STRATEGIC PLAN 2024|26

Portuguese Public Finance Council

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MESSAGE FROM THE **SENIOR BOARD**

Since 2012, the Portuguese Public Finance Council has been Portugal's independent budgetary institution. Created by Law no. 22/2011 of 20 May, it has since been part of the set of checks and balances of our political system, assessing the sustainability of budgetary policy, promoting its transparency, and thus strengthening the Government's financial credibility in order to contribute to the quality of economic policy decisions, and democracy itself.

In fulfilling this role, independence is, and has been, central, and an adequate institutional architecture is a necessary condition. Important features of this architecture are the process for appointing the members of the Senior Board, the characteristics of their mandate, not being appointed at the same time and with restrictions on renewal, the limitations on exclusivity imposed on them and on CFP employees, or the prohibition on requesting or receiving instructions from the Portuguese Parliament, the Government or any other public or private entities. Important as they are, these institutional characteristics are reinforced by what, without false modesty, we consider to have been a constant and cultivated practice of independence in action. We believe that the CFP has earned a well-deserved reputation among citizens for impartiality, serious analysis and genuine concern for res publica.

The CFP's contribution to strengthening the image and credibility of the country and its public accounts is undeniable. The improvement in international recognition, the result of the financial consolidation effort that has taken place, obviously related to the CFP's informed and vigilant action, allows the country to face the future with an increased degree of confidence. The challenges and difficulties of sustained economic growth remain. The CFP reinforces its commitment to continue, within the framework of its legal mandate, to make its contribution in favour of increasing the economy's growth potential and the sustainability of Portugal's public finances.

The timing of this strategy is particularly critical for the governance of public finances in the countries of the European Union, especially for those in the Euro Area, as the European economic governance framework is being revised. This review could have a significant impact on the tasks of the independent European budgetary institutions, including the CFP, within the framework of this new multilateral supervisory system.

Notwithstanding the challenges ahead, in the next three-year period the CFP will place greater emphasis on promoting financial, environmental and social sustainability across the board, implementing innovative ways of improving the quality of its work and results, so as to increase the impact of its action. Internally, this vision should translate into implementing management practices that guarantee the sustainability of its activity, investing in the development of its employees and reducing the organisation's ecological footprint.


VISION
MISSION
VALUES

clearer and more far-reaching **VISION**

The CFP wants to contribute to **strengthening citizens' scrutiny** of the actions of political decision-makers and their impact on public accounts, thus promoting **public discussion and financial literacy** in our country.

By ensuring the sustainability of public finances, the CFP aims to contribute to the **quality of public policies** in the short long term, in favour of economic development, social well-being and intra- and intergenerational equity.

A legal **MISSION**, a commitment and a demand

Incorporating the spirit of mission, more than a legal requirement, is the commitment to public service on the part of everyone who works at the CFP. The CFP's mission is set out in Article 7 of the Budgetary Framework Law. This consists in:

Providing an opinion on the proposed objectives in relation to the macroeconomic and budgetary scenarios, to the long-term sustainability of public finances and compliance with the budget balance rule, to the central government expenditure rule and to the debt rules for the autonomous regions and local authorities laid down in the respective financing laws."

The **Statutes** specify the CFP's duties, which include:

- Evaluating the macroeconomic scenarios adopted by the Government and the consistency of the budget projections with these scenarios;
- Evaluating compliance with the established budgetary rules;
- Analysing the dynamics of public debt and the evolution of its sustainability;
- Analysing the dynamic evolution of existing commitments, with a particular focus on the pension and health systems and public-private partnerships and concessions;
- Assessing the financial situation of the Autonomous Regions and local authorities;
- Evaluating the economic and financial situation of public business sector entities and their potential impact on the consolidated situation of public accounts and their sustainability;
- Monitoring budget implementation.

The assessment of the macroeconomic scenarios drawn up by the Government and underlying the main budget documents (State Budget and Stability Programme) is implemented through endorsement, which aims to certify that the documents in question are based on the most likely macroeconomic scenario or a more prudent scenario. Such scenarios have to be **endorsed** by the CFP before being sent to the European Commission and presented to the national Parliament..

We intend to continue to fulfil our legal mandate with increased demands and a true 'spirit of mission'. To this end, CFP will continue to strengthen its technological capabilities and increasingly value its human resources, being the Institution's main asset.

The goal is threefold:

- Retaining talent by valuing CFP staff within the framework of the progression system and other internal mechanisms;
- Increasing workers' skills, particularly in the use of digital tools to support data warehouse building and modelling. To this end, it is planned to step up training with a view to providing excellent qualifications;
- Strengthening people's skills and interaction, investing in real teamwork that, given the size of the institution, ensures greater flexibility and resilience in the full realisation of its duties.

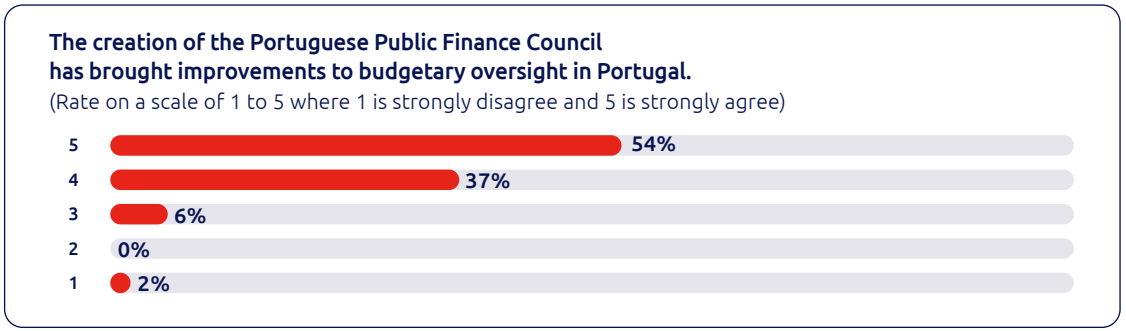
Our **VALUES** the CFP brand image

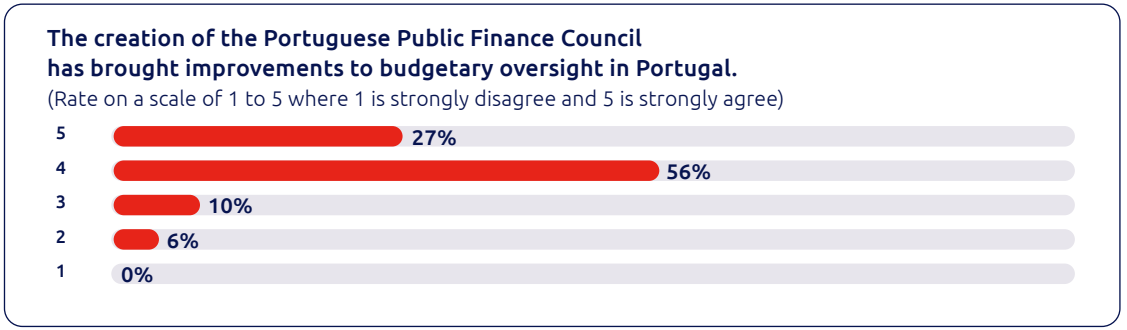
Stakeholders Analysis

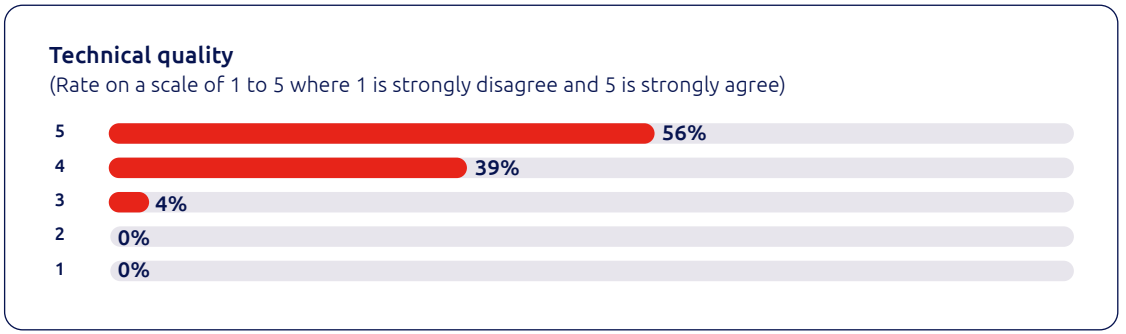
s it enters its second decade of existence, continuing along its original path, the CFP has reflected on possible areas to expand its influence, in accomplishing its mission over the next three years, in order to meet the specific challenges of the Portuguese economy and in particular those in the area of public finances.

In producing and disclosing its work, the CFP interacts with various institutional players in order to provide an accurate and up-to-date picture of Portuguese public finances and the factors relevant to their evolution. In order to broaden the CFP's contribution to the debate and knowledge of these issues, the CFP's stakeholders were consulted. This consultation resulted in a positive assessment of the activity carried out, as illustrated in the graphs below, as well as several very relevant contributions to be incorporated into the strategy for the coming years; this is the need to analyse in greater depth the structuring issues for the sustainability of public finances and the Portuguese economy in the economic, social and environmental dimensions, framed, whenever possible, in an international and/or sub-national perspective.

In line with the expectations of its stakeholders, the CFP will endeavour to give greater visibility to the studies carried out, furthering institutional collaboration with relevant sectors of the economy and with international partners, reinforcing transparency and the timeliness of information, with a more pedagogical perspective.







Notes

he consultation was sent to 174 stakeholders in November 2023, covering the Parliament, public administration, academia, media, social partners, the financial sector, independent entities and other institutions. Under the consultation 48 replies were obtained.

STRATEGIC OBJECTIVES FOR THE THREE-YEAR PERIOD 2024-26

THE CFP WILL FOCUS ITS ATTENTION ON THREE STRATEGIC OBJECTIVES:

Promoting sustainability

in its three dimensions. The focus of our work should be not only on Financial Sustainability, but also on Environmental and Social Sustainability

Promoting budgetary transparency

y producing or disclosing comprehensive, comprehensible and internationally comparable information on the evolution of public finances in Portugal, both at national and sub-national level. The CFP's activity should allow the general public to reliably assess the Government's financial position and to scrutinise the true costs and benefits of public management activities, including their present and future economic and social implications. The CFP undertakes to publish on its website up-to-date information on the state of public finances, the short- and medium-term outlook for the Portuguese economy, as well as more educational information on public finance concepts (glossary) and explanations of more complex issues.

Increasing the impact of the CFP

and its recognition by the public, in order to contribute to greater knowledge, debate and monitoring of budgetary policy among a wide range of audiences.

The strategy for the next three-year period is based on:
i) simpler and more precise communication; **(ii)** greater disclosure of the CFP's activities, by establishing the CFP on existing channels and a greater presence on social networks, as a way of reaching a wider audience; and **(iii)** strengthening international cooperation, both within the framework of the EU and the OECD, as well as with Portuguese-speaking countries.

OPERATIONAL AXES OF CFP ACTION

Organisation and institutional training

Two years on from the implementation of the CFP Internal Regulations, it is already possible to identify the aspects that need to be improved. To this end, the Senior Board will promote the revision of the Internal Regulation, focusing on the following concerns:

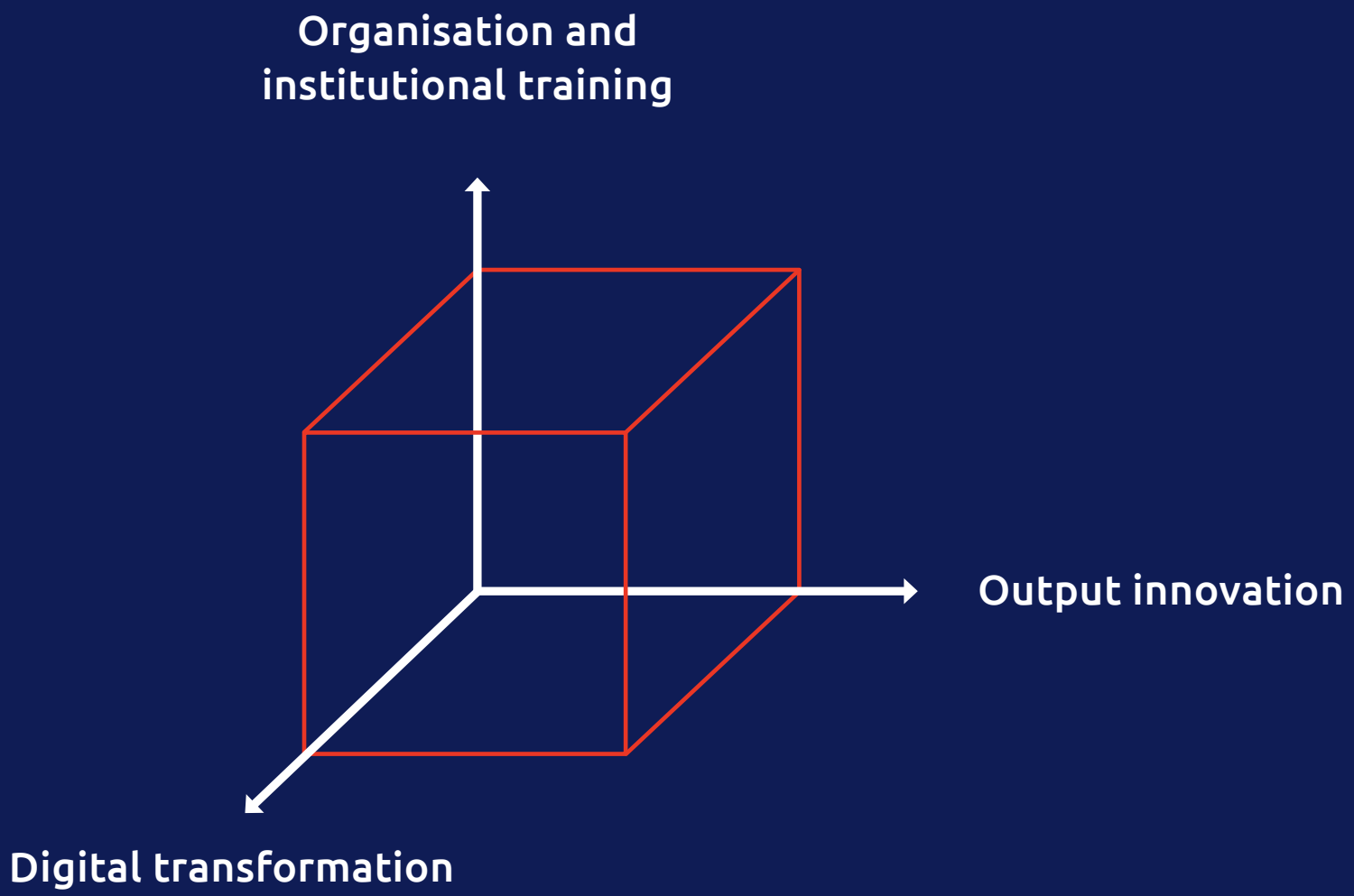
i) improving its internal coherence; **ii)** the need to attract and retain talent; **iii)** incorporating a hybrid work system, with partial work from home, allowing a better balance between work and family life; **iv)** strengthening team spirit and increasing alignment between individual training and progression objectives and institutional/organisational objectives.

Output innovation

With this new Strategic Plan, the CFP intends to face up to new external and internal challenges by continuously improving the quality of its work and innovating in terms of results, methods and analysis tools, in such diverse aspects as: debt sustainability model analysis; long-term projection models incorporating the climate dimension and projection models in sectoral areas (e.g. pensions); new public budgeting methodologies, including the field of green budgeting; strengthening the analysis of budgetary risks, especially risks associated with the various contingent liabilities; monitoring the expenditure review process; using the best available information in the area of national accounts and public accounts, including accrual accounting. .

Digital transformation

In recent years, the skills and technological resources at the disposal of the CFP have been strengthened so that it can benefit from digitalisation, both in terms of optimising administrative and financial processes, and by using more advanced tools for its modelling work and macroeconomic and financial analysis, favouring the quality, scope and strength of this work. In the first case, it is worth mentioning the implementation of a new document management system in 2023. In the second case, a strategic objective of the utmost importance is storing information (structured and unstructured) from different sources in a data lake and post-processing it in a data warehouse, as well as developing tools to make it easily available. This investment will be accompanied by training for CFP employees to enable them to be re-trained in the use of these new tools.


Organisation and
institutional training
Output innovation
Digital transformation

MAIN RISKS FOR THE CFP

In this three-year period, three main risks to the realisation of this strategy have been identified:

Redefining faculties

The reform of European economic governance, which was not yet approved at the time this Plan was drafted, will certainly change the obligations of the member states and the role of the IFIs themselves, which could result in a change in the faculties attributed to the CFP, justifying some adjustments to this Strategic Plan.

(In)Sufficiency of resources

The implementation of this plan will require the availability of financial resources and highly qualified and specialised human resources. The scarcity of such workers on the Portuguese labour market is a significant constraint for an institution the size of the CFP.

Access to information

The CFP's analysis work requires timely access to quality, detailed information on public finances and budget programming documents. Despite the existence of a legal clause granting the CFP this access to information, it is essential that the various entities collaborate in this process and that these entities have the necessary resources to provide this information.

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JANUARY 2024