPP for future projects.
- **Use of Non Exchequer Funding** - The Report identifies further, deeper cooperation with the

European Investment Bank as a key means of supporting infrastructure development. The Irish Strategic Investment Fund is seen to have added a positive additional source of funding which is expected to continue with a number of innovative projects and funding models under review.

CONCLUSION

The Report offers a broadly positive attitude towards infrastructure spending and development which in itself is welcomed for those involved in the infrastructure sector in Ireland. We will need to wait until publication of The National Investment Plan to see how ambitious Ireland aims to be. We will be publishing a summary of the key points in the National Investment Plan as soon as it is published.

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