

## SENIOR BOARD MEETING No. 42

10 November 2020

### Minutes

On 10 November 2020, the Public Finance Council (CFP) Senior Board held its 42<sup>nd</sup> meeting in a virtual format. All the five board members were presented: Nazaré Costa Cabral (President and Chair), Paul De Grauwe, Miguel St. Aubyn, George Kopits and Carlos Marinheiro. The CFP Head of Staff, Luís Cracel Viana, also attended the meeting.

#### **1. Approval of Minutes of Meeting No. 41, held on 23 June 2020**

The Senior Board approved the minutes.

#### **2. Preparation of the parliamentary hearing on the State Budget Draft for 2021**

The Board Chair made an introduction and highlighted the main points of the presentation to be made at the parliamentary hearing.

A special note was given to downside risks arising from TAP, Novo Banco, contingent liabilities, accumulation of nonperforming loans, and potential support to the financial sector due to the present moratoria.

The lack of transparency about the fiscal implications of policy measures is still an issue and is becoming, apparently, more acute in this COVID-19 environment. For example, it is impossible to have a comprehensive view of the intertemporal budgetary implications of COVID-19 measures which affects the CFP capacity to analyse fiscal impacts properly.

Regarding financial sector support, possible moral hazard associated with loans granted to the private sector with public sector guarantees was also raised.

When it comes to economic forecasts, CFP did not consider a second wave of COVID-19 infection. Still, recent developments bring about even more uncertainty about the path of economic recovery in terms of different outcomes (including from slow to sudden recovery).

Board members discussed the nature of recovery with some detail and specific arguments acknowledging that are different patterns across industries and sectors.



On support measures to the economy, the Board reached some consensus they are less intense in Portugal, in terms of gross domestic product percentage, than in other EU countries and this could lead to assess the fiscal stance as neutral and not countercyclical. This may be justified by the lack of fiscal space in Portugal.

### **3. CFP Strategic Plan for 2021-2024**

The Chair introduced and explained ongoing work. Afterwards, the Head of Staff delivered a presentation about the context and aims for the strategic plan, strategic objectives, strategic pillars, organisational arrangements and internal governance that will underpin the achievement of those objectives. Also, a structure for the strategic plan was discussed.

### **4. Other issues**

Regarding the CFP cycle of conferences, the third conference, co-organised with the University of Porto, was rescheduled to December 10 under the title of “Which fiscal rules will come after the COVID-19 crisis?”.