

**Statement on behalf of**  
**Brian Cowen, TD, Tánaiste and Minister for Finance**  
**On the launch of the Annual Reports of the National Treasury Management Agency**  
**and the National Development Finance Agency**  
**Wednesday 18 July 2007**  
**National Treasury Management Agency, Dublin**

The 2006 Annual Reports of the NTMA and the NDFA were launched today. Since the NTMA was established in 1990, it has witnessed huge development, both in terms of its own responsibilities and in terms of Ireland's economy.

Back in 1990, Ireland's debt was one of the highest in Europe - at more than 100 per cent of GNP. Now it is less than 25 per cent and one of the lowest. Because of the strong performance of the economy last year and the healthy Exchequer surplus, the National Debt fell by over €2 billion, and ended the year at just under €36 billion – its lowest level in ten years. Furthermore, the interest burden it imposes on the State has fallen sharply because of rapid economic growth and the NTMA's policy of locking in long-term interest rates at historically low levels. Debt interest in 2006 absorbed 4.1 per cent of tax revenue, down from 25.7 per cent when the NTMA started out. Total debt service costs in 2006 were €271 million below budget.

The scale of the NTMA's activities is huge: in 2006, combined asset and liability portfolios under management amounted to almost €60 billion and gross cashflows through the NTMA were €580 billion – that is equivalent to four times Ireland's GNP.

When the NTMA was set up, it had one function: borrowing for the Exchequer and the management of the National Debt. Over the years it has taken on three substantial 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 107 projects have been referred to the NDFA and it has completed its advice in relation to 35 of those. The significance of the role played by the NDFA in delivering capital projects is shown by the cumulative value of the projects on which it has completed its advice. This was almost €3.3 billion at the end of 2006 and is expected to reach almost €5 billion by the end of this year. All public capital projects with a value over €20 million are referred to the NDFA for advice.

In 2005, I announced a major initiative to accelerate the delivery of PPPs for key capital infrastructure projects. It involved the expansion of the NDFA to include a Centre of Expertise with responsibility for the actual procurement of PPP projects funded directly from the Votes of Departments and agencies. The National Development Finance Agency (Amendment) Act 2007, which puts the procurement role of the NDFA on a statutory basis, was enacted in April 2007. The NDFA Annual Report sets out the very significant work already undertaken in this new role.

- The management of the **National Pensions Reserve Fund** was assigned to the NTMA in 2001.

The sustainability of public pension systems in the face of population ageing is emerging as a major public policy concern across all developed countries. It is an issue Ireland faces too. The Pensions Board's National Pensions Review, published last year, projects that the costs of social welfare pensions and public service pensions are likely to more than treble from 4.3 per cent of GNP to 13.8 per cent of GNP by mid-century.

Sustaining the living standards of older people in an environment where the burden on the taxpayer is rising so dramatically represents a significant challenge. However, it is one that our relatively youthful population gives us time to prepare for.

The Government seized this opportunity through the establishment of the National Pensions Reserve Fund in 2001. The Fund involves the Government setting aside money now while the costs of pensions are still low in order to provide for pension commitments as the proportion of pensioners in the population grows and the consequent burden on the taxpayer increases. In this way, relatively modest contributions can make a real difference and help to ensure that the hard won prosperity Ireland has enjoyed over the last decade is maintained in the long-term.

The Fund reported an investment return of 12.4 per cent in 2006 - this means that the value of its assets increased by €2 billion over the year. This was in addition to the €1.4 billion that the Government committed to the Fund in 2006. The Fund now stands at some €21 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. It was subsequently given similar responsibilities for clinical claims under the Clinical Indemnity Scheme and, more recently, for claims related to child sexual abuse and claims alleging hearing loss by members of the Defence Forces.

Although it currently manages around 3,900 claims, there has been a significant decline in employer liability and public liability claims against the State since the SCA was established. About 45 per cent of claims received since inception have been resolved; 27 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 Annual Reports launched today.

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**Briefing Note: National Pensions Reserve Fund - the Roles of NPRF Commission and the NTMA**

The Fund is controlled by the National Pensions Reserve Fund Commission which has discretionary authority to determine and implement the Fund's investment strategy in accordance with its statutory commercial investment mandate. The NTMA is the statutory Manager of the Fund for the period to April 2011 and the Commission performs its functions through the Manager. The NTMA's functions as Fund Manager include the provision of policy advice to the Commission, implementation of the Fund's investment strategy and selection and review of investment managers. It also directly manages the Fund's passive bond portfolio, its uninvested cash and its strategic foreign currency hedging operations.