**Committee of Public Accounts**

**13 December 2012**

# National Development Finance Agency
## Opening Statement

The establishment of the National Development Finance Agency in 2003 (NDFA, the Agency) addressed the need to develop within the public sector a centralised and permanent in-house financial expertise to provide expert advice on the financial, risk and insurance aspects of the public sector capital programme. The first objective of the NDFA is to ensure that the State gets Value for Money (VfM) on all public capital investment projects referred to it for financial advice. The NDFA (since 2007) is also responsible for managing the procurement of Public Private Partnership Projects (PPPs) outside of the transport and local authority sectors. In performing its duties, the NDFA is required to have due regard to the guidance and directions issued by the Minister for Finance/Minister for Public Expenditure and Reform in relation to the financing and procurement of public investment projects.

The NDFA has two quite clear and specific statutory mandates:

a) the provision of financial advice to State authorities. Once a project is referred for advice, the NDFA is responsible for maintaining the financial integrity of a procurement process for the specific contract and ensuring value for money is achieved in relation to that process. The mandate does not include advising on policy or economic matters relating to projects or other project budget issues which remain the responsibility of the sponsor and sanctioning authority. Consequently the NDFA has no role in project identification or selection or the basis on which a project may proceed.

b) the procurement of all PPPs outside of local authorities and the transport sector. NDFA acts as procuring and delivery agent for the relevant State authority, within the budgetary and project scope as defined by the sponsoring and sanctioning authorities.

In the last year the education sector has been the most active for the Agency. The second bundle of PPP schools, having reached financial close in June 2010, was delivered ahead of programme with the final school completed in October 2011. These six schools provide accommodation for c. 4,700 students in Cork, Limerick, Kildare, Wicklow and Meath.

The preferred tenderer for the third bundle of schools, BAM PPP, was appointed in September 2011. Planning permission was secured for all schools by May 2012. On 9 November 2012, the NDFA awarded the contract for Schools Bundle 3 to BAM PPP PGGM Infrastructure Cooperatie, (a joint venture between BAM PPP and Dutch pension fund administrator PGGM) and construction has now commenced. When completed, the eight schools in Schools Bundle 3 will provide accommodation for approximately 5,700 students in Donegal, Galway, Leitrim, Limerick, Waterford, Westmeath and Wexford. In the meantime, this project will have created 1,100 jobs, of which 200 are already on site.

The NDFA continues to work with the National Roads Authority in our role as the financial adviser on PPPs. Good progress is currently being made in moving the N11/Newlands Cross PPP to financial close. The Preferred Tenderer for the N11/Newlands Cross is also BAM PPP PGGM Infrastructure Cooperatie.

In March 2012, the Minister for Education and Skills announced details of 219 new major school building projects as part of a €2 billion capital investment programme. The NDFA, together with the Office of Public Works (OPW), Vocational Education Committees (VEC) and County Councils will assist the Department with the delivery of over 80 major school projects. The NDFA has commenced work with the Department on the delivery of 18 of these 80 school building projects.

The NDFA continues to provide financial advice on all projects referred to it and is currently advising State Authorities on 25 active projects. Developments in the past year included the opening in July 2012 of the new cystic fibrosis unit in St. Vincent's University Hospital, for which the NDFA provided financial advice to the Health Service Executive. In August, NDFA was involved in the successful drawdown of a direct loan of €100 million to the Exchequer to finance a programme of school building improvement projects that are to be procured on a traditional (non-PPP) basis for the Department of Education and Skills. In late November, a further €100m traditional loan contract was signed between the EIB and NTMA in respect of traditional water/waste water projects.

Recognising the continuing infrastructure deficit in certain sectors and the need for job creation, the Government announced a stimulus package on 17th July 2012 to provide investment amounting to approximately €2.25 billion on a range of important new projects designed to stimulate economic growth and create employment. The package will involve raising €1.4 billion for investment in public infrastructure PPP projects from the EIB, NPRF, domestic banks and other sources of funding. The financing of these investments will be structured as off balance sheet in line with standard PPPs DBFM[1] models. The balance of the programme (€0.85 billion) will be funded from the proceeds of asset disposals including the National Lottery and NewERA's asset sale activities.

The NDFA will be working closely with the various stakeholders in order to ensure a sufficiently competitive environment to generate value for money for the taxpayer. We have already commenced an intensive market engagement with a view to attracting interest from investors, contractors and other relevant stakeholders. In general, as the vast majority of equity for PPPs comes from overseas investors, such investment is analogous to Foreign Direct Investment (FDI) and is used in the formation of real assets and creates real jobs.

I look forward to taking your questions and in the event that I do not have the information available to me will revert to the Committee with responses within the next two weeks.

Brian Murphy

Chief Executive Officer

National Development Finance Agency

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[1] Design, build, finance, maintain