

Address by

Brian Cowen, TD, Minister for Finance

At the Launch of the Annual Reports of the National Treasury Management Agency, the National Pensions Reserve Fund Commission and the National Development Finance Agency

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National Treasury Management Agency, Dublin

I am very pleased to be with you today for the launch of the Annual Reports of the NTMA, the NDFA and the NPRF Commission for 2005. The NTMA was established at the end of 1990 and over the last fifteen years it has seen huge developments, both in terms of its own responsibilities and in terms of Ireland's economy.

Back in December 1990, Ireland's debt was one of the highest in Europe - at more than 100 per cent of GNP. It is now less than 28 per cent and one of the lowest. Ireland's GNP has grown by an outstanding 320 per cent over the same period. For the last ten years, the National Debt has remained more or less constant at the very substantial level of €38 billion. However, the interest burden it imposes on the State has fallen sharply because of rapid economic growth and the decline in interest rates. Debt interest in 1991, the first full year of the NTMA's operation, absorbed nearly 27 per cent of tax revenue; in 2005, this had fallen below 4 per cent.

In 2005, the interest bill on the National Debt was €257 million less than had been projected in the Budget. This was due to a number of factors: the strong Exchequer position meant that borrowing was lower than expected and rises in interest rates did not materialise until early 2006.

The scale of activities here is huge: in 2005, combined asset and liability portfolios under management amounted to over €57 billion and gross cashflows through the NTMA were €642 billion – that is equivalent to five times Ireland's GNP. When the NTMA started out, it had one function: borrowing for the Exchequer and the management of the National Debt. Over the years it has taken on three major additional roles:

- The **National Development Finance Agency** commenced operations in 2003. The NDFA has continued to develop its original role, providing advice to a range of State authorities on the optimum means of financing public investment projects – whether traditional or PPP - to achieve value for money.

To date, over 90 projects have been referred to the NDFA and it had completed its advice in relation to 22 projects at the end of 2005. The significance of the role played by the NDFA in delivering capital projects is shown by the cumulative value of the projects on which the NDFA has completed its advice. This was almost €2,400 million by end-2005 and is expected to reach almost €4,000 million by the end of 2006.

Last year, the Government announced a major initiative to accelerate the delivery of PPPs for key capital infrastructure projects. It involves the establishment in the NDFA of a Centre of Expertise to facilitate the procurement of PPP projects funded directly from the Votes of Departments and Agencies. NDFA is already carrying out the new functions on a non-statutory basis, and the Annual Report sets out the very significant work already undertaken in their new role. The Government last month gave the go-ahead to the drafting of legislation to place the Centre of Expertise on a statutory footing and I expect to bring the legislation to the Oireachtas in the Autumn session.

- The management of the **National Pensions Reserve Fund** was assigned to the NTMA in 2001. The Fund is controlled by an independent expert commission. Population ageing is emerging in the developed world as one of the major public policy concerns of this century. The establishment of the NPRF has put Ireland to the forefront of countries taking measures to address this issue. It is a real and lasting achievement by this generation and represents an equitable sharing of the burden of future pension provision and the fruits of our current economic prosperity.

The NTMA acts as agent for the Commission, provides it with information, advice and assistance, and implements its investment strategies. It also directly manages the Fund's passive bond portfolio, its uninvested cash and its foreign currency hedging operations. The Fund reported a return of 19.6 per cent in 2005 - this means that the value of its assets increased by €2,410 million over the year, in addition to the €1,320 million committed by the Government to the Fund in 2005. The Fund now stands at around €16 billion.

- Acting as the **State Claims Agency**, the NTMA has been managing personal injury and property damage claims against Government Ministers and the Attorney General since 2001; more recently, its remit has been expanded to cover claims against clinical staff and health care enterprises under the Clinical Indemnity Scheme and, in 2005, child sexual abuse and hearing loss cases.

Although it is currently managing around 3,600 claims, there has been a significant decline in employer liability and public liability claims against the State since the SCA was established. About 40 per cent of claims received since inception have been resolved; 30 per cent of these at no cost to the State.

The NTMA continues to develop, both through innovation in its existing businesses and as a result of the addition of new responsibilities. More detailed information on all of these topics and on the full range of the NTMA's activities is available in the three Annual Reports launched here today.