CHIEF EXECUTIVE'S REVIEW

In recent months, Ireland has experienced a major economic shock but it is in a strong position to manage it and recover from it.

While our stock of debt remains high and is set to grow further, the risk this presents to our economy has diminished in recent years.

This is down to a range of supportive factors, which include an unprecedented low interest rate environment that is underpinned by an accommodative ECB monetary policy; economic policies that have resulted in a marked improvement in our national finances and material upgrades to our sovereign credit ratings; and a series of measures to enhance our debt sustainability.

The extent of the challenge is significant but our room to manoeuvre has been greatly enhanced by these factors.

Our average cost of debt is less than 2% – down from almost 4% as recently as five years ago. Our annual debt interest bill is heading close to €4bn in 2020 – down from more than €7.5bn five years ago. And we have the benefit of a smooth maturity profile in the years ahead and one of the longest average maturities in Europe.

And while our focus in this time of great uncertainty is to look ahead and plan for the future, the publication of our Annual Report is also a time to reflect on the progress that we have made.

One of the most important milestones from a funding and debt management perspective has been the virtual elimination of the refinancing "chimneys" – unusually large debt redemptions – which were an unwanted legacy of the 2008 financial crisis.

For the four year period 2017 to 2020, debt redemptions amounting to €70bn had to be financed, including €19bn in 2020 alone. The strategy to pre-fund the financing of this debt has proved prescient and allows the Agency to enter the current crisis with these significant obligations behind it. The next four years see a much lower level of redemptions totalling €27bn, with no bonds falling due for repayment in 2021. This technical position combined with our improved credit standing and the accommodative monetary policy environment mean we approach this unprecedented COVID-19 crisis from a position of strength.

With the elimination of the chimneys, our maturity profile will be smoother than any time in our history.

Standard & Poor's upgrade of Ireland's long-term rating to AA- in November returned our rating to the AA category for the first time since the crisis.

The Funding and Debt Management unit also built on the success of our first-ever issuance of Irish Sovereign Green Bonds in 2018 with a fresh syndication in October 2019. This cemented our commitment to this innovative form of issuance and positioned us well in a sector where investor demand is growing strongly.

The Ireland Strategic Investment Fund (ISIF) delivered another strong investment performance with a gain of 5.1% during 2019, bringing total investment gains since inception above €1bn for the first time. However, the market declines and volatility in 2020 year to date seem certain to eradicate some of this gain despite a conservative and low risk portfolio.

The Fund had committed over €4.6bn to investments in Ireland by the end of 2019, continuing its phased transition from a Global Portfolio to an Irish Portfolio. To deal with the economic impact of COVID-19 and to immediately assist in the economic recovery the Fund has revised its strategy. A new €2bn Pandemic Stabilisation and Recovery Fund has been established: this Fund will be used specifically to invest in medium and large companies affected by the pandemic.

2019 also saw the National Development Finance Agency (NDFA) build on its role as a centre of excellence for advising on and procuring major capital investment and infrastructure projects. This role will become even more important in facilitating economic recovery and ensuring both value for money and additional benefits for the State in the form of significant risk transfer in the delivery of these projects.

NewERA saw further extensions to its mandate during 2019, adding to the range of Government departments, commercial semi-States and other State bodies within its remit.

The unit continued to enhance its reputation for providing financial advice, with a particular contribution in climate action, renewable energy and the transition to a low-carbon and climate resilient society. Many of these commercial semi-States will need additional support as a result of COVID-19 and the NewERA team are actively involved in advising departments across Government to establish a suitable and speedy path to recovery.

2019 was also a year in which the value of the risk and liability management work carried out by the State Claims Agency (SCA) was clear. The complexity of the SCA's work requires it to strike an appropriate balance between managing claims in accordance with its statutory mandate while ensuring that claims are handled sensitively and to the highest professional standards.

To conclude, I thank the Chairperson, the Board and committee members for the invaluable guidance, support and challenge that they bring to the Agency's activities.

I also thank my colleagues throughout the organisation for the professionalism, commitment and skills that they bring to their roles and for their collective efforts every day to deliver long-term value for the State and its citizens.

CONOR O'KELLY
Chief Executive | May 2020