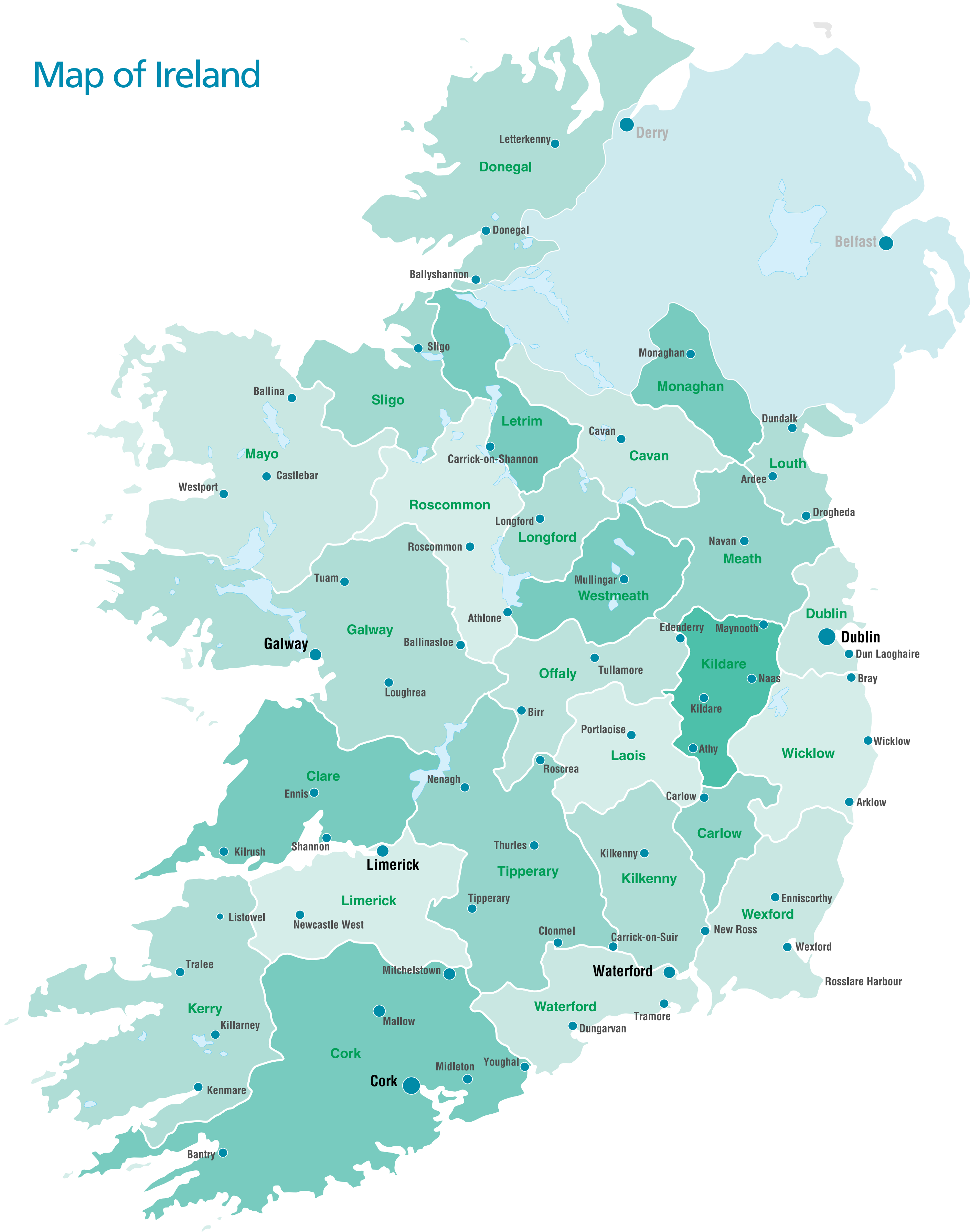
Ireland

Information Memorandum

March 2007

National Treasury Management Agency

Map of Ireland



Contents

Highlights

Irish Economy

- GDP: €176 billion
- GDP growth:

	1997-2005 (annual average)	2006	2007 (forecast)
Ireland	7.3%	5.4%	5.3%
Euro area	2.1%	2.6%	2.1%

- GDP growth forecast 2007-2009: 4.1% to 5.3% per annum
- Balance of Payments as % of GDP: -4.3%

Public Finances

- National Debt: €35.917 billion
- At end 2006, the National Debt had fallen in absolute terms for the first time since 2001 and had dropped to its lowest level since that date
- General Government Debt: €44.1 billion
- General Government Debt to GDP ratio: 25.1%
- General Government Balance as % of GDP: +2.3%
- National Development Plan 2007-2013: total investment of €184 billion

Demographics and Employment

- Population: 4,234,925
- Population growth 2002-2006: 2.0% per annum
- Gross inward migration 2006: 86,900 per annum (net: 69,900)
- Median age: 34 years (lowest in EU-27)
- Employment: average increase of 4.2% per annum 1997-2006
- Unemployment rate (2006 average): 4.4%

2006

Debt Management

- €31.189 billion, or 87% of National Debt, held in Government bonds
- Balance held in Short Term Paper and Retail Savings
- 5 major benchmark Irish Government bonds across the yield curve, from 2007 to 2020 (average outstanding per bond: €6 billion)
- Bond yield spreads over the equivalent German bunds have virtually disappeared
- 86 per cent of Irish Government euro denominated bonds are now held by international investors
- Gross debt issuance requirement in 2007: projected at €4 billion, but subject to review

Credit Ratings (AAA)

- Top long term and short term crediting ratings from major rating agencies
- Strong positive factors underpinning credit ratings, in particular:
  - a diversified and flexible economy that has attracted sustained foreign direct investment inflows in recent years and achieved the highest growth rate in the EU since 1995
  - strong public finances characterised by expenditure restraint, a high degree of fiscal flexibility and very low levels of debt
  - the effect of the ageing of the population will be felt later and to a lesser degree in Ireland than elsewhere in Europe because of the partial pre-funding of pension liabilities through the National Pensions Reserve Fund and the country's favourable demographic profile

National Pensions Reserve Fund (NPRF)

- Ireland is a leader within the EU in providing for future pensions liabilities
- Statutory provision for annual Exchequer contribution to NPRF of one per cent of GNP: €1.4 billion in 2006 & €1.6 billion in 2007
- Assets of National Pensions Reserve Fund: €18.8 billion, or 10.7% of GDP

National Treasury Management Agency

Chief Executive

Dr. Michael J. Somers

Directors

Ciarán Breen
State Claims Agency

John C. Corrigan
National Pensions Reserve Fund

Anne Counihan
On special leave as a Director of the European Bank for Reconstruction and Development

Eileen Fitzpatrick
Alternative Assets, National Pensions Reserve Fund

Adrian J. Kearns
Chief Executive, National Development Finance Agency

Brendan McDonagh
Finance, Technology and Risk

Oliver Whelan
Funding and Debt Management

Funding and Debt Management

Director

Oliver Whelan

Bond Desk - Primary Market

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Ireland – Key Statistics 2006

Land Area	68,890 km^2
Population	4,234,925
GDP	€176 billion
GDP per Head (2005)*	€33,000
Euro Area GDP per Head (2005)*	€25,500
EU-25 GDP per Head (2005)*	€24,000
National Debt (Debt of Central Government)	€35,917 million
General Government Debt (end-2006)	€44,082 million
General Government Debt as % of GDP	25.1%
General Government Budget Balance as % of GDP	+2.3%
Balance of Payments as % of GDP	-3.4%
Inflation (CPI) (Average)	4.0%
Unemployment (Average)	4.4%
Credit Rating (Moody's, S&P, Fitch and R&I)	AAA

* Purchasing Power Parity

Note Except where indicated otherwise, euro area/EU aggregates in this *Information Memorandum* refer to the Euro-12 (excluding Slovenia) and EU-25 (excluding Bulgaria and Romania).

Foreword by the Minister for Finance

The key challenge for Irish policymakers is to consolidate and build on the successes of the last decade. During those ten years the economy more than doubled in real terms and the population increased by more than 600,000, or one sixth, to a total of 4.2 million. The numbers at work also increased by more than 50 per cent and now exceed 2 million. Almost a quarter of the new jobs are in the construction sector – no surprise there, given the need to house our rapidly growing population and our strong investment in infrastructure – while one fifth are in financial and business services, another area of rapid development in Ireland. GDP per head in Ireland is among the highest in the world and is almost 40 per cent higher than the EU average.

During this ten-year period of unprecedented economic boom we pursued prudent budget policies to underpin our strategy for longer-term sustainable growth. There was, on average, a General Government budget surplus of 1.6 per cent of GDP and the burden of the General Government Debt has fallen from 72 per cent of GDP at the beginning of the decade to 25 per cent in 2006. In addition, we have built up assets of some €20 billion, or 11 per cent of GDP, in the National Pensions Reserve Fund to pre-fund part of the cost of future pensions obligations.

In January 2007 the Government published the National Development Plan 2007-2013. Its main theme is reflected in its title: 'Transforming Ireland – A Better Quality of Life for All'. The Plan is the Government's response to the challenges we face in relation to:

- *infrastructure development;*
- *the enhancement of human capital through further education and training for our young people;*
- *creating and sustaining high value employment opportunities; and*
- *redistributing the product of wealth to foster an inclusive society.*

Total investment of €184 billion is envisaged over the life of the Plan. It is an ambitious Plan, and nothing on this scale has ever been attempted before in our history.

The National Treasury Management Agency continues with its original and core role of borrowing for the Exchequer and managing the National Debt. Important additional functions have been assigned to the NTMA over the years. These include the National Development Finance Agency, whose remit is advising on, and if necessary arranging, the financing of infrastructure projects and the actual management of such projects, especially three priority sectors: health, education and justice. The NTMA also acts as the State Claims Agency in managing personal injury, clinical negligence and property damage claims against the State, and it manages the National Pensions Reserve Fund as agent for the Fund's independent commissioners.

The *Ireland Information Memorandum 2007* is concerned mainly with the NTMA's core activities of funding and debt management, and the economic background to them. It contains much information and statistical data of interest to investors and others, and I am very pleased to be associated with its publication.

Brian Cowen, T.D.
Minister for Finance

Parliament and Government

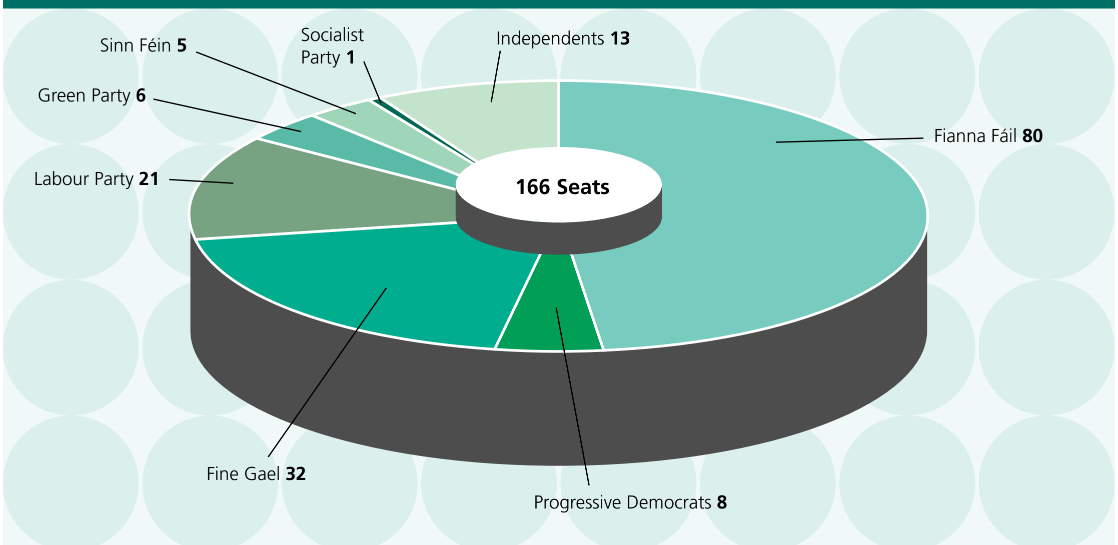
Ireland became an independent State in 1922 and adopted a new Constitution in 1937 by plebiscite. The Head of State is the President, Mrs. Mary McAleese. The Head of Government is the Taoiseach (Prime Minister), Mr. Bertie Ahern T.D.

Ireland is a parliamentary democracy. Under the Constitution legislative power is vested in the national parliament – the 'Oireachtas' – which consists of the President and two Houses, the Dáil and the Seanad. The President holds office for seven years and may be re-elected once only. Most of the President's powers can be exercised only on the advice of the Government. Elections to both Houses are held at least once every five years. Legislation may be initiated in either House, with the exception of Money Bills, i.e. financial legislation, and Bills to amend the Constitution, which may be initiated only in the Dáil.

Dáil Éireann (Lower House)

The Dáil, or Lower House, consists of 166 members, elected by citizens and others aged 18 and over on a system of proportional representation. The Taoiseach is appointed by the President on the nomination of the Dáil.

Composition of Dáil Éireann



Seanad Éireann (Upper House)

The Seanad, or Upper House, comprises 60 members. Forty-three are elected from five panels representing vocational interests and six are elected by the graduates of the National University of Ireland and the University of Dublin (Trinity College). A further eleven are nominated by the Taoiseach. Although the Seanad can initiate legislation, its legislative role is restricted under the Constitution: it cannot initiate Money Bills, nor can it delay indefinitely legislation that has already been passed by the Dáil, and it cannot initiate Bills to amend the Constitution.

Government

The Government, which was formed in May 2002, is coalition of two political parties: Fianna Fáil and the Progressive Democrats. The Taoiseach, Mr. Bertie Ahern T.D. is also the leader of Fianna Fáil. The leader of the Progressive Democrats, Mr. Michael McDowell T.D., is Tánaiste (Deputy Prime Minister) and Minister for Justice, Equality and Law Reform. The Minister for Finance is Mr. Brian Cowen T.D. (Fianna Fáil).

Legal System

The Irish legal system is based on common law as modified by legislation and the Constitution of 1937.

Economic Indicators 2002-2007

	2002	2003	2004	2005	2006*	2007**
Real GDP Growth	6.0%	4.3%	4.3%	5.5%	5.4%	5.3%
Inflation (CPI)	4.6%	3.5%	2.2%	2.5%	4.0%	4.1%
Unemployment	4.4%	4.6%	4.4%	4.3%	4.4%	4.4%
Balance of Payments (per cent of GDP)	-1.0%	0.0%	-0.6%	-2.6%	-3.4%	-4.3%
GDP (at current market prices) (€bn)	130	139	148	161	176	190

Public Finances 2002-2007

	2002	2003	2004	2005	2006*	2007**
Central Government Current Budget Surplus						
- € million	5,399	4,410	5,619	6,353	9,151	8,050
- per cent of GDP	4.2%	3.2%	3.8%	3.9%	5.2%	4.2%
Central Government Budget Balance* **						
- € million	93	-980	33	-499	2,265	-546
- per cent of GDP	0.1%	-0.7%	0.02%	-0.3%	1.3%	-0.3%
General Government Balance						
- per cent of GDP	-0.4%	0.2%	1.4%	1.0%	2.3%	1.2%
General Government Debt						
- per cent of GDP	32.2%	31.1%	29.7%	27.4%	25.1%	23.0%

* Latest estimate ** Forecast ***Combined capital and current budget

Source: Department of Finance, Eurostat and CSO

Credit Ratings

Ireland has the top long term and short term credit ratings from all of the four major credit rating agencies. In 2006 each of the agencies re-affirmed these ratings with a stable outlook. The details of the ratings are as follows:

Ireland's Long Term Credit Ratings

Moody's	Aaa
Standard & Poor's	AAA
Fitch Ratings	AAA
Rating and Investment Information, Inc.	AAA

Ireland's Short Term Credit Ratings

Moody's	P-1
Standard & Poor's	A-1+
Fitch Ratings	F1+
Rating and Investment Information, Inc.	a-1+

The credit rating agencies continue to take a very positive view of Ireland's credit, pointing in particular to:

- strong public finances, based in large measure on expenditure restraint;
- the favourable demographic structure and future pension liabilities; and
- a diversified and flexible economy that has attracted sustained foreign direct investment inflows in recent years and achieved the highest growth rate in the EU since 1995.

They recognise that Ireland has one of the lowest debt burdens in the EU, with a debt to GDP ratio of 25.1 per cent in 2006. In addition, they have had regard to the fact that Ireland has a high degree of fiscal flexibility, with very high levels of both revenue and expenditure flexibility, with the result that Government policies can respond swiftly and effectively to adverse economic trends. Other factors in the positive assessment by the rating agencies are Ireland's business-friendly regulatory environment, low taxation levels and highly educated workforce.

The National Pensions Reserve Fund and the country's favourable demographic profile are also very significant factors in determining Ireland's strong credit rating. As a result of these factors, the fiscal impact of the ageing of the population will be felt much later and less severely in Ireland than in other European countries.

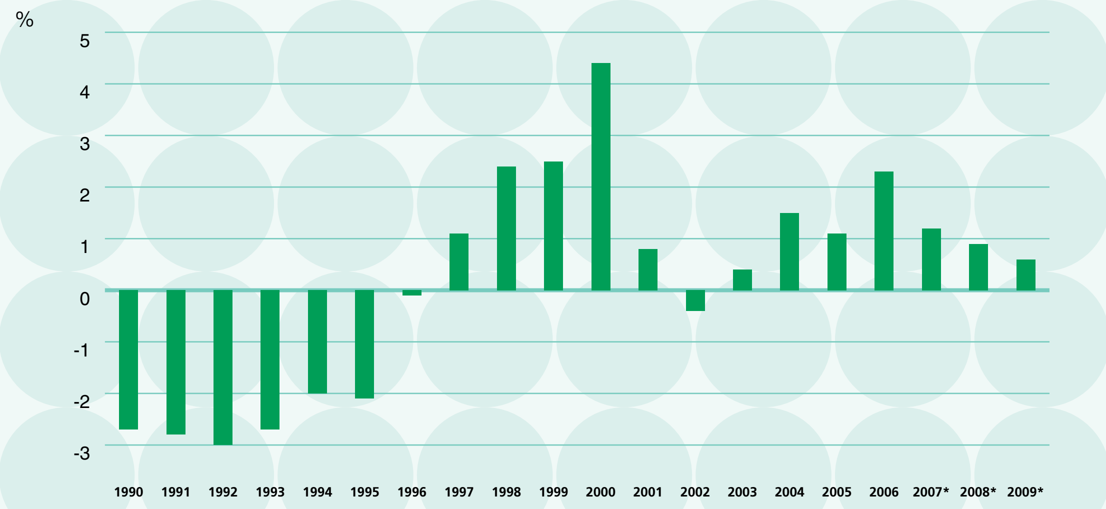
General Government Balance and Debt

General Government Balance

Ireland has a consistent record of prudent fiscal policy, with a strong emphasis on expenditure restraint. The General Government Budget has recorded an average surplus of 1.6 per cent of GDP over the past ten years (1997-2006).

There was a surplus of 2.3 per cent of GDP in 2006, and this was one of the strongest performances among EU Member States. The official budgetary projections for 2007 and the following two years show surpluses of some 0.6 to 1.2 per cent of GDP each year. This allows for an ambitious capital investment programme averaging 5.4% of GNP, almost twice the EU-27 average.

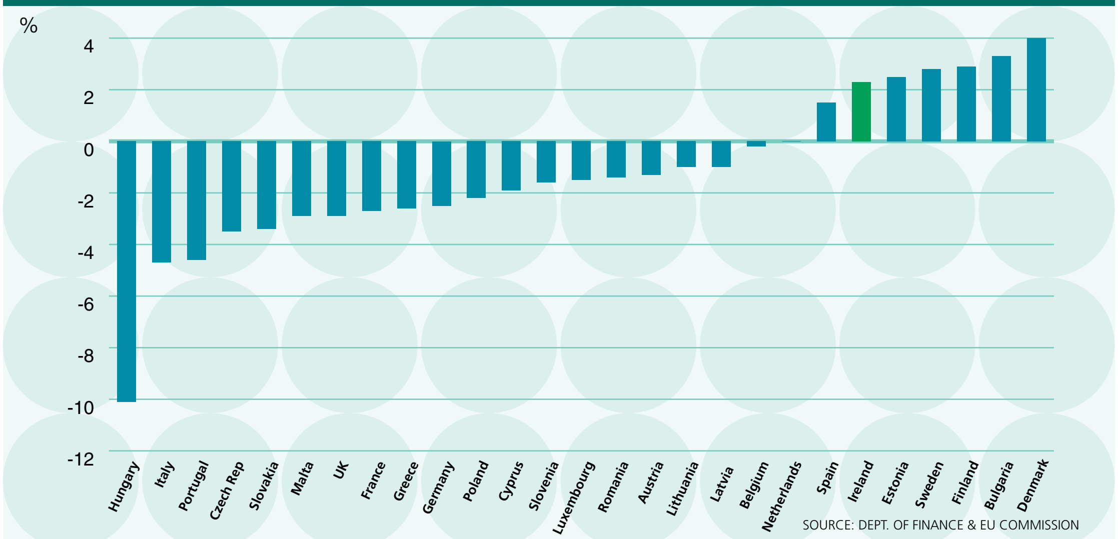
Ireland: General Government Balance as % of GDP 1990-2009



* ESTIMATE

SOURCE: DEPT. OF FINANCE

EU-27: General Government Balance as % of GDP 2006



SOURCE: DEPT. OF FINANCE & EU COMMISSION

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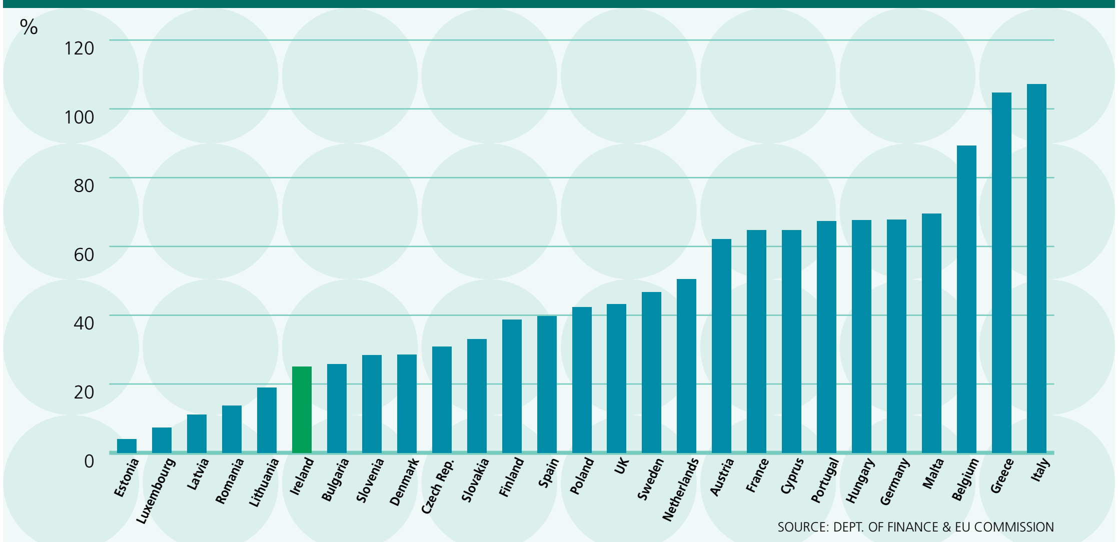
General Government Debt

The ratio of General Government Debt to GDP for Ireland is 25.1 per cent, one of the lowest in the EU. It is projected to reduce further over the next few years, falling to 21.9 per cent in 2009. In the eight years since the introduction of the euro on 1 January 1999, the ratio has declined by 25 percentage points – an achievement unique among the EU-27 Member States.

Ireland: General Government Debt as % of GDP 1990-2009

Among the EU-27 countries, only Luxembourg, Romania and the three Baltic states – Estonia, Latvia and Lithuania – have lower debt to GDP ratios than Ireland.

EU-27: General Government Debt to GDP Ratio 2006



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Main Economic Developments

Economic Performance

The Irish economy has grown strongly in recent years, in line with or slightly in excess of its long-run potential annual growth rate of 4.5 to 5 per cent. The rate of growth in 2006 was 5.4 per cent, and a range of 4.1 to 5.3 per cent growth per annum is projected for the years 2007 to 2009. This is an unusually robust scenario compared to most EU Member States.

The continued expansion of the Irish economy is driven by buoyant consumer spending, high employment, strong earnings growth and still favourable interest rates. It follows upon the extraordinary levels of growth experienced in the years 1995-2000 – when growth rates averaged close to 10 per cent per annum – and represents a consolidation of the progress which the Irish economy had made in that comparatively short period and which has been characterised as the "Celtic Tiger" phenomenon.

Factors underlying Ireland's Economic Performance

The main factors underlying Ireland's achievement of very high growth rates since the mid 1990s, and the projected high growth rates in the medium term, include:

Positive demographic trends:

- A significant number of well-educated, flexible young workers continues to join the labour force each year as they come of age.
- A steady inflow of workers from abroad, including returning Irish, also boosts labour supply.
- A declining dependency ratio, accompanied by an increase in the main earning and spending age group (25-54 years), underpins strong domestic demand.

A stable macroeconomic environment:

- Strong public finances, with the Budget in surplus or close to balance for many years and a level of debt among the lowest in Europe, have been a key factor in enabling Ireland to successfully absorb external shocks without incurring excessive output costs.
- Successive pay and social partnership agreements since the late 1980s have sustained the competitiveness of the economy.

A very productive and profitable export-oriented multinational sector, with continuing high levels of foreign direct investment (FDI) in Ireland:

- The stock of inward FDI as a percentage of GDP in Ireland in 2004 was higher than in any of the other 15 countries benchmarked in the Annual Competitiveness Report 2006. It was over three times the percentage for OECD countries as a whole.
- UNCTAD figures for FDI in 2006 show that Ireland is the 7th largest recipient of FDI among the EU-25 (after the UK, France, Belgium, Finland, Sweden and The Netherlands).

- FDI inflows per head of population in Ireland in 2006 were estimated to be the third highest of the 34 countries covered in *World Investment Prospects to 2010*, an Economist Intelligence Unit report written with the Columbia Program on International Investment (2006). This report projects that Ireland will have the highest level of FDI inflows of the 34 countries in question by 2010.

A very competitive economy:

- Ireland is the 11th most competitive economy in the world and the 4th most competitive in the EU (after Finland, Denmark and Luxembourg).

  Source: IMD World Competitiveness Yearbook 2006.

Strong productivity growth:

- Productivity growth in Ireland exceeds the EU average by a considerable margin.

A very favourable corporation tax regime:

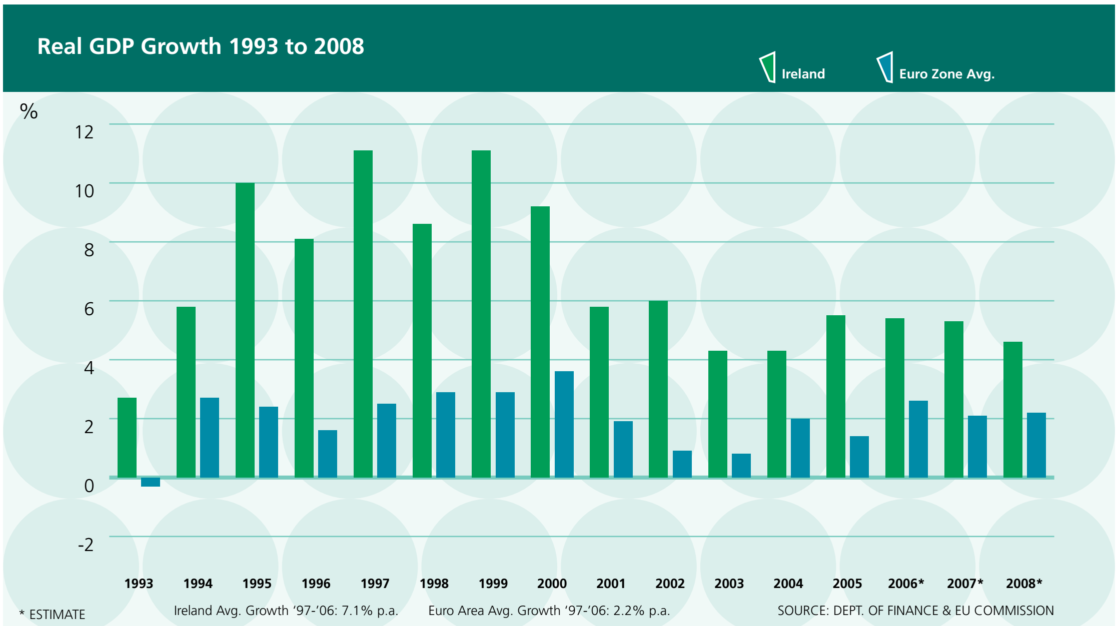
- A corporation tax rate of 12.5 per cent which applies to trading profits in all sectors, including manufacturing and international services.

Membership of the European Union and the single currency:

- This is a huge positive factor for Ireland, especially given the openness of the economy.

GDP Growth 1997-2006

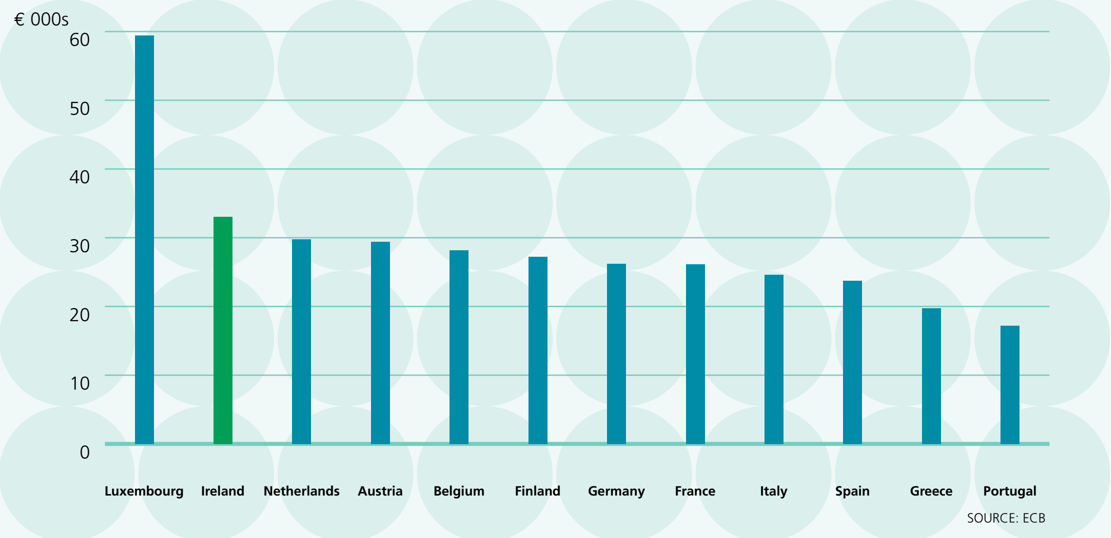
During the ten year period 1997-2006, real GDP in Ireland grew at an average annual rate of 7.1 per cent. In other words, the economy more than doubled in real terms over this period. The euro area experienced an average growth rate of 2.2 per cent per annum in the same period, and all indications are that the Irish economy will continue to outperform the euro area over the medium term.



GDP Per Head

The very strong economic growth of the past ten years has resulted in a rapid increase in the level of GDP per person in Ireland. The figure of €33,000 for GDP per person in Ireland in 2005 is the second highest in the euro area, after Luxembourg.

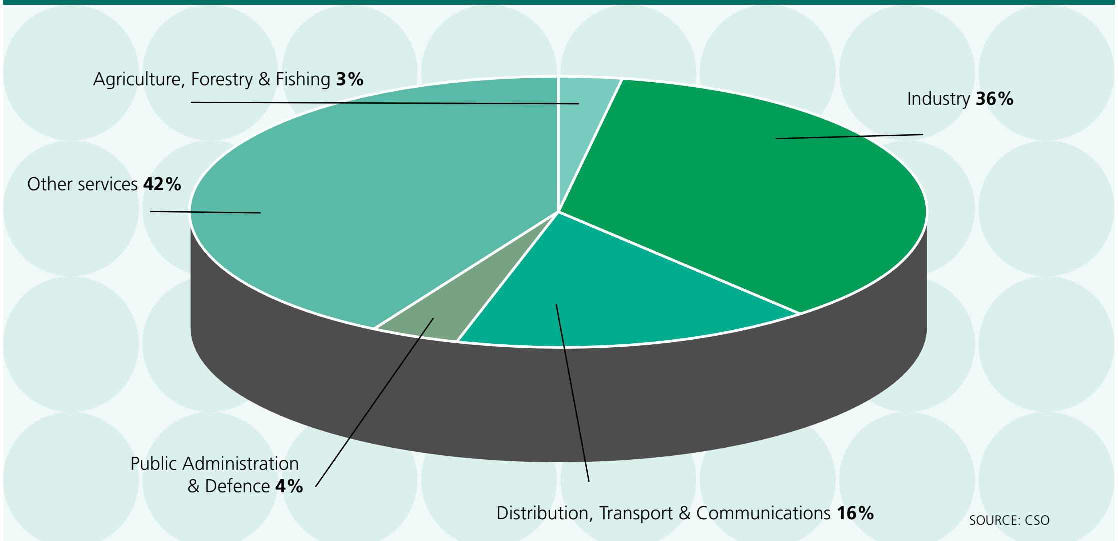
Euro Area: GDP per Head 2005



Gross Value Added by Sector

Services (excluding public administration and defence) accounted for 42 per cent of gross value added in the economy in 2005, with manufacturing at 36 per cent. Trade & Transport accounted for a further 16 per cent, and Agriculture, Forestry and Fishing for merely 3 per cent.

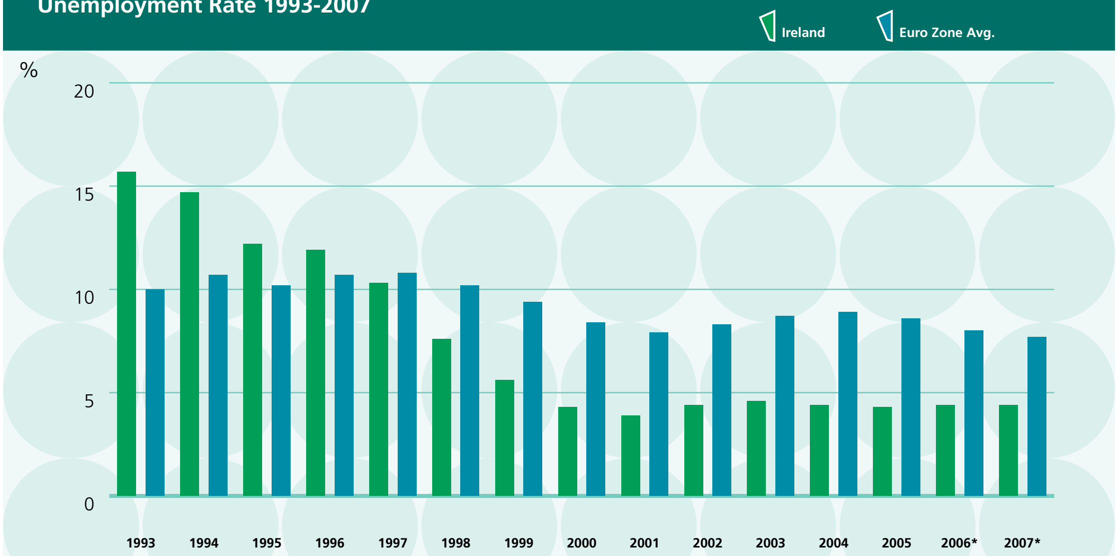
Ireland: Gross Value Added by Sector 2005



Unemployment

The Irish unemployment rate was one of the highest in the EU in the early 1990s. Since the second half of the 1990s, the rate has fallen substantially as Ireland's exceptionally strong economic growth generated significantly increased employment opportunities. The rate is now among the lowest in the EU. In 2006 it averaged 4.4 per cent, as compared with the euro area average of 8.0 per cent, and it now stands at 4.1 per cent (February 2007), a rate generally accepted as in effect representing full employment.

Unemployment Rate 1993-2007



* ESTIMATE

SOURCE: CSO, DEPT. OF FINANCE & EU COMMISSION

Employment

The level of employment in Ireland increased by 4.2 per cent per annum on average over the ten year period 1997-2006, greatly exceeding the average of 1.2 per cent per annum in the euro area over the same period. The number of people at work in the period increased by more than 50 per cent and now stands at 2.1 million. This reflects both the reduction in the numbers unemployed and an increase in the labour force. There were three factors in the growth in the labour force: first, those born during the 'baby boom' of the 1970s were coming of age; secondly, the rate of labour force participation, especially by women, increased; and thirdly, there was a steady inflow of workers from abroad.

Annual Percentage Growth in Employment 1993-2007

* ESTIMATE

SOURCE: CSO, DEPT. OF FINANCE & EU COMMISSION

Employment by Sector

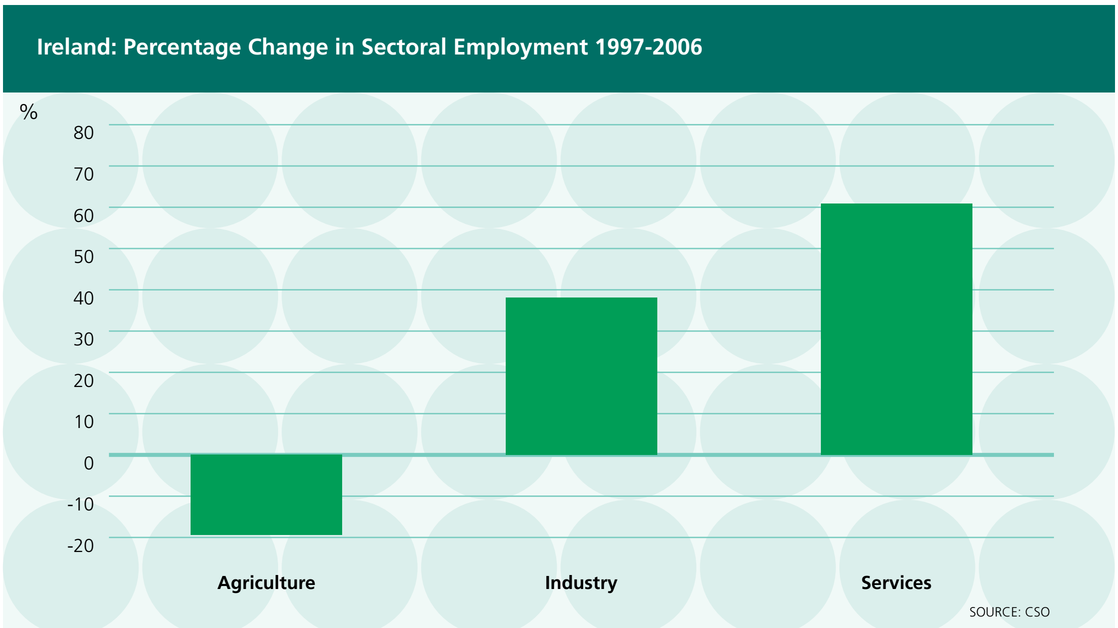
The services sector accounts for two thirds of total employment, followed by industry (including construction) at 28 per cent and agriculture at 6 per cent.

Details of the numbers employed in the various sectors are set out below:

Economic Sector	000s	September - November 2006 % of Total
Agriculture, forestry & fishing	115.8	6%
Other production industries	292.1	14%
Construction	281.6	14%
Wholesale & retail trade	288.3	14%
Hotels & restaurants	116.6	5%
Transport, storage & communication	117.2	6%
Financial & other business services	278.0	13%
Public administration & defence	105.1	5%
Education	139.6	7%
Health	210.2	10%
Other services	121.6	6%
Total	**2,066.1**	**100%**

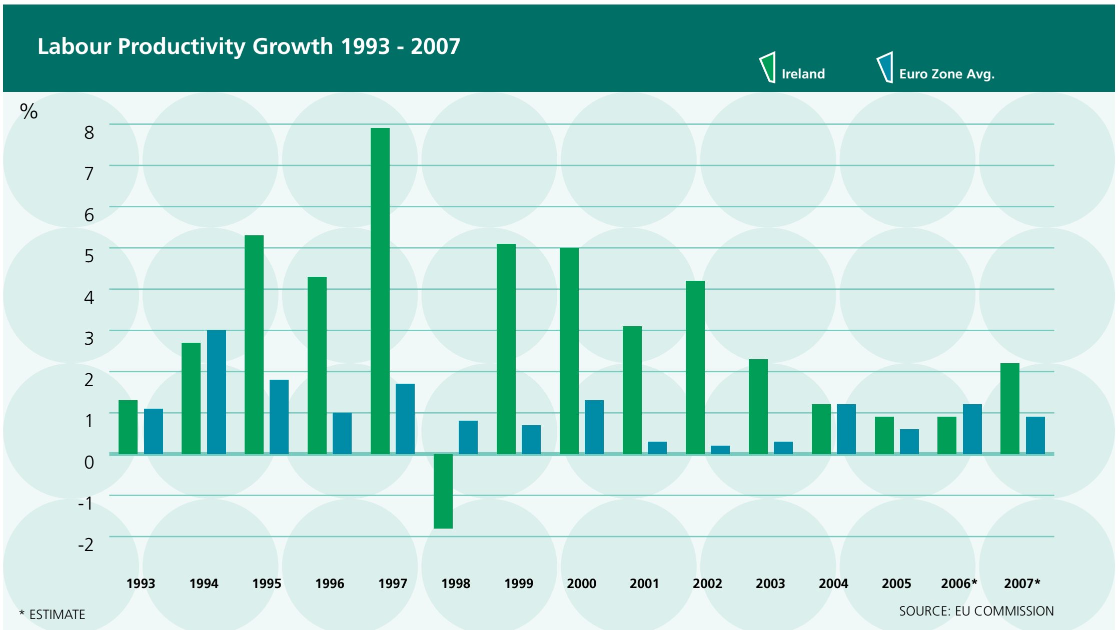
Source: CSO

The trend has been for employment to increase most rapidly in the services sector, followed by industry, and for agricultural employment to decline. Over the past nine years agricultural employment has declined at an annual average rate of 2.3 per cent, as compared with an average annual growth of 3.7 per cent in industrial employment and a 5.5 per cent annual growth in services employment. The total percentage change in employment for each of these sectors over the period 1997 to 2006 is shown below.



PRODUCTIVITY

The growth in labour productivity in Ireland has also been impressive. In the period 1997-2006 labour productivity in the business sector grew by an average of 2.9 per cent per annum, as compared with 0.8 per cent in the euro area as a whole.



Population

The latest estimate of Ireland's population (April 2006) is 4.235 million. This represents an increase of over 600,000 during the previous ten years, or an average annual growth rate of almost 1.6 per cent. Approximately 55 per cent of the growth in this period is accounted for by net migration, with the balance due to natural increase (i.e. births less deaths). The pace of population growth has quickened in the most recent four years, to an average annual rate of 2.0 per cent. Immigration has contributed 58 per cent of the increase in these four years. Ireland's population has now reached its highest level since the Census of 1861.

Immigration

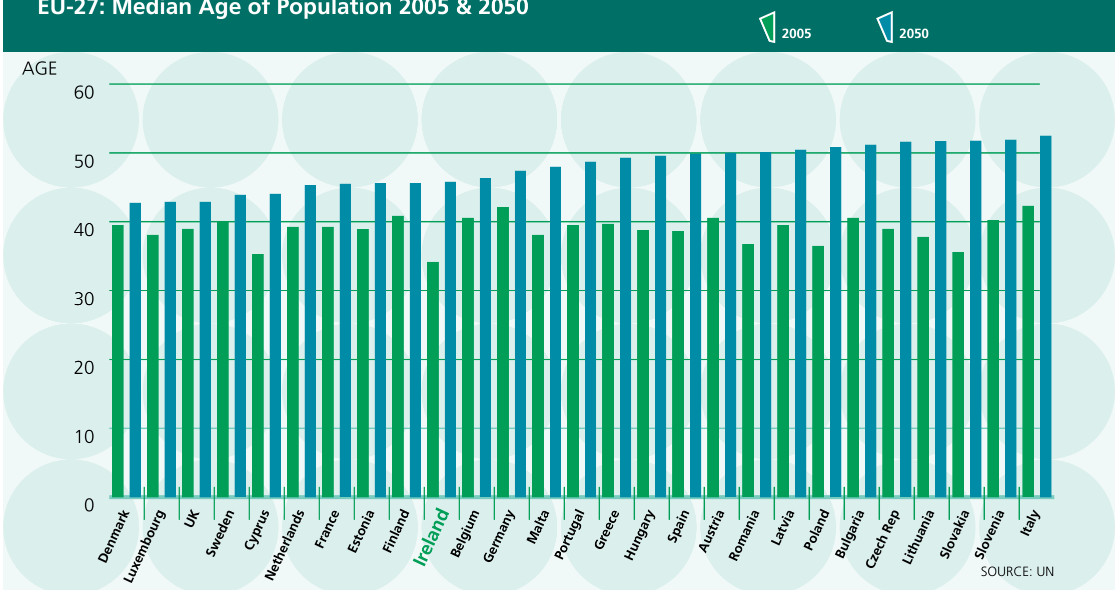
The historical trend of net emigration from Ireland reversed in the mid-1990s, and Ireland has experienced a significant net inflow of immigrants since then. An estimated 86,900 immigrants came to Ireland in the year to April 2006. Returning Irish nationals accounted for just under a quarter of these, while 63 per cent were nationals of other EU-25 countries. Nearly half (43 per cent) of the immigrants were nationals of the States that joined the EU on 1 May 2004 – 26 per cent from Poland, and 7 per cent from Lithuania. Net immigration in the same period was 69,900.

Age Profile

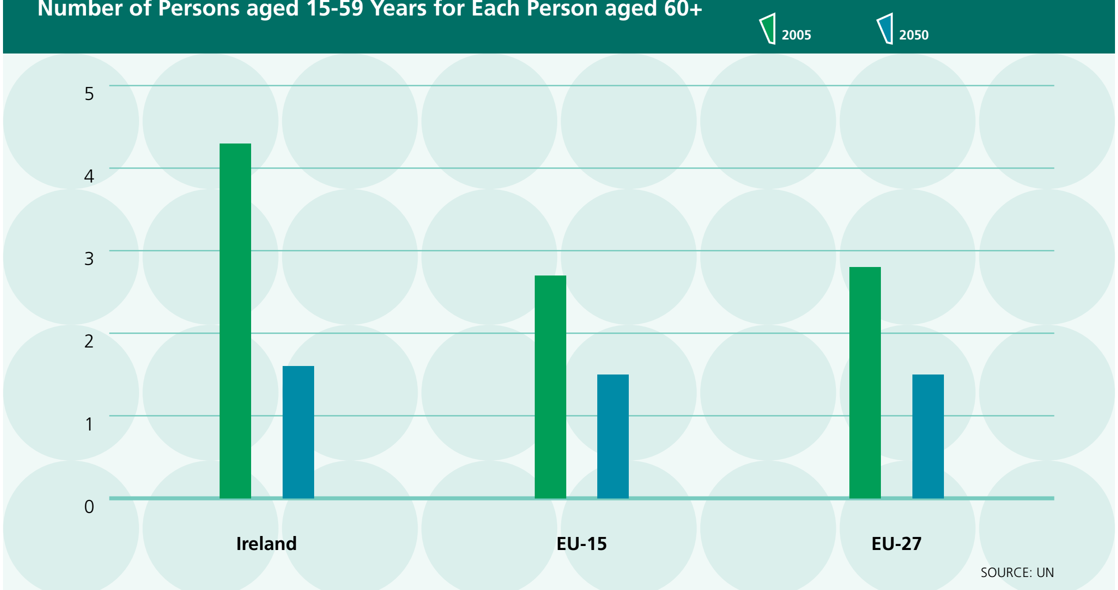
The median age of the Irish population is 34 years, which is the lowest in the EU-27 (including Romania and Bulgaria). All but six of the EU-27 countries have median ages over 38, and the highest is 42. In addition, Ireland has the most favourable old age dependency ratio in the EU-27, with 43 people aged from 15 to 59 for every 10 people of 60 years or more. The equivalent figure for the EU-27 is just 28 people in the 15-to-59 cohort for every 10 people in the older category.

The younger age structure and lower old age dependency ratio has been a significant factor in enabling Ireland to achieve rapid economic growth since the mid-1990s. Ireland has also been pro-active in setting up the National Pensions Reserve Fund to provide for a time when the age profile and dependency ratio will be much less favourable than at present. It is estimated that by mid-century Ireland will have just 16 people in the 15-to-59 age range for every 10 older people, only slightly better than the dependency ratio for the EU-27 in 2050. By then, one-third of the EU-27 countries are expected to have median ages lower than Ireland.

EU-27: Median Age of Population 2005 & 2050



Number of Persons aged 15-59 Years for Each Person aged 60+



Foreign Direct Investment

The level of Foreign Direct Investment (FDI) in Ireland, relative to the size of the economy, is one of the highest in the world. Currently, the FDI sector in Ireland:

- comprises over 1,000 companies employing about 135,000 people directly, with a multiple in indirect employment;
- accounts for over 80 per cent of Ireland's merchandise trade; and
- spends €15 billion per annum in the Irish economy.

Ireland is now in a leadership position in key business segments such as:

- **Biopharmaceuticals**, where Amgen and Eli Lilly have joined Schering Plough, Wyeth, Genzyme and Centocor in making Ireland the location of choice outside the US for development and manufacture of the newest drugs;
- **Digital Media**, with Amazon and Google growing rapidly, along with other leaders such as eBay/Paypal and Yahoo;
- **Information and Communications Technologies**, with new investments by Cisco, IBM, Netgear, Sandisk and Trend Micro building on the existing strong base of world leaders such as Intel, Dell and Microsoft;
- **Financial Services**, which continues to thrive with new investments from Citco, Northern Trust and Vesta, in addition to world leaders such as Citibank, Merrill Lynch, and Goldman Sachs; and
- **Medical Technologies**, with announcements of new investments from two Johnson & Johnson divisions, Cordis and Vistakon, in addition to existing companies such as Abbott, Medtronic and Boston Scientific.

The most significant landmarks in 2006 include an investment of $1 billion by Amgen, together with significant investment in Research & Development by GlaxoSmithKline, Cisco, PepsiCo and Georgia Tech. These investments are clear indicators of the Ireland's progress in moving to high-value knowledge-based activities.

Ireland has now established an enviable reputation globally as a location for advanced manufacturing, sophisticated business services and, increasingly, for leading research and innovation. These investments are creating high-value employment in sophisticated activities, thereby creating new areas of opportunity and raising living standards.

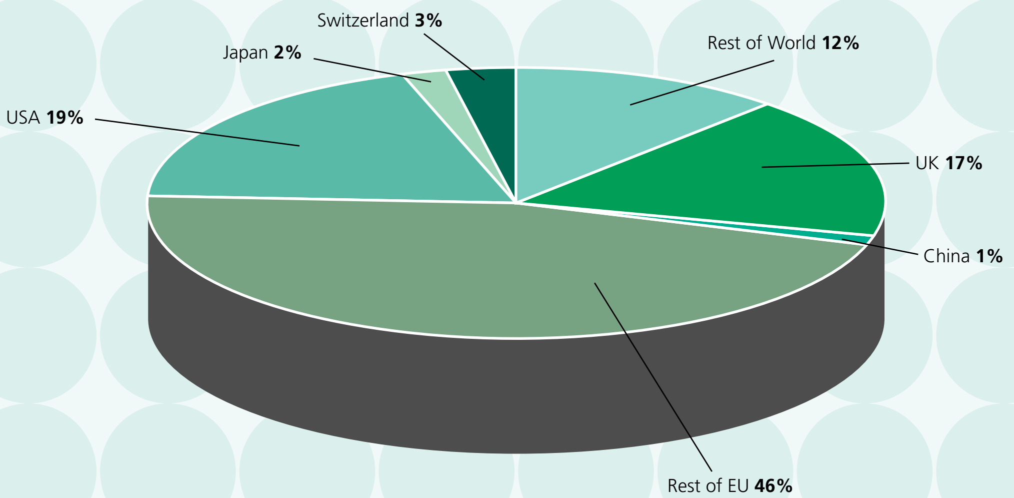
Ireland has developed expertise and competencies to manage business activities with EMEA (Europe, Middle East and Africa) or global mandates. The combination of skills, a congenial and supportive business environment and low taxes have already attracted many business integration and headquarter functions here, in areas such as sales and marketing, procurement, supply chain management, regulatory and compliance functions and intellectual property management.

Ireland's focus is on evolving the three essential ingredients which investors concentrate on – the right people and skills, a supportive ecosystem and infrastructure, and a positive and forward looking attitude – as the basis for the continued development of the economy and balanced regional development. Also, the fact that the Irish economy has performed very strongly over recent years and is much admired internationally greatly enhances Ireland's capacity to attract FDI.

Trade and Balance of Payments

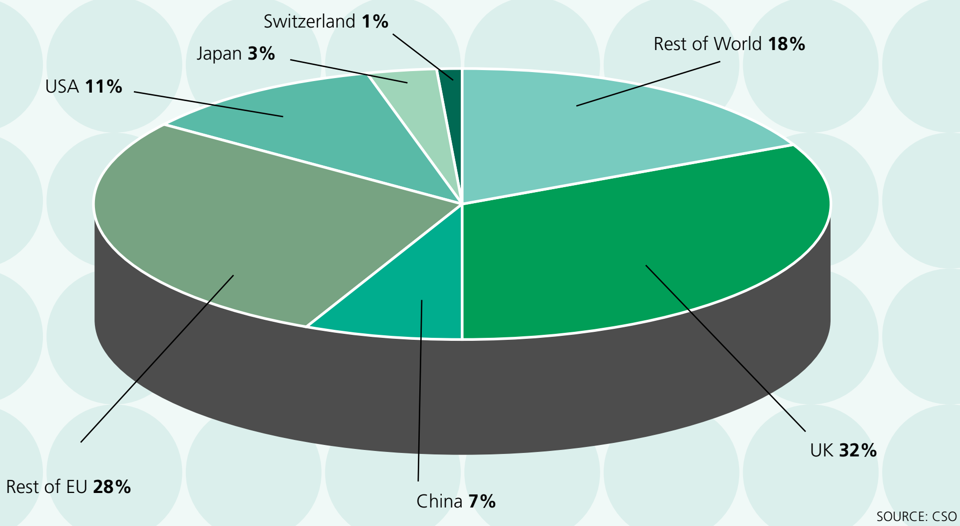
The UK traditionally accounted for the greater part of Irish exports and imports. However, with the development of the economy, our success in attracting foreign direct investment and the increasing impact of EU membership, especially membership of the euro area, some 46 per cent of exports now go to EU countries other than the UK, 19 per cent to the US and 17 per cent to the UK. The UK is still the main source of imports – albeit on a much reduced scale – at 32 per cent, with 28 per cent coming from other EU countries and 11 per cent from the US.

2006 Geographic Breakdown of Exports (to November 2006)



SOURCE: CSO

2006 Geographic Breakdown of Imports (to November 2006)

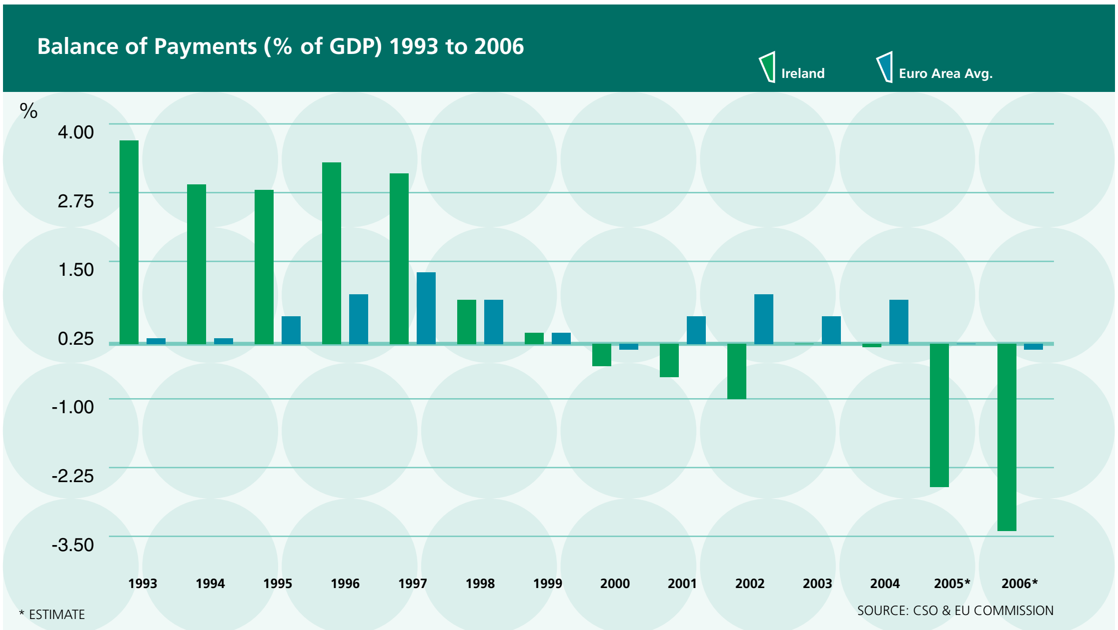


SOURCE: CSO

2007

Ireland

INFORMATION MEMORANDUM


Balance of Payments (% of GDP) 1993 to 2006
Ireland
Euro Area Avg.
%
4.00
2.75
1.50
0.25
-1.00
-2.25
-3.50
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005*
2006*
* ESTIMATE
SOURCE: CSO & EU COMMISSION

National Development Plan 2007-2013

In January 2007 the Government published a new seven year National Development Plan for the period 2007-2013. The Plan provides for total capital investment of €100 billion and current expenditure of €84 billion. Of the €100 billion capital investment, €65 billion will be funded by the Exchequer and €24 billion by State bodies and local authorities. The remaining €11 billion will be accounted for by Public Private Partnerships where the initial investments by the private sector partner are remunerated by a series of longer term annual payments from the Exchequer or by user charges. Public investment is projected at an average of 5.4 per cent of GNP over the period, almost twice the EU average.

Under the Plan, the Government has allocated €32.9 billion for investment in transport infrastructure over the period 2007-2013 with the aim of promoting competitiveness, sustainable economic growth and balanced regional development. Other major capital infrastructure projects include decentralisation of certain Government departments and public bodies to locations outside Dublin, waste disposal facilities, upgrades to drainage and water supply systems, social and affordable housing construction, prisons development and special projects such as the construction of a National Conference Centre.

The Government's rolling multi-annual capital investment programme allows for the carry over of any unused capital expenditure allocation, up to a limit of 10 per cent of the current year's allocation, to the next year. The carry over from 2006 to 2007 was €159.1 million or 2.4 per cent of the 2006 allocation. In 2007 the total allocation for capital spending is €7.8 billion, up from €7.1 billion in 2006.

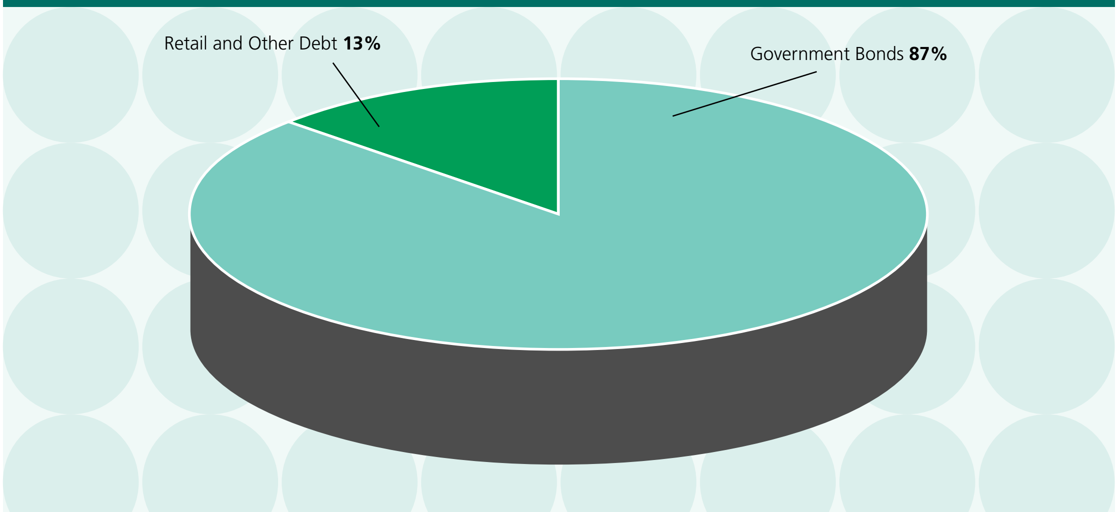
Debt Management

Overview

The National Treasury Management Agency (NTMA) was established in 1990 to manage the National Debt in a cost-efficient manner. The key objectives of the NTMA are to ensure that the Government's financing needs are met at minimum cost and within acceptable risk levels, while at the same time outperforming a benchmark portfolio and meeting its annual fiscal budget target for the cost of servicing the debt. In seeking to meet its objectives the NTMA is free to formulate, within guidelines specified by the Minister for Finance, the strategies it sees as appropriate to achieve its goal of cost effective borrowing.

The National Debt (i.e. the debt of the Central Government) was €35,917 million at 31 December 2006, a reduction of €2,265 million on the end-2005 figure. This was the first time the National Debt had fallen in absolute terms since 2001. The end-2006 General Government Debt is estimated at €44,082 million, or 25.1 per cent of GDP; if adjusted to take account of the end-year value of the National Pensions Reserve Fund (€18.84 billion), the ratio of General Government Debt to GDP would be 14.4 per cent at end 2006.

Ireland: Composition of National Debt at 31 December 2006 (€35,917 million)



SOURCE: NTMA

Funding 2006 & 2007

The total gross debt issuance requirement in 2007 is projected to be of the order of €4 billion. Ireland has maturing bond debt of €6,041 million in 2007 and a projected deficit on the Central Government budget of €546 million. In 2006 Ireland had a surplus of €2,265 million on the Central Government budget. This surplus, which resulted from a better than expected outturn on the 2006 budget, was held in cash over the year end and is available for use in meeting the 2007 funding requirement.

The funding position for 2007 will be kept under review in the light of the evolving state of the budgetary figures during the year, and announcements regarding the NTMA's debt issuance plans will made from time to time as appropriate.

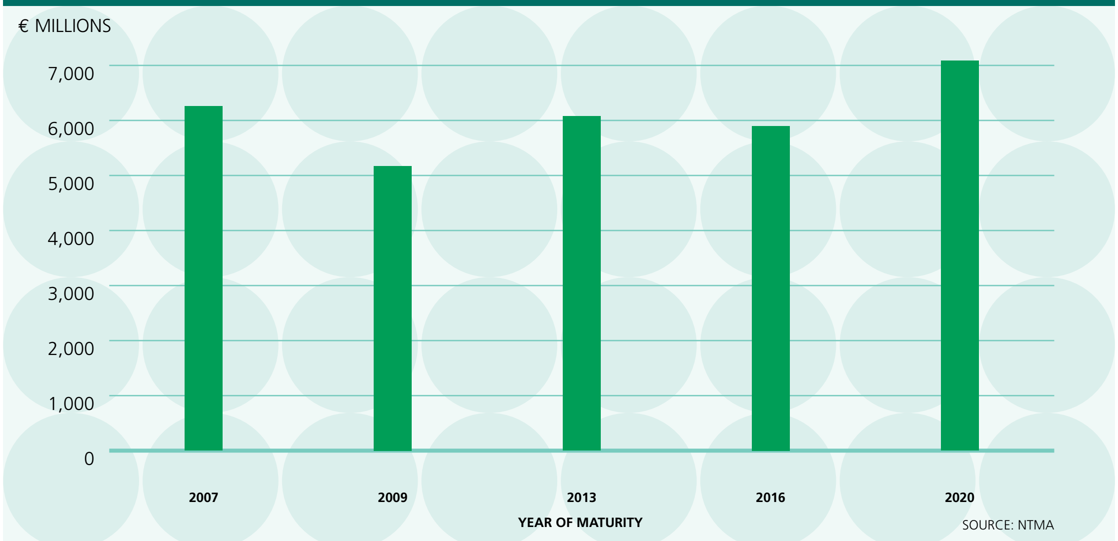
Bonds and Other Medium and Long Term Debt

Benchmark Government Bonds

Ireland has 5 major benchmark bonds with maturities across the yield curve from approximately one year to thirteen years. The average amount outstanding in these bonds is €6 billion, ensuring that liquidity is continuous and deep. Details are set out below, and the outstanding amounts are also shown in the following graph:

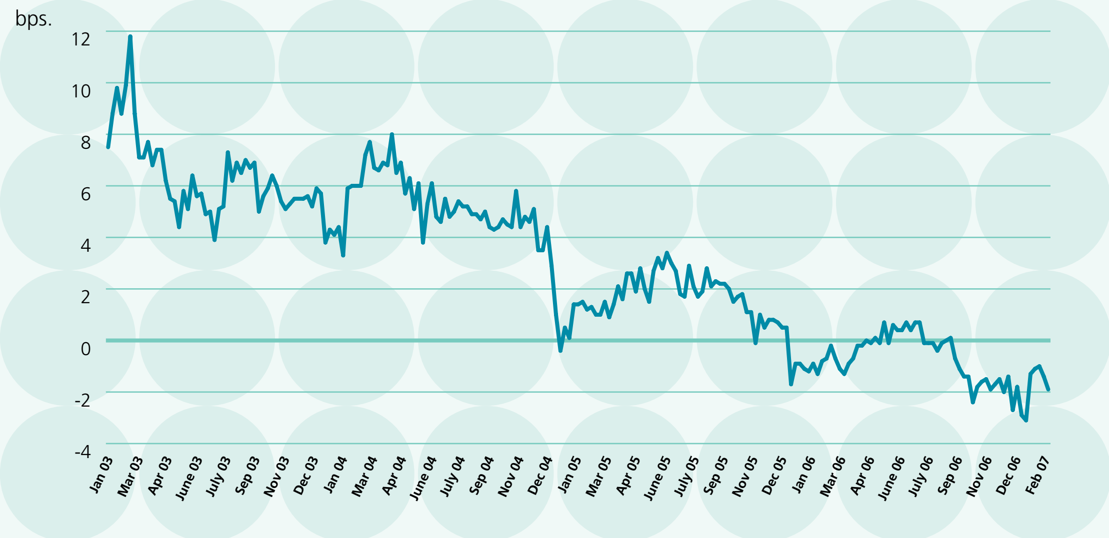
Bond	Amounts Outstanding Feb 2007 (€m)	ISIN Code	Annual Coupon Payment Date
4.25% Treasury Bond 2007	6,259	IE0031256211	18 October
3.25% Treasury Bond 2009	5,170	IE0032584868	18 April
5.00% Treasury Bond 2013	6,078	IE0031256328	18 April
4.60% Treasury Bond 2016	5,899	IE0006857530	18 April
4.50% Treasury Bond 2020	7,085	IE0034074488	18 April

Outstanding Benchmark Bonds, February 2007



Irish Government bond yields have converged to the core euro markets and the bonds now trade at very tight spreads to the bond markets of Germany and France. The graph below shows the convergence of the Irish 2013 bond yield with the equivalent German yield from 2003 to February 2007.

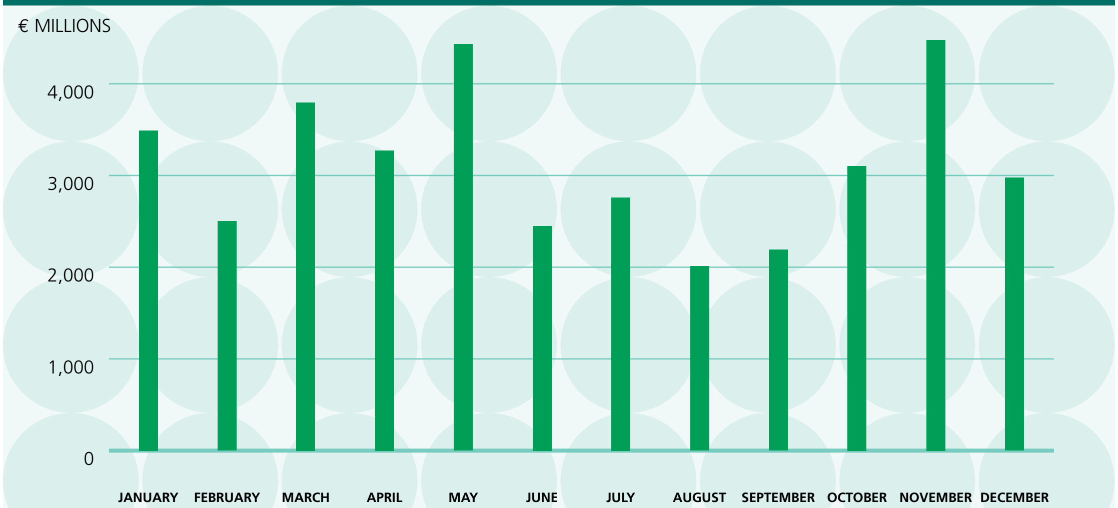
Ireland 5% Treasury Bond 2013 versus German 4.5% 2013
Yield differential in basis points



Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2006 was €37.5 billion.

Stock Exchange Turnover for Irish Government Bonds 2006



SOURCE: IRISH STOCK EXCHANGE

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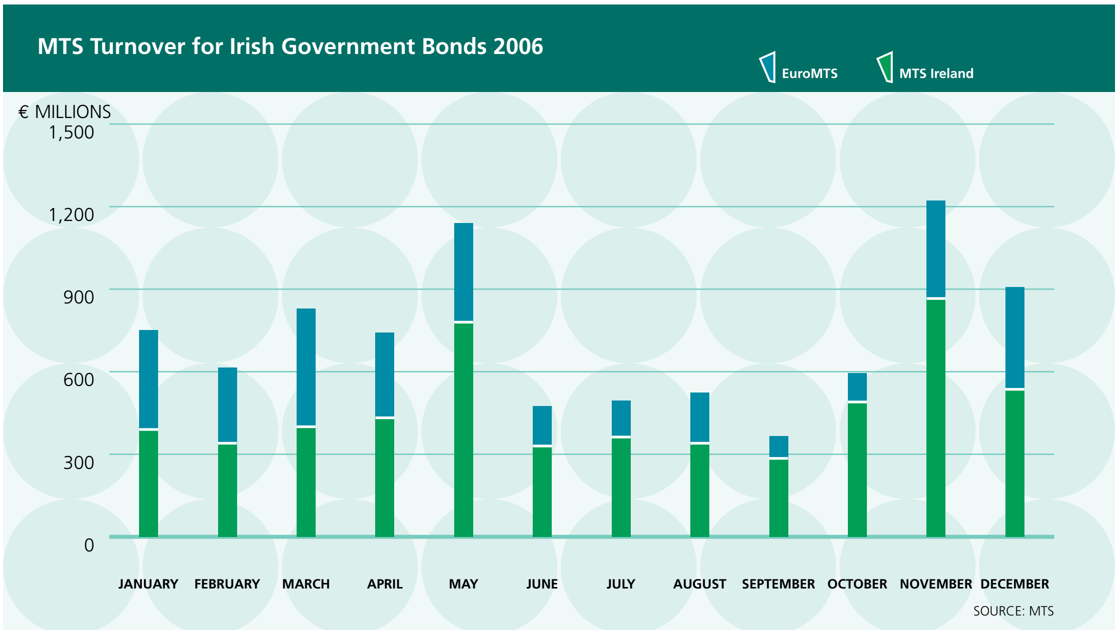
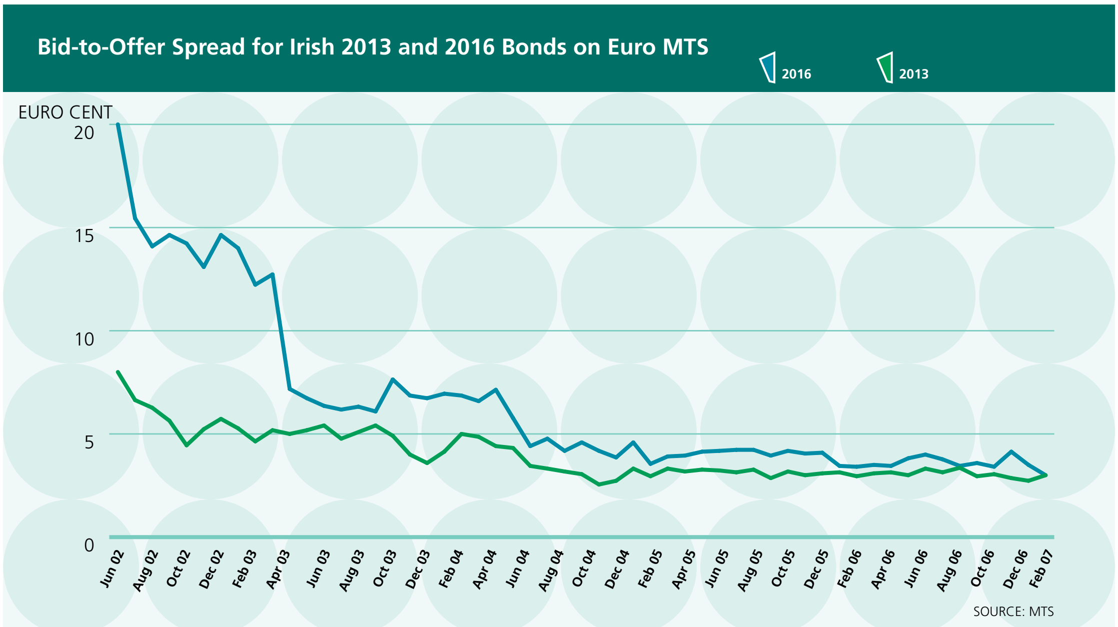
Turnover is greatly enhanced by the trading activity in the bonds on EuroMTS and MTS Ireland. The combined turnover of Irish Government bonds on both systems in 2006 was €8.6 billion.



Liquidity is deep as can be seen from the graph below which shows the bid to offer spread of the Irish 2013 and 2016 bonds on the EuroMTS system since June 2002.



Ireland's Weighting in International Indices of Government Bonds

	%
Bloomberg / EFFAS - Euro Bloc Government Bond Index	0.82
Citigroup World Government Bond Index	0.32
Citigroup European Government Bond Index	0.82
EuroMTS Broad Euro Zone Index	0.86
Lehman Brothers - Global Treasury Index	0.31
Merrill Lynch - Pan-European Government Index	0.70

The Irish Stock Exchange also publishes a daily index of the performance of the Irish Government bond market (www.ise.ie).

Primary Dealer System

The Irish Government bond market is based on a Primary Dealer system. There are 8 Primary Dealers recognised by the NTMA, who make continuous two-way prices in designated bonds in minimum specified amounts and within maximum specified spreads. There are also a number of stockbrokers who match client orders. Primary Dealers account for about 95 per cent of turnover.

The Primary Dealers, all of whom are members of the Irish Stock Exchange, include 7 international banks and a domestic institution.

International Primary Dealers

ABN AMRO, London
Barclays Capital, London
Calyon, London
Citigroup, London
Deutsche Bank, Frankfurt
HSBC, Paris
Royal Bank of Scotland, London

Domestic Primary Dealer

Davy Stockbrokers, Dublin

Contact details for the Primary Dealers are in Appendix 1, on page 42.

Electronic Trading - EuroMTS and MTS Ireland

There are 15 market makers for benchmark Irish Government bonds on EuroMTS: the 8 Primary Dealers listed above, together with the following 7 institutions: Bank of America; Bayerische HVB; Capitalia; Dresdner Bank; Fortis Bank; ING Bank; and Union Bank of Switzerland.

The 5 current benchmark Irish Government bonds are also listed on the domestic system, MTS Ireland, in a parallel quotation. All 8 Primary Dealers plus Bank of America, Bayerische HVB, ING Bank and Union Bank of Switzerland are members of MTS Ireland.

Bond Auctions

When the NTMA's funding needs require it, bond auctions normally take place on the third Thursday of the month. The 8 recognised Primary Dealers have exclusive access to these auctions. At 10.00 a.m. on the Thursday one week beforehand, the NTMA announces, through Bloomberg, Reuters and its website, www.ntma.ie, details of the bond to be auctioned and the auction size. Auctions are conducted via the Bloomberg Auction System and are multiple price auctions. Auction results are usually available within two minutes of the 9.15 a.m. cut-off time for bids. A non-competitive auction for up to 20 per cent of the amount sold in the competitive auction follows directly after the close of each competitive auction. Primary Dealers have the option to take up their non-competitive entitlement until 10.00 a.m. on the second business day following the competitive auction.

No bond auctions were held in 2006 as the budget surplus of €2.3 billion meant that the NTMA had no issuance requirement in that year.

Other Market Operations

The NTMA makes the following facilities available to Primary Dealers in order to ensure deep and continuous liquidity:

- Switching between benchmark bonds;
- Repos and reverse-repos in benchmark bonds;
- Competitive bids in old off-the-run bonds; and
- A continuous bid in Irish benchmark bonds.

Market Conventions

Irish Government benchmark bonds are subject to the following conventions:

- Prices quoted in decimals;
- Business days are TARGET operating days;
- T+3 settlement;
- Clearing via Euroclear Bank, Clearstream or any international clearing system;
- Eligible for ECB Repo; and
- Calculation basis: Actual/Actual.

Secondary Trader

The NTMA maintains a secondary trading function to trade in its bonds with other market participants. This is separated from the primary bond desk activity by means of 'Chinese Walls'. The role of the secondary trader is to contribute to the liquidity of the market in Irish Government bonds and to act as a source of market intelligence for the NTMA.

Taxation

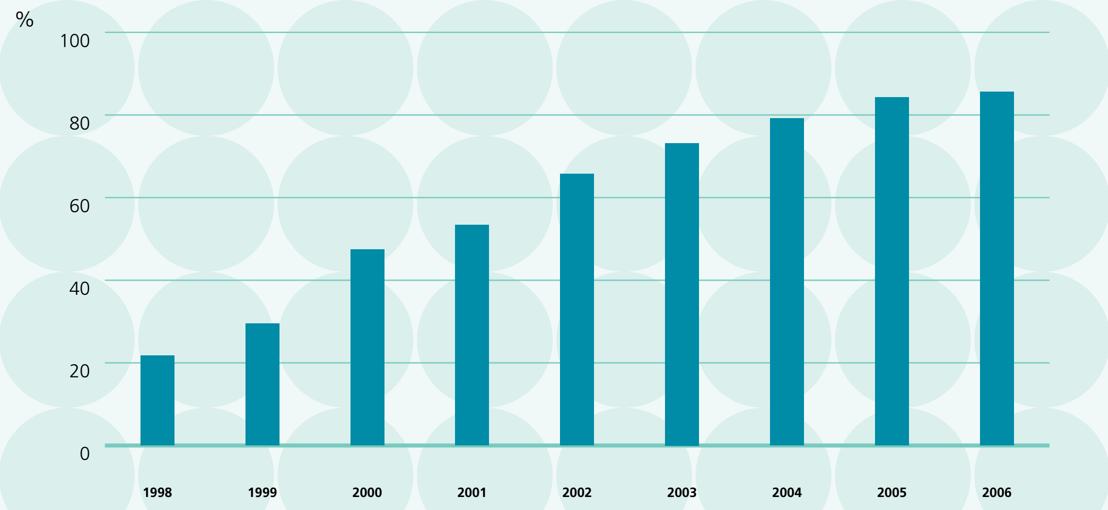
Currently there is no withholding tax on Irish Government bonds. Non-resident holdings are currently exempt from all Irish taxation. However, under the terms of Council Directive 2003/48/EC of 3 June 2003 on Taxation of Savings Income in the Form of Interest Payments, each EU Member State is required to provide to the tax authorities of other Member States details of interest income (as defined) paid by paying agents within its jurisdiction to individuals resident in the other Member States. For a transition period, Austria, Belgium, and Luxembourg are allowed to apply a withholding tax instead of providing such information. The Directive was given legal effect in Ireland in the Finance Act 2004.

On 20 March 2002 Ireland tranched each of its outstanding bonds for a nominal amount of €100 so as to bring them within the scope of the Savings Directive. Accordingly, all Irish Government bonds are subject to the Directive and all tranches of each individual bond are fully fungible.

Diversified Holdings of Irish Government Bonds

Irish Government bonds have moved substantially into the hands of international investors since the introduction of the euro. Non-resident holdings have increased from 22 per cent of the total outstanding in 1998 to an estimated 86 per cent in 2006. This increase has occurred against a backdrop of an increase of 53 per cent in the amount of bonds outstanding over the same period.

Non-resident holding of Irish Government Bonds 1998-2006



SOURCE: CENTRAL BANK & FINANCIAL SERVICES AUTHORITY OF IRELAND

Medium-Term Note Programmes

The NTMA has in place a US$5 billion Euro Medium Term Note Programme and a US$500 million US Medium Term Note Programme. These are multi-currency programmes which facilitate issuance in a variety of structures. Ireland issued a US$500 million Eurobond under its Euro Medium Term Note Programme in 2005.

Short Term Debt and Cash Management

The NTMA operates the following short term programmes:

- Ireland US$8 billion Euro Commercial Paper Programme;
- Housing Finance Agency €2.5 billion Euro Commercial Paper Programme;
- Exchequer Notes Programme;
- Section 69 Multicurrency Notes Programme;
- Central Treasury Services for non-commercial State bodies;
- Cash management as part of the ECB's liquidity management for the euro area; and
- Agricultural Commodity Intervention Bills Programme.

Ireland Euro Commercial Paper Programme

Ireland's US$8 billion multi-currency Euro Commercial Paper (ECP) Programme is listed on the Irish Stock Exchange. This programme is designed to provide funds at attractive levels, significantly below Euribor, for use as bridging finance in the replacement of longer term debt and for other liquidity management purposes. The dealers under the programme are:

- Barclays Bank PLC;
- Citibank International plc;
- Credit Suisse Securities (Europe) Limited;
- Deutsche Bank AG, London;
- Goldman Sachs International;
- ING Bank, N.V.;
- Lehman Brothers International (Europe); and
- The Royal Bank of Scotland plc

Issuing Agent: JPMorgan Chase Bank N.A., London.

Paying Agents: JPMorgan Chase Bank N.A., London & J.P.Morgan Bank (Ireland) plc.

Typical trades are in amounts of US$50 million to US$100 million, and a tenor of up to one year may be available. Reverse inquiries are accepted. All non-euro borrowings are immediately swapped into euro using foreign exchange contracts. The NTMA had no need to use this programme in 2006 in view of the budget surplus of €2.3 billion in that year.

Housing Finance Agency €2.5 Billion Euro Commercial Paper Programme

Under legislation governing the Housing Finance Agency plc (HFA), the NTMA carries out the HFA's borrowing functions under its €2.5 billion multi-currency Euro Commercial Paper Programme. The HFA's borrowings are for on-lending to local authorities for the provision of social housing and are guaranteed by the Minister for Finance. The programme has the top short term credit ratings from Moody's and Standard & Poor's. The dealers on the HFA programme are the same as those for the Ireland US $8 billion Programme. All non-euro borrowings are immediately swapped into euro using foreign exchange contracts. Turnover in 2006 was €9.8 billion.

Exchequer Notes Programme

Exchequer Notes are flexible short-term funding and liquidity management instruments issued directly by the NTMA to a broad range of investors, including corporate investors, banks and other institutional clients. Turnover in 2006 was €15 billion.

Section 69 Multi-Currency Notes Programme

Section 69 Notes were introduced by that section of the Finance Act 1985 for the purpose of encouraging foreign-owned companies located in Ireland to invest their surplus funds in Ireland rather than repatriate them. Eligible companies may invest directly with the NTMA in any major currency. They also have the choice of investing through all the major banks in Ireland. Turnover in 2006 was €38.4 billion.

Central Treasury Services

The NTMA's Central Treasury Services (CTS) take deposits from and make advances to designated non-commercial State bodies such as local authorities, the Health Service Executive and vocational education committees. The objective is to provide these bodies with a competitive alternative to the banking sector for their treasury business and thus to make savings for the Exchequer.

During 2006, lending to the designated bodies, both long term and short term, averaged €50 million, while the deposit base remained strong throughout the year. There were 781 deposits placed with the CTS in 2006, with an average balance of €55 million.

ECB Liquidity Management

The NTMA engages in daily short term cash management operations so as to regulate the level of Government cash balances at the Central Bank and Financial Services Authority of Ireland. This activity is undertaken as part of the overall management of liquidity in the euro area by the European Central Bank. Turnover in 2006 was €229 billion, and the average daily transaction size was €620 million.

Agricultural Commodity Intervention Bills Programme

Agricultural Commodity Intervention Bills (ACIBs) are issued by the NTMA on behalf of the Minister for Agriculture and Food. They fulfil a short term funding requirement for bridging the gap between the making of agricultural intervention payments by the Minister for Agriculture and Food and the recoupment of the moneys from the EU. Turnover in 2006 was €1.9 billion.

Retail Savings

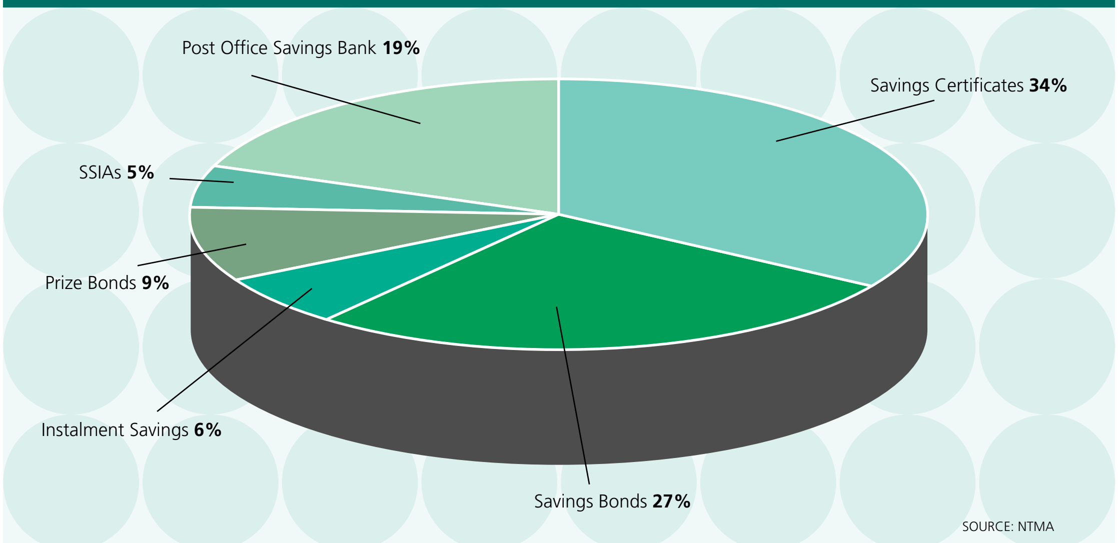
The Irish Government retail savings products are an important source of funding for the NTMA, and in the period since 1996 have represented on average about 14 per cent of the National Debt. Investors in these products are mainly Irish resident individuals, and the total amount outstanding at 31 December 2006 was €6.4 billion.

Some €4.3 billion of this funding was in long term deposit instruments, mostly Savings Certificates and Savings Bonds, with tenors of five and a half years and three years respectively. Deposits with the Post Office Savings Bank (POSB), including Special Savings Incentive Accounts (SSIAs), totalled €1.5 billion. A further €600 million approximately was invested in Prize Bonds. Prize Bonds are Irish Government securities which, instead of attracting interest, participate in weekly draws for cash prizes.

SSIAs were introduced by the Government in 2001 for a limited period - new accounts could be opened only in the twelve months ended 30 April 2002 - as an incentive to boost personal savings in Ireland. They attract, in addition to normal interest rates, a Government bonus of 25 per cent of the amount saved. Savers could hold only one account each and they had to commit to save over a five year period, with a maximum savings of €254 per month. These accounts began to mature in May 2006, and by end 2006 some €140 million had been repaid from the SSIAs operated on behalf of the NTMA by An Post. A further €320 million approximately is being repaid from such SSIAs in 2007.

All financial institutions in the State could offer SSIA products, and the market share of the POSB has been just under 3 per cent. The total amount being released into the Irish economy as a result of maturing SSIAs in all of the financial institutions that offered them to investors is estimated at €16 billion.

Composition of Ireland's Retail Savings Debt at end 2006: €6,429 million



Dormant Accounts

Under the Dormant Accounts Act 2001 and the Unclaimed Life Assurance Policies Act 2003, balances on dormant accounts in banks, building societies and the Post Office and the net encashment value of certain life assurance policies are remitted to the State and disbursed for charitable purposes or purposes of societal or community benefit. The amounts due to be so remitted are transferred to the Dormant Accounts Fund not later than 30 April each year. The period for determining dormancy is normally fifteen years since the last customer-initiated transaction. However, in the case of life assurance policies with a specified term, it is five years after the end of that term.

The legislation guarantees the right of account and policy holders to reclaim their funds from the financial institutions in the event that their dormant account or life assurance policy is reactivated. The NTMA is obliged to determine the amount to be paid into the Reserve Account of the Fund to meet such reclaims and also to meet expenses. This reserve has been set at 15 per cent of the total amount in the Fund with the approval of the Minister for Community, Rural and Gaeltacht Affairs and the consent of the Minister for Finance. The balance of the Fund is available for disbursement. Decisions on disbursements are made by the Government. The role of the Dormant Accounts Board, established on 4 January 2006 under the Dormant Accounts (Amendment) Act 2005, is to advise on priority areas for funding and to monitor the impact of this funding. During 2006 the Board published a new Disbursement Plan in accordance with its statutory obligations.

Pending disbursement, moneys in the Dormant Accounts Fund are managed by the NTMA. In that regard, the NTMA had €211 million under management in the Fund at end December 2006, as compared with €204 million at end 2005. Some €80 million was transferred to the Fund in 2006, while almost €45 million of previously dormant funds was reclaimed. In 2006 disbursements from the Fund were in excess of €33 million.

Funds Investment

The NTMA offers an investment service to Ministers who have funds under their management or control. Ministers who wish to avail of this service authorise the NTMA to manage the relevant funds in accordance with an agreed investment strategy.

The Minister for Finance has authorised the NTMA to manage the investment portfolio of the Social Insurance Fund. This portfolio was valued at €2,714 million at end-2006. Social insurance contributions are paid into the Social Insurance Fund, and payments in respect of items such as unemployment and disability benefits and contributory old age pensions are made from it.

The Commissioners of the National Pensions Reserve Fund (NPRF) have also mandated the NTMA to manage a passive bond portfolio which was valued at €1,757 million at end-2006. In addition, the NTMA executes FX transactions to hedge the foreign exchange exposure on certain of the NPRF's non-euro investments. The FX transactions amounted to €32 billion in 2006.

The legislation governing dormant accounts provides that moneys held in the Dormant Accounts Fund pending disbursement for charitable purposes or purposes of societal or community benefit should be managed by the NTMA, and €211 million of such moneys was under management at end-2006.

Other Functions of the NTMA

National Pensions Reserve Fund

The National Pensions Reserve Fund (NPRF) was established in April 2001 in order to part pre-fund the public pension system. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.

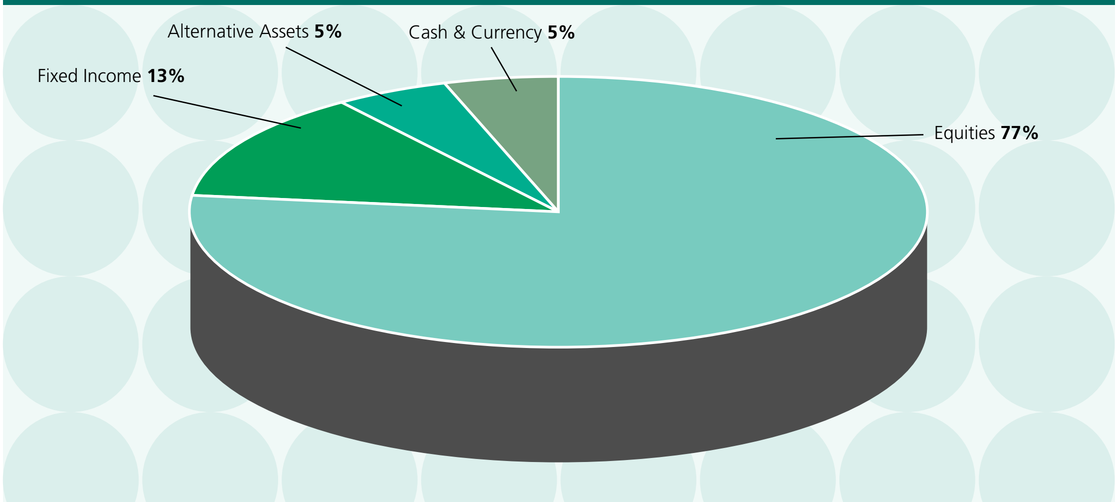
The Government is required to invest 1 per cent of GNP in the NPRF annually. No money can be taken from the Fund before 2025. From then on, drawdowns will continue until at least 2055 under rules to be made by the Minister for Finance. By spreading the Exchequer burden arising from Ireland's additional pension commitments over a lengthy period, these drawdowns will contribute to the long term sustainability of the pension system.

The NPRF is controlled and managed by the National Pensions Reserve Fund Commission. The Commission is required to operate the NPRF on a commercial basis so as to secure the best possible financial return subject to prudent risk management.

The NTMA acts as Manager of the NPRF and the Commission performs its functions through the NTMA.

The NPRF's value at end 2006 was some €18.8 billion, a sum equivalent to 12.6 per cent of GNP.

NPRF: Summary Asset Allocation at 31 December 2006



SOURCE: NTMA

The Commission's asset allocation strategy is founded on the premise that real assets, such as equities and property, whose performance is linked to the rate of economic growth will continue over the long term to outperform financial assets such as bonds. The NPRF's long term investment horizon and its strong cash flow – due to the annual Government contribution – also means that it is ideally positioned to exploit the additional return and diversification benefits available from holding less liquid asset classes such as private equity and property. Accordingly, the Commission is planning to achieve the following target allocations by end 2009:

NPRF Target Asset Allocation (end 2009)	%
Large Cap Equity	63
Small Cap Equity	4
Emerging Markets Equity	2
Total Quoted Equity	**69**
Private Equity	8
Property	8
Commodities	2
Total Alternative Assets	**18**
Government Bonds	11
Corporate Bonds	2
Total Financial Assets	**13**
Total	**100**

State Claims Agency

The State Claims Agency (SCA) – the name used by the NTMA when dealing with claims – manages claims against the State and provides risk management advice to State Authorities and health enterprises with the aim of reducing the scope for future litigation. The SCA has received over 6,800 claims since inception in 2001. Claims are categorised as clinical, EL/PL (employers liability, public liability) and property damage.

Of the claims managed since inception, 26% are clinical, 30% are employer liability, 26% are public liability and the remainder (18%) arise from damage to property.

2006 was the first full year of managing the additional classes of claims delegated to the SCA in September 2005, in particular claims for child sexual abuse and the residual hearing loss claims from members of the Defence Forces. Of the 1,360 new claims received in 2006, 350 relate to hearing loss or abuse claims.

The SCA has a statutory brief to advise and assist State authorities in relation to risks which, if not addressed, may give rise to personal injury/property damage litigation. To this end, the SCA prioritises and reviews risks that currently, or potentially, may give rise to claims, with a view to providing recommendations to the relevant State authority so that mitigation measures can be put in place.

The management of clinical claims, known as the Clinical Indemnity Scheme (CIS), was formally delegated to the SCA in February 2003. The CIS is based on the concept of Enterprise Liability, i.e. the enterprise (health authority, hospital or other agency) assumes liability for the acts and omissions of its employees in respect of personal injury arising as a result of clinical negligence or malpractice. In 2006 the SCA received 394 new clinical claims bringing the total number of active clinical claims currently under SCA management to 1,350. A specialist team of experienced claims managers manages these claims.

In conjunction with its responsibilities for managing clinical claims, the SCA has been delegated responsibility by the Government for designing and implementing a countrywide scheme of clinical risk management.

Among the features of the CIS is the introduction of a national electronic reporting system for adverse clinical incidents. This is the first time that such a system has been introduced in Europe. By identifying adverse clinical incident clusters it is expected to produce substantial benefits in terms of improved patient safety, a reduced level of litigation and increased public confidence in the health system.

National Development Finance Agency

The National Development Finance Agency (NDFA) was established to provide financial advice to State authorities undertaking major infrastructure projects, whether by means of Public Private Partnership (PPP) or traditional procurement. The relevant State authorities include Government departments, local authorities, the National Roads Authority and the Railway Procurement Agency among others.

In everything it does the NDFA must comply with all Ministerial guidelines and instructions. Before providing advice it must have regard to ministerial policy directions and policy guidelines issued to State authorities.

Over 105 projects with a total value of some €20 billion have been referred to the NDFA. To date the NDFA has completed its advice on 30 projects, with a combined capital value of €3 billion; 17 are PPPs and 13 traditionally procured projects. These projects include road, rail, and social and affordable housing regeneration projects, as well as major civic landmark building projects such as the National Conference Centre. The NDFA continues to provide financial advice on a number of high profile projects. Among these are the Metro North PPP in Dublin, the M3 Dublin-to-Cavan motorway and the Criminal Courts Complex project. The NDFA continues to work closely with Dublin City Council and other local authorities on a number of social and affordable housing regeneration schemes as well as a number of projects in the waste and water sectors.

The NDFA has the legal authority to borrow and advance up to €5 billion in respect of projects approved by any State Authority, to form companies for the purposes of financing a public investment project and to advance moneys to such companies. So far it has not been required to provide funding directly.

In July 2005 the Minister for Finance announced a major new initiative aimed at accelerating the delivery of Public Private Partnerships for key capital infrastructure projects in the Central Government area. This initiative involves expanding the role of the NDFA to include a "Centre of Expertise" to act as a procuring agency for PPP projects and the consolidation within the NDFA of the relevant skills and capacity required to support PPP procurement. It is currently focused on a number of Government departments, excluding in particular the Transport sector. A bill to enable the NDFA to carry out these new functions is being considered by parliament at present. The sponsoring Ministers continue to be responsible for all aspects of the assessment and approval of each project, including the decision to procure the project as a PPP, project budgets, output specifications, key stakeholder consultations and other service requirements; the NDFA is responsible for procuring the project within these parameters.

Since the announcement of this new initiative in July 2005, the NDFA has already made progress through the "Centre of Expertise" on the procurement of some €1 billion worth of projects within the Education, Justice, Health and Arts, Sport and Tourism sectors. These projects include 27 schools (mainly second-level schools), Thornton Hall Prison and six Radiation Oncology Treatment Centres. More recently, the National Concert Hall and the Abbey Theatre have been referred to the "Centre of Expertise" for both financial advice and procurement.

Emissions Trading

The parties to the Kyoto Protocol, which came into force in February 2005, agreed to reduce annual emissions of greenhouse gases. In the case of the EU-15, a reduction of 8 per cent on the 1990 level is to be achieved in the period 2008-2012. As part of the burden sharing agreement among EU Member States, and taking account of the different growth trajectory of the Irish economy relative to other EU-15 countries since 1990, Ireland is committed to limiting growth in emissions to 13 per cent above its 1990 level in this period. However, the Environmental Protection Agency has indicated that Ireland may be some 25 per cent ahead of the 1990 level.

Large industrial emitters of greenhouse gases will be responsible for about 40 per cent of the country's emissions reduction targets. The balance of the emissions reduction target will be met by measures in the other, non-traded sector of the economy (such as households) and by the purchase of carbon credits by the State. The Budget for 2007 has allocated a sum of €270 million to fund a programme of carbon allowance purchases in order to comply with the Kyoto Protocol, and the NTMA has been appointed the purchasing agent for the State.

Asset Covered Securities Act 2001

The Asset Covered Securities Act 2001 provides that, in the event of any issuer of securities under the Act defaulting, the NTMA must in the following order:

- secure an alternative service provider to manage the relevant asset pools; or
- secure an alternative obligor for the relevant pools; or
- manage the pools itself.

The Act further provides that the NTMA should have priority with respect to expenses incurred in the performance of its functions and will derive an annual commitment fee in return for accepting its functions under this Act. The Irish Financial Services Regulatory Authority has approved an annual commitment fee of one tenth of one basis point of the nominal amount of asset-covered bonds issued. During 2006 €15.4 billion was issued under the legislation, bringing the total in issue to €60 billion.

In February 2007 the Government initiated amending legislation to effect some necessary technical changes to the 2001 Act. The Asset Covered Securities (Amendment) Bill 2007 also includes proposals aimed at developing the Irish covered bonds statutory and legal framework in the light of changes made in other jurisdictions and in EU legislation, and it would introduce a new kind of designated credit institution – a designated commercial mortgage credit institution – whose activities would be focused on commercial mortgage lending. This draft legislation has still to be considered by parliament.

Miscellaneous

Under the National Treasury Management Agency Act 1990, the Minister for Finance may seek advice on, *inter alia*, the borrowing of money by persons whose borrowing is subject to his consent (including the timing and the terms and conditions of such borrowing), the sale of assets on behalf of the State (including the employment of financial institutions), and stock exchanges and other markets for stocks and shares. None of these issues arose in 2006.

Appendix 1

Primary Dealers – Contact Information

Name/Telephone	Reuters	Bloomberg	Website
ABN AMRO, London +44 207 678 3075	ABNIRE01	AAEG	www.abnamro.com
Barclays Capital, London +44 207 773 8128	BARCEGB	BCEG	www.barcap.com
Calyon, London +44 207 214 5055	CALYON	CALYON	www.calyon.com
Citigroup, London +44 207 986 9332	SSBEUR001-15	CGEG	www.citigroup.com
Davy Stockbrokers, Dublin +353 1 614 8986	DAVB-D	DAVC	www.davydirect.ie
Deutsche Bank, Frankfurt +49 69 910 34470	DBF18	DABB	www.db.com
HSBC, Paris +33 1 40 70 71 72	HSBCIRL	HSFT	www.hsbc.com
Royal Bank of Scotland, London +44 207 085 4855	—	RBSS	www.rbsmarkets.com

Appendix 2

Expenditure on Gross National Product at Current Market Prices (€m)

Description	2000	2001	2002	2003	2004	2005*
Personal consumption of goods & service	50,561	55,584	60,730	65,136	68,719	74,114
Net expenditure by central & local government on current goods & services	13,068	15,381	17,601	18,839	20,785	22,952
Gross domestic fixed capital formation	25,373	27,120	29,059	31,964	36,243	43,582
Value of physical changes in stocks	819	378	645	1,197	248	98
Exports of goods & services#	102,885	116,975	121,723	116,379	124,049	131,001
Less Imports of goods and services#	-88,697	-98,657	-99,524	-94,087	-102,096	-110,553
Statistical discrepancy	544	-24	-288	-486	-380	-30
Gross Domestic Product at current market prices	104,553	116,756	129,947	138,941	147,569	161,163
Net factor income from the rest of world	-15,488	-18,975	-23,699	-21,723	-23,215	-25,248
Gross National Product at current market prices	89,065	97,779	106,248	117,218	124,354	135,914

* Preliminary

Excluding factor income flows

Source: CSO

Expenditure on Gross National Product at Constant (2004) Market Prices (€m)~

Description	2000	2001	2002	2003	2004	2005*
Personal consumption of goods & services	58,669	61,833	64,176	66,231	68,719	73,282
Net expenditure by central & local government on current goods & services	16,826	18,483	19,794	20,424	20,785	21,751
Gross domestic fixed capital formation	30,913	30,853	31,925	33,747	36,243	40,869
Value of physical changes in stocks	1,251	481	591	1,272	248	166
Exports of goods & services#	101,259	110,003	114,985	115,608	124,049	128,861
Less Imports of goods and services#	-86,669	-92,897	-95,154	-93,974	-102,096	-108,710
Gross Domestic Product at constant market prices	**120,865**	**127,931**	**135,649**	**141,472**	**147,569**	**155,723**
Net factor income from the rest of world	-15,318	-17,932	-22,022	-21,782	-23,215	-24,790
Gross National Product at constant market prices	**106,260**	**110,399**	**113,466**	**119,699**	**124,354**	**130,932**

* Preliminary

Excluding factor income flows

~ Chain linked series not additive, except for 2004

Source: CSO

Appendix 3

Balance of International Payments: Current Account (€m)

	Item	1999	2000	2001	2002	2003	2004	2005
1	Merchandise & Services*							
	Cr	79,559	101,645	115,252	121,084	115,447	122,968	129,809
	Db	-67,566	-88,268	-98,019	-99,422	-93,932	-101,747	-110,293
2	Net Income	-12,945	-14,750	-18,295	-23,663	-21,947	-22,481	-24,317
3	Subsidies less Taxes	1,017	1,056	874	1,407	1,304	1,464	1,805
4	Net Transfers	161	-62	-569	-703	-872	-1,071	-1,204
5	**Net Balance on Current Account**	**226**	**-379**	**-757**	**-1,295**	**-2**	**-867**	**-4,200**

* Adjusted for balance of payments purposes

Balance of International Payments: Capital and Financial Account and net errors & omissions (€m)

		1999	2000	2001	2002	2003	2004	2005
6	**Balance on Capital Account**	**560**	**1,182**	**703**	**512**	**93**	**279**	**266**

Financial Account

		1999	2000	2001	2002	2003	2004	2005
7	Direct Investment	11,359	22,957	6,241	19,444	15,270	-23,095	-35,945
8	Portfolio Investment	-14,342	-5,358	-25,158	-37,979	-39,977	14,287	53,560
9	Other Investment#	-974	-9,037	19,039	19,263	21,567	11,430	-20,040
10	Reserve Assets	1,746	-142	-441	343	1,770	1,177	1,472
11	**Balance on Financial Account**	**-2,211**	**8,420**	**-319**	**1,070**	**-1,372**	**3,801**	**-954**
12	Net errors and omissions	1,425	-9,223	372	-287	1,280	-3,212	4,889

Including financial derivatives and trade credits

Source: CSO

Appendix 4

Central Government Receipts and Expenditure (€m)

	2002	2003	2004	2005	2006*	2007*
Current Budget						
Expenditure	26,123	28,747	30,763	33,496	36,994	41,590
Revenue	31,523	33,159	36,383	39,849	46,145	49,640
Surplus	5,399	4,410	5,619	6,353	9,151	8,050
as percentage of GDP	4.1%	3.2%	3.8%	4.0%	5.2%	4.2%
Capital Budget						
Expenditure	6,869	6,678	6,729	7,847	8,757	10,080
Exchequer Capital Resources	1,561	1,287	1,142	995	1,871	1,483
Exchequer (Deficit)/Surplus**	**93**	**-980**	**33**	**-499**	**2,265**	**-546**
as percentage of GDP	0.1%	-0.7%	0.02%	-0.3%	1.3%	-0.3%
Memorandum Items						
General Government Surplus	-577	223	2,117	640	3,980	2,276
as percentage of GDP (ESA 95)	-0.4%	0.2%	1.4%	0.4%	2.3%	1.2%
General Government Debt	41,778	43,183	43,622	44,452	44,082	43,677
as percentage of GDP (ESA 95)	32.0%	31.0%	29.4%	27.8%	25.1%	23.0%

* Estimate

** Combined Capital and Current Budget

Source: Department of Finance

Appendix 5

International Commitments

On 1 January 1973, Ireland joined the European Economic Community (EEC), the European Atomic Energy Community (EURATOM) and the European Coal and Steel Community (ECSC). These three bodies are now subsumed in the European Union. Ireland is also a member of the European Investment Bank (EIB).

Ireland is a founder member of the Organisation for Economic Co-operation and Development (OECD), and is also a member of the United Nations and other major international organisations.

Ireland is also a member of the following international financial institutions:

	Membership Date
International Monetary Fund (IMF)	8 August 1957
International Bank for Reconstruction and Development (IBRD)	8 August 1957
International Finance Corporation (IFC)	11 September 1958
International Development Association (IDA)	22 December 1960
International Centre for Settlement of Investment Disputes (ICSID)	7 April 1981
Multilateral Investment Guarantee Agency (MIGA)	5 July 1989
European Bank for Reconstruction and Development (EBRD)	26 March 1991

Appendix 6

Useful Websites

Irish Government	www.irlgov.ie
National Treasury Management Agency	www.ntma.ie
Department of Finance	www.irlgov.ie/finance
Central Statistics Office	www.cso.ie
Central Bank and Financial Services Authority of Ireland	www.centralbank.ie
National Pensions Reserve Fund	www.nprf.ie
National Development Finance Agency	www.ndfa.ie
State Claims Agency	www.stateclaims.ie
Economic and Social Research Institute	www.esri.ie
IDA Ireland	www.idaireland.com
EuroMTS	www.euromts-ltd.com
MTS Ireland	www.mtsireland.com
An Post (Irish Post Office)	www.anpost.ie
The Prize Bond Company Limited	www.prizebonds.ie

Map of European Union

National Treasury Management Agency

National Treasury Management Agency

Treasury Building, Grand Canal Street, Dublin 2

Telephone:	+353 1 **664 0800**
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Web:	**http://www.ntma.ie**
E-mail:	**info@ntma.ie**