

# Chief Executive's Review



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It was my great honour to be appointed Chief Executive of the NTMA with effect from July 1st 2022.

At the outset I want to thank and acknowledge the extraordinary commitment to high standards and the professionalism and dedication that I see demonstrated every day by my colleagues throughout the organisation.

The NTMA has been entrusted with a wide and complex range of mandates and I take great pride from the diligence, skill and care that they apply so consistently to carrying out the Agency's work.

I also want to pay tribute to my predecessor, Conor O'Kelly, for his leadership of the organisation during a period of great challenge for our society and our economy.

Reflecting on 2022, it is clear that the Irish economy demonstrated great resilience despite adverse economic conditions.

The year will undoubtedly be defined by historians for the Russian invasion of Ukraine, an event which has caused immense suffering and loss of life and which continues to do so. Quite apart from the humanitarian catastrophe, however, the invasion has had severe consequences for the global economy and, by extension, the Irish economy.

These consequences are being felt in households and businesses throughout Ireland, which are now grappling with higher costs, reduced disposable income and wider financial pressures. We have seen increases in market volatility, with higher interest rates and sharp fluctuations in commodity prices and equities.

As a small open economy, Ireland is particularly exposed to global events and the NTMA takes great care in ensuring our contingency planning is continuously reviewed, challenged and forward-looking.

The significant tightening of monetary policy by central banks over the past year serves as a reminder that one cannot assume that things will mostly stay the same or only change gradually.

A year ago, few would have predicted that the ECB would raise its base rate by as much as 3.5% over a period of just nine months and that similar increases would be implemented by other major central banks, most notably the US Federal Reserve raising interest rates by 4.75% over a 12-month period.

It is at times like this that the benefits of our contingency planning are at their clearest. These preparations occur long before events, such as the pandemic, the invasion of Ukraine, double digit inflation and the sharp tightening of monetary policy by central banks arise.

By way of example on the Funding and Debt Management side of our business, we executed a strategy of pre-funding our liabilities before they became due with low interest rates creating an opportunity to lock in long-term borrowing on favourable terms. We built up cash balances that could also be used as a buffer in the event of unanticipated market volatility providing greater flexibility in borrowing at a time of our choosing.

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To complement this approach, we optimised our borrowing strategy to borrow at lower rates for longer terms – in essence, lengthening and smoothening our maturity profile while decreasing our average cost of borrowing.

This means we have spent many years effectively buying insurance against higher borrowing costs, cushioning the State from the effects of rising interest rates.

We are also benefiting from the additional latitude that the Exchequer's benign fiscal position has created. The Government received credit from investors for its counter-cyclical fiscal policies in response to the COVID-19 pandemic; more recently, investors have taken considerable comfort from Ireland's strong fiscal position as the Exchequer has moved back into a position of surplus.

From our perspective as debt managers, we are witnessing positive feedback from international investors who recognise the resilience of the economy, the growth in tax receipts and the recognition of Ireland's strong position by ratings agencies which has resulted in a series of ratings upgrades.

It is positive to see that Ireland has re-entered the AA rating category or its equivalent for the first time since 2010.

Of course, there is much more to the NTMA's range of remits than Funding and Debt Management.

The Ireland Strategic Investment Fund (ISIF) deployed significant capital in 20 investments in Ireland during 2022, in line with its unique "double bottom line" mandate of investing for a commercial return and supporting economic activity and employment in Ireland.

In light of significant volatility in global equity markets, ISIF's portfolio declined by -6.7% in 2022, reversing the investment gains generated in 2021. However, it is noteworthy that ISIF's cumulative investment gains since inception in 2014 are close to €2bn.

During the year ISIF announced a new impact investment strategy, which spans four key themes: Housing and Enabling Investments; Climate; Scaling Indigenous Businesses; and Food and Agriculture. A key feature of this strategy is an ambition to invest €500m in Ireland's regional cities to unlock their full economic potential.

For the National Development Finance Agency (NDFA), meanwhile, the main focus for 2022 was advancing delivery of the pipeline of public infrastructure projects in the education and housing sectors. Planning and procurement work on the second Exchequer Funded Schools Programme progressed during the year, with financial close reached on the first bundle of the Higher Education PPP Programme. In the Social Housing PPP programme, the procurement process commenced on the third bundle and pre-procurement activities progressed on the fourth and fifth bundles.



## Chief Executive's Review (continued)

NewERA had another productive year, increasing both the range and number of advisory assignments delivered during 2022. The team advised and assisted Government Ministers and Departments on 167 assignments, with a total value of €7.6bn. Aggregate profits after tax of its portfolio of 18 designated companies, which have over 38,000 employees, returned to pre-pandemic levels of €1.1bn and generated combined revenues of €11.0bn. Climate and energy continue to be an area of focus for NewERA and a key highlight was securing Government approval of the Climate Action Framework for the commercial State sector.

The State Claims Agency continued to be entrusted with additional mandates and over the course of 2022 it managed 11,204 clinical and general claims with a total estimated liability of €4.96bn. It received 2,699 new claims and resolved 3,082 claims during the year.

Key elements of its work programme included the use of non-adversarial, mediation-focused schemes of settlement to enhance the access of claimants, covered by those schemes, to timely compensation for personal injuries suffered by them, as well as preparations for assuming responsibility for the management of the new statutory Garda Compensation Scheme.

Looking ahead to the remainder of 2023 and beyond, the NTMA is well placed to continue to deliver on its mandates.

We are fortunate to have the guidance of our Board and our Chairperson, who collectively bring great insight, knowledge and experience to their oversight of the Agency and who rigorously challenge the executive team to ensure that we deliver to the high standards that are rightly expected.

We remain resolutely focused on achieving this and on continuing to serve the national interest by discharging our mandates to the best of our abilities.

When I reflect on the evolution of the Agency since I first joined it in 2010, it is striking that it has been entrusted by the Government with significant additional mandates over that time. It has become a much larger organisation as a result.

That growth has taken many forms – with the State Claims Agency's remit extending from 50 bodies 13 years ago to more than 150 now, and with important new functions such as its Legal Costs Unit; with NewERA being created from a standing start to become a respected centre of corporate finance expertise for the State; and with the creation of important affiliate organisations, SBCI and HBF1, that rely on the valuable staffing and support functions that the NTMA provides.

The NTMA's growth has also encompassed the creation of ISIF to direct taxpayer capital in support of the Irish economy on a commercial basis; with the agility, expertise and operational capability to enable high-value investments for the State. That capability was deployed effectively to optimise ISIF's pandemic response through the Government's Pandemic Stabilisation and Recovery Fund.

These additional mandates have transformed the NTMA into a broader, more diverse organisation. One that has grown from 200 people 13 years ago to almost 800 today. And one that offers flexibility, reliability and organisational readiness to serve the State in additional ways in the event that complex new mandates or projects arise in future.

### Former Chief Executive John Corrigan

I will conclude my statement with a reflection on the sad news that reached us at the end of March of the untimely death of John Corrigan, who served the Agency with such great distinction from 1991 to 2015, leading the Agency as Chief Executive from 2009 until his retirement.

I was struck by the many tributes paid to John, in particular those that noted his contribution to public service over many decades and his pivotal role in managing Ireland's return to the international bond markets after the financial crisis.

This contribution to serving the State and its citizens is at the heart of everything we do in the NTMA. It is a contribution we are proud to make.

### Frank O'Connor

Chief Executive | May 2023

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