

## **Speaking Notes for Minister for Finance**

**At the launch of the Annual Reports of the National Treasury Management Agency, the National Pensions Reserve Fund, the National Development Finance Agency and the Carbon Fund.**

**Thursday 24 July 2008**

**National Treasury Management Agency, Dublin**

I am pleased to be with you today for the launch of the 2007 Annual Reports of the NTMA, the NPRF, the NDFA and the Carbon Fund.

In 1990, when the NTMA was established, Ireland's national debt was one of the highest in Europe - at more than 100 per cent of GNP. Interest payments alone took up 26.7 per cent of all tax revenues. Since then, the national debt ratio has fallen steadily and, at the end of 2007, it stood at just 23.3 per cent of GNP. It is now one of the lowest in the EU. When the NPRF is taken into account, the ratio falls even further – to just 10.2 per cent of GNP. The burden imposed by the interest bill has also fallen; in 2007 it fell to 4.5 per

cent of tax revenue. Based on the latest forecasts produced by my Department, the national debt/GNP ratio will increase slightly over the next few years. It is expected to rise to around 27 per cent by end 2008.

The Government has, over the years, assigned substantial additional functions to the NTMA – these include the State Claims Agency; the National Development Finance Agency; and the management of the National Pensions Reserve Fund.

- 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 a major public policy concern in all developed countries. However, in Ireland, it is one that we have time to prepare for because we have a relatively young population. The Government seized this opportunity in 2001 and established the National Pensions Reserve Fund. The NPRF Act requires the Government to set aside 1 per cent of GNP each year, while the costs of pensions are still relatively low, in order to meet some of the pension liabilities of the State from 2025 onwards. Based on current projections the Fund should accumulate to €140 billion by that time and should last until 2070. It stood at €1.2 billion at end

2007, and, to that date, has made an annualised return of 6 per cent since its inception.

- Acting as the **State Claims Agency**, the NTMA handles claims for personal injuries and damage to property against Government Ministers, health enterprises and other State authorities. It also has a risk management role, advising the State authorities and health enterprises on how to minimise their claims exposures. It currently manages around 4,500 claims. Although there has been a significant decline in employer liability and public liability claims against the State since the SCA was established, clinical claims are on the increase.
- The **National Development Finance Agency** commenced operations in 2003. It provides advice to a range of State authorities on the optimal means of financing public investment projects, including projects procured via Public Private Partnerships (PPPs) to achieve value for money. All public capital projects over €30 million must be referred to the NDFA for advice. To date 121 projects have been referred to it, and the NDFA has completed its advice on 38 of these, which have a combined capital value of €6 billion. The *National*

*Development Finance Agency (Amendment) Act 2007* expanded the role of the NDFA, giving it responsibility for the actual procurement of PPP projects in the Central Government area. The NDFA is currently engaged in the procurement of a number of PPP projects in various sectors, including Education; Arts, Sport and Tourism; Justice; and Health.

We are also publishing today the first report of the Carbon Fund. The Government established the Carbon Fund under the Carbon Fund Act 2007 for the purpose of purchasing carbon credits to meet Ireland's obligations under the Kyoto Protocol. The management of the Fund was delegated to the NTMA, which has also been designated the purchasing agent for the acquisition of these credits. To date, the Government has undertaken investments in three funds which use the expertise of the World Bank and the European Bank for Reconstruction and Development (EBRD) to invest in projects designed to achieve carbon emissions reductions and generate carbon credits. Full details of these investments are contained in the Carbon Fund report.

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 here today.