

## NTMA (Amendment) Bill 2013 Technical Note

13<sup>th</sup> June 2013

On 16<sup>th</sup> April, Government agreed to the drafting of a Bill to:

- (i) establish NewERA on a statutory basis
- (ii) reorient the National Pensions Reserve Fund into the Ireland Strategic Investment Fund which will invest in the Irish economy on commercial terms in support of economic activity and employment; and
- (iii) streamline the governance structures at the NTMA to enable a more integrated approach to the performance of its functions which have grown considerably since the NTMA was established in 1990.

The NTMA Amendment Bill is a positive and important step in building on Programme for Government commitments and the Government's strategy to promote economic activity and competitiveness and create employment in Ireland.

### **Ireland Strategic Investment Fund**

The National Pensions Reserve fund will become the Ireland Strategic Investment Fund, facilitating a redeployment of National Pensions Reserve Fund resources on a commercial basis to areas of productive investment in the Irish economy in order to support economic activity and employment. This means that ***NPRF money invested in the discretionary portfolio, which is valued at €6.4 billion, will now become available to invest in Ireland*** as suitable investment opportunities arise and are developed.

There will be a shift from the current focus of prefunding social welfare and public service pensions to making commercial investment to support economic activity and employment. While the need for the State to provide for social welfare and public service pensions obligations had not abated, fostering economic activity and employment is currently a greater priority and this will in turn put the State in a better position to meet its pensions obligations in the longer term.

The Ireland Strategic Investment Fund will move away from a strategy of investing in listed stocks and bonds to investing in Ireland, building on the commitments made by the NPRF to date in the areas of Irish infrastructure and SME financing. The fund will seek to leverage its resources and impact by investing on commercial terms and seeking to attract private sector co-investment.

The Fund's investment strategy will be consistent with Government's policy objectives. The NTMA will be responsible for the management of the Ireland Strategic Investment Fund and an Investment Committee will be established that will have discretion to make investment and disposal decisions.

## **NewERA**

NewERA was established on a non-statutory basis within the NTMA in September 2011 as ***corporate advisor and centre of excellence for the management of the State's ownership of the companies within NewERA's remit***. The semi-state companies within NewERA's remit generate €6 billion in revenues and have capital employed of €13.6 billion. They include ESB, Bord Gáis, Eirgrid, Bord na Móna and Coillte.

The proposals in relation to NewERA draw on established international best practice and reflect OECD guidelines on developing a separate shareholder function for commercial semi-state companies. The NTMA Amendment Bill will put NewERA on a statutory footing, progressing the Government's strategy to:

- (i) improve the way the State manages its oversight of semi-state companies within NewERA's remit from a commercial perspective and ensure the efficient use of capital; and
- (ii) accelerate investment in sectors of strategic importance in an integrated manner in order to boost economic activity and create employment.

NewERA will be put on a statutory footing in an advisory capacity and will continue to advise to Government in areas such as corporate finance, financial performance and capital investment plans. NewERA will also advise on acquisitions, disposals, reorganisations and restructurings of semi-state companies.

NewERA and the Ireland Strategic Investment Fund will be part of an NTMA Investment and Corporate Advisory Platform and NewERA will work with stakeholders to progress and develop investment in the priority sectors within their remit.

## **NTMA Governance Structures**

In addition to the proposals with respect to the NewERA and the Ireland Strategic Investment Fund, the opportunity will be taken to ***streamline the corporate governance structures at the NTMA, enabling a more integrated approach to the performance of its functions***<sup>1</sup>.

The NTMA was set up to manage the National Debt and this will continue to be a core function. Over the years, additional activities have been awarded to the Agency and some of these were established as legal entities that were distinct from the Agency but which operated through it (i.e. the NDFA and the NPRF). The new simpler structure that is being proposed involves these activities being assigned directly to the Agency under the direction of a new over-arching Board which will be responsible to the Minister for Finance. The various corporate bodies and committees, including the NTMA Advisory Committee, which will no longer be required under the new structure will be dissolved. No changes

are proposed to the existing arrangements in respect of NAMA which will continue to have its own separate board.

These structural changes are appropriate in light of the expansion of the NTMA's functions since it was established. They will greatly assist the NTMA in the delivery of the full suite of functions with which it has been entrusted by Government. They are also in line with the Government's commitment in the area of the rationalisation of State bodies.

The Heads of Bill are currently with the Office of the Attorney General for drafting and it is Government's intention that the proposals will be effected later this year.

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<sup>i</sup> Currently the NTMA does not have a board and its Chief Executive is directly responsible to the Minister for Finance for the performance of the Agency. The Chief Executive reports directly to the Minister for Finance on (i) the NTMA's funding and debt management and State Claims Agency functions, which have been directed to it by Ministerial Order and (ii) its NewERA functions which it is currently performing on a non-statutory basis. The NTMA's governing legislation provides for an Advisory Committee and for a State Claims Policy Committee. The NPRF, NDFA and NAMA were established under their own governing legislation and each has their own board. The NTMA acts as the executive in respect of the NPRF and the NDFA. It assigns staff to NAMA and provides NAMA with business and support systems and services.