



INTRODUCTION

In compliance with its statutory obligation and following a policy of transparency, IGCP publishes its Annual Report on Government Debt and Cash Management. The report provides an overview of its debt and cash management activities carried out in 2011.

Against a backdrop of a deepening sovereign debt crisis, the year 2011 was marked by a request for economic and financial assistance by Portugal, which culminated in the signing of a Memorandum of Understanding with the European Commission and the European Central Bank, and the Memorandum of Economic and Financial Policies with the International Monetary Fund on 17 May. These events forced IGCP to refocus its activity since under the Economic and Financial Assistance Programme (EFAP) its medium- and long-term borrowing needs are covered until September 2013. In this context, there was a significant change in the usual sources of funding, with marketable instruments having a negative net contribution to the year's financing. For the first time, the issuance of Government bonds was suspended after the EFAP was signed. Treasury Bills, whose net issuance was also negative, became the main instrument for market funding, which was refocused in shorter maturities (three and six months). Only in the first quarter of the current year did market conditions make it possible to issue in longer terms. The outstanding of retail instruments (Saving and Treasury Certificates) dropped significantly as a result of a large number of redemptions. In the case of Saving Certificates, this was explained by the widening of the spread against the returns on other investment alternatives in the Portuguese financial system as well as by a greater risk perception. Consequently, at the end of 2011 the debt composition was substantially different than usual with most of the normal components declining, while EFAP loans already account for 20.5 per cent of total.

The extension of the principle of unifying the Government's cash management to non-financial state-owned corporations imposed by the Budget Law led to a significant increase in the number of users of IGCP's systems. It also resulted in greater diversification of the type of users, making it possible to maintain the levels of service and to broaden the range of products offered, namely with the introduction of CEDIM. This instrument makes it possible to invest funds for longer periods, which was particularly adequate to the needs of the entities recently integrated in the Government's cash management. This made it possible to maintain a high level of compliance with the principle of unifying the Government's cash management.

The Board of Directors would like to express its gratitude to the members of the Advisory Board and the Supervisory Committee for their cooperation and commitment to their duties.

Finally, a word of recognition to all staff members for their dedication and diligence, which were paramount to fulfil IGCP's mission in a particularly difficult period.

The Board of Directors

March 2012

STATUTORY BODIES OF IGCP*

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Luís Adriano Alberti de Varennes e Mendonça (Executive Director)

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AUDIT COMMITTEE

José Maria Teixeira Leite Martins (Chairman)

Amável Calhau, Ribeiro da Cunha & Associados, represented by Official Auditor Amável Alberto Freixo Calhau

* On the completion date of the Annual Report

** Until 21 July 2011