

Chief Executive's Review



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Creating significant value for the State

For the first time ever, this Annual Report of the NTMA looks back on the devastating impact of a global pandemic.

While in this Review we usually focus on the macro picture, 2020 has been a year in which our collective focus has centred far more on the importance of the individual and our shared vulnerability. A year where family, friends and colleagues experienced first-hand the devastating effects of COVID-19. Our thoughts are with the families and loved ones of those that passed away.

Our world was turned upside down; long held assumptions about our priorities, our communities, our interconnected world and our use of technology were seen in the new and stark light of a pandemic.

For the world's economy to work smoothly two things have to move freely – money and people.

Ten years ago in the Global Financial Crisis money stopped flowing freely and central banks around the world responded using every monetary policy tool available and they even created some new ones.

In 2020, monetary policy tools were again fully utilised but an unprecedented fiscal policy response was also required.

Ireland responded to the precipitous contraction in Q2 with the first counter-cyclical fiscal response in the history of the State.

The Government recorded a General Government deficit of over €18bn in 2020 and expects to record a similar number in 2021.

These deficits are being financed entirely through borrowing. In April 2020, the NTMA announced that the previously flagged funding range of €10-14bn for the year was increasing to €20-24bn; the total funding ultimately issued in 2020 was at the upper end of that revised range. Thankfully the low interest rate environment, which is essentially underwritten by the ECB, means the interest payments on this increased debt will be minimal. In fact, the total interest bill continues to fall as a result of the extensive refinancing of higher coupon bonds executed by the Funding and Debt Management Unit in recent years.

However, the country's total stock of debt is set to rise from €200bn at the end of 2019 to over €250bn by the time we have paid for the full impact of the pandemic in the coming years. So although our interest bill has not increased, it does mean Ireland is carrying higher refinancing risk into the future.

The supportive policy actions by the ECB have given European Sovereigns time and space to get national budgets back into balance. Over the coming years, it will be important for both sovereign bond investors and credit rating agencies that Ireland sets itself back on a clear path to budget balance over the medium term.

Investors are looking to the post-pandemic landscape and while Brexit has receded as a risk following the trade deal agreed at the end of 2020, international corporate tax developments are coming to the forefront and is now the number one discussion point with investors on our calls and virtual roadshows.

Stock markets fell precipitously in March 2020 and then proceeded to have the highest recorded twelve-month returns since the recovery from the Great Depression in March 1934. This environment allowed the Ireland Strategic Investment Fund (ISIF) to record an annual return of 8.8% on its €8.8bn portfolio, an investment gain of over €700m. This brings the total investment gains to over €1.7bn since the inception of the Fund.

At the Minister's request the ISIF set up the Pandemic Stabilisation and Recovery Fund (PSRF) in May 2020 to assist medium and large size businesses impacted by the pandemic. ISIF has made over €400m in commitments to a wide range of sectors and industries, supporting companies impacted by the economic fall out of the pandemic.

NewERA was called on to provide advice and assessments of the financial challenges faced by commercial State bodies as a result of the pandemic - some of these entities were in severe difficulty and emergency funding was required. From airports, ports and shipping routes to buses and trains, many of the key commercial State bodies needed significant assistance and in the majority of cases advice was provided by NewERA to Ministers and Government Departments. At the same time, Climate Action remains an important focus of these entities and, notwithstanding the impact of COVID-19 in 2020, NewERA has made good progress this year in helping address the major drivers of this agenda.

The main focus for the National Development Finance Agency (NDFA) was to continue to make progress on the major projects under construction, while adhering to COVID-19 health and safety guidelines. Project delays and site closures arising from COVID-19 restrictions required significant additional amounts of time and resources to manage the subsequent impacts. Notwithstanding delays, good progress was made in several key projects including TU Dublin and Social Housing Bundles 1 and 2. Pre-procurement and procurement activities continued on a number of projects including Social Housing Bundle 3 and a new Higher Education programme for 11 Higher Education facilities.

The State Claims Agency (SCA) continued to deal with its many sensitive cases and saw an increased use of online mediation and settlement across its caseload as more legal professionals embraced digital solutions. In total the SCA resolved 3,221 claims in 2020.

The NTMA is supporting various actions contained in the Government's Climate Action Plan 2019. We have put in place an NTMA Climate Action Strategy which establishes NTMA wide actions covering Ireland's sovereign Green bonds, investment policies, infrastructure developments, and climate-related financial advice to Government Departments including in relation to State owned entities. We will ensure that the requirements of the Government's new Climate Action Plan 2021 are incorporated into this strategy.

The NTMA also recognises the contribution it can make by reducing its organisational carbon footprint and supporting its employees in adopting a low carbon lifestyle through a range of sustainability-related initiatives. Our Climate Action strategy also commits the NTMA to be environmentally sustainable and a Net Zero emissions organisation by 2030 in advance of the 2050 timeline set by Government.

These significant results across the NTMA's various mandates were achieved while working remotely during the pandemic. The NTMA values, culture and mind-set were critical in enabling the exceptional response seen right across the organisation.

As the lockdown continued and remote working took over, our HR Team led a 'people first' strategy that engaged and motivated us, engendering high levels of trust that brought teams closer together. Organisationally there were many positives from the pandemic and these behaviours are ones we will strive to keep and embed in a post-pandemic world.

Thank you to our exceptional Chair, dedicated Board and other independent committee members who supported us and advised us throughout this year.

Thank you also to my colleagues across the organisation who continue to amaze me with their talent and commitment to the NTMA and to the country.

Conor O'Kelly
Chief Executive | May 2021

Financial Highlights

Issuing Longer-Dated Debt

€26bn

2019: €15bn

ISIF Investment Performance*

>€1.7bn

2019: €1bn

* since inception

PSRF

€2bn

Supporting COVID-Affected Businesses