Conselho das Finanças Públicas
Portuguese Public Finance Council

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Institutional background

- The Portuguese Public Finance Council (CFP according to its Portuguese acronym) was created by law in May 2011. Its statutes came into force in October and its senior board took office in February 2012
- The Council's independence is ensured by the its statutary provisions and has been fully respected
- Its remit includes
  - assessing the macroeconomic scenarios adopted by the Government
  - assessing compliance with fiscal rules
  - analysing the dynamics of the public debt and its sustainability
  - assessing the financial position of subnational governments
  - monitoring the budget outturn.

Publications

- Preceding debates in Parliament, the Council must present reports on the Stability Programme and other procedures within the European regulatory framework of the Stability and Growth Pact, the multi-annual budgetary framework and the draft State budget
- The CFP must also produce, on a regular basis, reports on the sustainability of the public finances, as well as on other subjects it considers relevant
- According to its statutes, all reports drawn up by the Council are made available publicly on its webpage
- These have received increasing media attention. The members of the senior board are also frequently invited to participate in events and comment on matters related to macro-fiscal policy

Reform of the fiscal framework and the Public Finance Management (PFM) infrastructure

- The first four years of the CFP's activity coincided with a period of active reform and implementation of a more demanding fiscal framework, in the context of the enhanced EU fiscal governance framework and the specific needs of fiscal consolidation in Portugal
- These implied far-reaching – and still ongoing – changes, both at the European and the national level
- The CFP has provided advice on important changes required at the national level, concerning
  - reform of the Budget Framework Law and the laws concerning the subnational fiscal frameworks
  - the public financial management (PFM) infrastructure (e.g. fiscal reporting and public accounting system)

Medium-term framework and macroeconomic forecasts

- The implementation of a more strict medium-term framework, including improved macro-fiscal forecasts, was an important part of the reforms in which the CFP was involved
- In 2014 the CFP started to formally assess the macroeconomic forecasts underlying the Draft Budgetary Plans (DBP) and the Stability Programmes (SP) presented to Parliament and the European Commission
- These assessments are made public together with the government documents concerned

Assessing compliance with fiscal rules

- On assessing compliance with fiscal rules, the CFP has confronted some difficulties, especially concerning methodological issues
- These are partly derived from the fluid nature of some aspects of the rules under the SGP’s multilateral surveillance mechanism, where the integration of national IFIs still appears insufficient
  - Examples are the definition and identification of temporary and one-off measures and the calculation of the cyclical components of budgetary aggregates
- Even if the IFIs intervention takes place mainly at the national level, the rules defined in the national legislation reproduce those defined at the European level, sometimes raising problems of interpretation. The EU could take better advantage of the IFIs knowledge of the domestic realities

Dealing with institutional and structural issues

- The Portuguese adjustment needs require important institutional and structural measures, beyond the cyclical considerations taken into account by fiscal rules

- For many years, the system concentrated on numerical rules that, though "structural", were re-evaluated on an annual basis, allowing medium-term adjustment to be postponed, so long as the short-term target appeared to be reached

- The CFP has consistently called attention to these issues, considering it relevant for its role as a national fiscal council to stress specific national issues, while pursuing the need to reconcile them with the European framework

Evaluation of the public finance constraints ahead of key fiscal policy proposals

- In this role, the CFP took the initiative of presenting its evaluation of the public finance position and constraints in reports published in advance of the presentation by the government of the SP and the DBP
- These are intended to enlarge and deepen the public discussion of those key policy documents by placing them against the background of an updated independent view of the country's economic and financial situation and the need to ensure that commitments made in previous medium-term programmes are effectively taken into account
- These reports were first published in March and October 2015. The experience proved highly positive, given the public and political attention they received

Other statutory reports

- The CFP also regularly reports on quarterly economic and fiscal developments and the situation of the social security and civil servants insurance systems (half-yearly)
- In 2016 the first annual report on subnational fiscal developments will be published
- Also in 2016 we plan to issue our first sustainability report, placing in a long-term perspective the fiscal consequences of past and current government activity, with a main focus on the pension and health systems and public investment
- All reports are available at www.cfp.pt