



Conselho das Finanças Públicas
Portuguese Public Finance Council

2012
Activity report

2nd edition
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2012

ACTIVITY REPORT

Contents

Contents	1
Note to the second edition	1
1 Background and summary of activities	2
1.1 Start up	2
1.2 Set up and running at the same time	3
1.3 Report structure	3
2 Resources	3
2.1 Human resources	3
2.2 Financial resources	4
2.3 Premises	4
3 Accounts	4
4 Workings of the governing bodies	6
5 Summary of preliminary activities.....	6
6 Publications	7
7 Public acts.....	8
8 Cooperation with other institutions.....	9

Note to the second edition

In mid-April the Portuguese Public Finance Council (CFP) published the first edition of its 2012 Activity Report on its portal. It was based on the financial information available up to 10 April 2013. However the accounts for 2012 were closed at a later date – on 30 April – and so it is necessary to update the information on budget outturn, and that is why this second edition has been drawn up. The only differences between the two editions are to be found in Section 3 and they are slight, as they stem from a difference of –278 € between the outturn as computed in the final accounts and the outturn forecast on 10 April 2013.

1 Background and summary of activities

The Portuguese Public Finance Council's mission is to conduct an independent assessment of the consistency, compliance with the stated objectives and sustainability of public finances, while promoting their fiscal transparency. A little over a year after its senior members took office, the first report on its activities is hereby published.

The CFP was set up under article 12 (I) of the [Budget Framework Law](#) — Law no. 91/2001 of 20 August, as amended by [Law no. 22/2011 of 20 May](#). Its [Statutes](#) were approved by Law no. 54/2011 of 19 October and published as an annex to that law. Following a joint proposal from the President of the *Tribunal de Contas* (Court of Auditors) and the Governor of the Bank of Portugal, [Council of Ministers Resolution no. 1/2012 of 19 January](#) appointed the first team of senior members. They took office before the President of the Portuguese Parliament on 16 February 2012.

In this first activity report recognition must be given to all those citizens whose contribution made it possible to create an institution in the public finance field that is independent of political cycles. Special mention must be made of the institutional support provided by the Bank of Portugal, the Court of Auditors, the Portuguese Parliament and the Government. All those who work for CFP have given their best to repay the confidence shown by those who believe in this institutional innovation.

1.1 Start up

The year 2012 will be remembered as a special year because it was the first year of operations. Although CFP was formally set up in 2011, it was only in 2012 that the means required to its material existence became available. Although some *pro bono* work was performed before Senior members took office, it is from that date that the Senior Board members dedicated themselves fully to the mission to which they had been [appointed](#). The team that has since then been responsible for leading CFP consists of:

- Chair — Teodora Cardoso;
- Vice-President — Jürgen von Hagen;
- Executive Member — Rui Nuno Baleiras;
- Non-Executive Member — Carlos Marinheiro;
- Non-Executive Member — George Kopits.

In line with the Statutes,¹ Jürgen von Hagen and George Kopits are not Portuguese nationals nor do they reside in Portugal, and they perform their duties on a part-time basis.

It should be mentioned that when the team took up office no human, physical or financial resources were automatically available to CFP. The Senior Board was required to strive to gradually create the conditions essential to provide the community with the services which were assigned to the institution.

¹ Article 12 (3) states that “The Senior Board may have a maximum of two non-national members, preferably from other European Union Member States” and article 12 (5) provides that “The Chair and executive member shall perforce be resident in Portugal”. Jürgen von Hagen is of German nationality and George Kopits holds Hungarian and US nationalities.

1.2 Set up and running at the same time

The setting up of CFP was not covered by any standard procedure for setting up General Government bodies. Given the situation facing the country, the Senior Board members felt it was their duty to begin producing reports as soon as possible. Under these circumstances, 2012 and part of the following year are special periods in the CFP's life, to the extent that it was necessary to undertake a large number of tasks to set up an institution from scratch and at the same time to provide the services laid down in the Statutes. The [first report](#) was in fact made public as early as 21 May 2012.

Note that the CFP is the only General Government body that is bilingual. Indeed its Statutes require that the reports be published in Portuguese and English. Written and oral communication between the five members of the Senior Board takes place in English.

1.3 Report structure

The resources mobilised and the activities undertaken by CFP in 2012, since the Senior Board members took office on 16 February, are described in the pages that follow. The resources are described in Section 2, and broken down into human resources, financial resources and property. Section 3 provides further accounting information. The workings of the institution's governing bodies are described in Section 4. The activities undertaken to set up the body's productive capability, referred to as preliminary activities, are summarised in Section 5. The services provided in accordance with the Statutes are described in the subsequent sections, so Section 6 looks at the documents published, Section 7 at the public statements of Senior Board members and, lastly, Section 8 at cooperation with other institutions.

2 Resources

This section reports on the main means employed by CFP in 2012, starting with human resources.

2.1 Human resources

On the last day of 2012 CFP had four staff hired to provide services in the administrative and financial fields and an information technologies (IT) specialist who had been made available since 3 December by the company running the ICT infrastructure. The four staff began working for the Council on 9 April, 28 May, 1 October and 15 October, respectively. Since 16 February, the five members of the Senior Board, of which two are non-resident and employed on a part-time basis, have taken responsibility for strategic guidelines, day-to-day management, institutional representation and all publications produced over the course of the year.

A recruitment drive was undertaken and completed to hire technical staff, either through an appointment or under a permanent employment contract, on a public interest secondment basis. This was restricted to those holding a public employment. By imposing this restriction CFP fulfilled the

provisions of its Statutes to favour recruiting within the General Government.² The first staff to be hired under this procedure began working for CFP in January 2013.

This procedure did not allow staffing needs to be met by persons with the range of qualifications and academic backgrounds that the wide range of Council tasks required. The exclusivity clause³ certainly put off interesting candidates with links to Higher Education establishments. For this reason permission was duly sought and obtained from the Government to recruit workers who do not hold a public employment either through an appointment or under a permanent employment contract. Under these circumstances, on 28 December 2012 the CFP decided to launch a new recruiting drive for the technical field on the basis of an individual employment contract or of a public interest secondment.

2.2 Financial resources

Pursuant to its Statutes CFP is financed by State Budget appropriations. As the Council was not operational at the time the 2012 State Budget was approved, the respective law made no provision for it. Therefore when the members of the Senior Board took office, CFP did not have a budget and that remained the case until the first amendment to the State Budget Law for 2012 ([Law no. 20/2012 of 14 May](#)), which took place on 15 May. The Council was able to minimise the inconvenience thanks to a loan of 600,000 euros provided by the Treasury and Public Debt Management Agency (IGCP) on 17 April, which was repaid in full on 26 June.

The May amendment to the 2012 State Budget allocated 2 million euros from general revenue. Section 3 provides detailed information on CFP accounting.

2.3 Premises

When CFP was set up it had no premises in which to work and its leaders were expected to strive to obtain the necessary logistic means. Up to November those working for CFP were housed in premises temporarily provided by the Bank of Portugal, for which we are grateful and without which CFP could not have started working. In the meantime the Council explored the real estate market including properties held by the State, examined fifteen possibilities and opted for the most economical lease. The CFP's premises are in Praça de Alvalade, Lisbon, and became available in early December.

3 Accounts

As stated in Section 2.2, CFP's 2012 budget was assigned by Law no. 20/2012 of 14 May which provided for an appropriation of two million euros under finance source 311 — General Revenue, not relating to cofinanced projects, included in Budget Program 01 — Sovereign Bodies/General Costs of

² Article 26 (5) of the Statutes: "The terms of recruitment of technical staff shall be defined by the Executive Committee, and priority shall be given to the mobility of staff within public administration without prejudice to international recruitment drives".

³ Article 26 (9) of the Charter: "Technical staff shall work exclusively for the CFP and may not hold any other public or private post".

the Nation, as described in Table 1, that also shows the breakdown of the estimated initial expenditure according to economic classification⁴.

Table 1 — Initial budget

REVENUE		EXPENDITURE	
Item	Appropriation	Budget Item	Appropriation
Current Transfers- Central Government - State	2.000.000,00 €	Staff costs	967.654,00 €
		Goods and services	466.614,00 €
		Fixed assets	565.732,00 €
Total	2.000.000,00 €	Total	2.000.000,00 €

The final accounts, which were closed on 30 April 2013, suggest that 55.4% of the total sum allocated by the State Budget in 2012 was employed. Spending on fixed assets accounts for 49% of total expenditure and the relative weight of this item reflects the natural importance of the preliminary activities in the first 10 months of CFP's life. Creating basic working conditions for future operations required purchases in 2012 that will not be repeated in the next few years, such as office fittings and furniture, IT equipment and the remodelling of the leased premises to CFP's operating needs. The high outturn rate of this item (around 91%) is explained by the priority given to establishing the basic infrastructure required to pursue the institution's goal.

Table 2 provides further details on budget outturn and calls for the following comments. Staff costs accounted for 44.3% of the budget appropriation. Given the Budget General Directorate guidelines require that an employee's salary costs for the entire year be included in the budget regardless of when that employee joins the staff, it is to be expected that until the team is complete this item will record a relatively low outturn. This expectation is heightened by the need to provide for the financial means to cover recruiting decisions before the outcome of the recruiting process is known: since the first recruiting drive for technical staff began at the end of June a higher outturn rate for staff costs would hardly have been possible. In 2012 these costs totalled around 429,000 euros or 41% of total expenditure. Of that amount about 124,000 euros returned to the State as a result of income tax withheld at source and other mandatory deductions.

Table 2 — Economic breakdown of budget outturn

BUDGET ITEM	ORIGINAL APPROPRIATION (1)	ADJUSTED APPROPRIATION (3)=(1)-(2)	WITHHOLDING (2)	APPROPRIATION AVAILABLE (3)=(1)-(2)	APPROPRIATION EMPLOYED (4)	OUTTURN RATE % (5) = (4)/(3)
Staff Costs	967 654 €	967 653 €	0 €	967 653 €	428 922 €	44.33%
Goods and services	466 614 €	466 914 €	108 321 €	358 593 €	106 634 €	29.74%
Fixed assets	565 732 €	565 433 €	0 €	565 433 €	511 798 €	90.51%
Total	2 000 000 €	2 000 000 €	108 321 €	1 891 679 €	1 047 354 €	55.37%

⁴ To be precise the amounts set out in the budget law for each item are: Staff, 1,442,944 €; Goods and Services, 254,996 €; Fixed Assets, 302,060 €. Since this did not match the budget prepared by the CFP and approved by the Presiding Judge of the Court of Auditors and by the Governor of the Bank of Portugal, the Government authorised the budget amendment as shown in Table 1.

Spending on goods and services stems essentially from the use of the physical premises. It covers the purchase of cleaning services, communications, information and communication technologies (ICT), as well as the payment of rents. This item accounted for 10% of total expenditure. The low outturn rate, 29.7%, is explained to a large extent by the fact the premises only became available at the beginning of December.

4 Workings of the governing bodies

The Statutes provide for three governing bodies: the Senior Board, the Executive Committee and the Single Auditor. The Senior Board was fully formed when its five members, named in Subsection 1.1, took office on 16 February. It met formally on seven occasions and the minutes of those meetings are available on the [Internet portal](#). Outside of these formal meetings, the Senior Board members interact frequently through other means. It should be stressed that all 2012 publications were produced solely by those members.

Pursuant to article 22 of the Charter, the Executive Committee is comprised of the Chair, the Executive Member and the Head of Technical Services. The latter is a member of CFP's staff and will only be appointed following completion of the second recruiting drive, which is currently underway. Under the circumstances, in 2012, the day-to-day management of the Council was undertaken by the Chair and the Executive Member.

Upon a proposal from the Presiding Judge of the Court of Auditors and the Governor of the Bank of Portugal, the Minister of State and Finance [appointed, as from 4 July](#), Carlos Fernando Calhau Trigacheiro as Single Auditor of CFP. Since then he has accompanied and given his opinion on the institution's administrative and financial structure, as well as performing his other duties laid down in the Statutes.

Although it is not a CFP body, mention must be made of the Remuneration Committee. It is made up of persons from outside the institution and pursuant to articles 20 and 26 of the Statutes, it is charged with setting the remuneration of Senior Board members and staff. Proposed jointly by the Presiding Judge of the Court of Auditors and the Governor of the Bank of Portugal, its members were appointed by the Minister of State and Finance by [ministerial order](#) published on 15 February. The Remuneration Committee is comprised of João José Amaral Tomaz, chairman, Maria da Conceição Albuquerque Cardoso Reis Ventura and Manuel Carlos Afonso Cordeiro.

5 Summary of preliminary activities

As referred above, the approximately 10 months of operations in 2012 were heavily marked by preliminary activities. The main tasks performed in this field are described below.

- Registration of the institution with a number of entities (Registrar of companies and other organisations, Tax and Customs Authority, Social Security, Budget General Directorate, etc.)
- Recruitment and selection, on a public interest secondment, of human resources for administrative and financial duties (legal adviser and senior staff with experience of administrative, financial, property and human resources management and, at a later stage, an administrative assistant and a secretarial assistant)

- Search for and comparison of office spaces and lease terms in Lisbon and contractual procedures for leased premises
- Drawing up of draft budget for 2012 and, later, for 2013
- Overseeing of design, physical execution and budget management of the remodelling of the leased office space
- Launch of first recruitment drive for technical staff, restricted to those holding a public employment relationship either through an appointment or under a open-ended employment contract
- Subsequent evaluation, selection and hiring of five senior staff, including the administrative procedures at their respective ministries
- Preparation of the first drafts for institutional documents
- Drawing up and approval of internal regulations governing travel expenses
- Market consultation, comparison of the advantages and drawbacks of the alternative locations, signing of contracts for the most economical solutions, and overseeing of supply or organisation of goods and services
 - accounting and salary processing
 - office furniture
 - development, housing and maintenance of Internet portal
 - ICT services
 - computers, monitors and multifunctional printing equipment
 - translation of documents
 - cleaning of premises
- Design of CFP's institutional webpage (www.cfp.pt) and permanent updating of contents
- First stages of market consultation to select an intranet platform provider

As regards the supply of goods the option of leasing or purchasing was considered. In some cases leasing proved to be the most economical choice (for example, IT services such as data warehousing and office software licences) and in others purchasing was the best option (multifunctional printing equipment, for example). Having weighed the advantages and drawbacks of outsourced accounts and salary processing services, and taking into account the numerous reporting duties in this field, it was decided to provide these services in-house.

6 Publications

This and the following sections report on the services provided by CFP in the pursuit of its mission. The documents published by the institution, based on continuous technical work, are the type of product that best reflects the mission assigned by law and described at the beginning of this document.

Article 7 of the CFP's Statutes states that, within the scope of its duties, the Council shall produce, "compulsorily and prior to their discussion in the Portuguese Parliament, reports on: a) the Stability and Growth Program and other procedures within the regulatory European framework of the Stability and Growth Pact; b) the Multiannual Budgetary Framework Programming; c) the Draft State Budget." It shall also "produce regular reports on the sustainability of public accounts and others deemed appropriate".

This activity was performed under very special circumstances during the approximately 10 months of operations. For the reasons explained above it was not possible to draw on the services of

technical staff, while the start-up tasks took up a fair amount of time and energy and only three of the Senior Board members worked full-time.

Under these conditions the legal duty of producing reports on matters a) to c)⁵ was fulfilled, and a report was also published on the revising of local and regional public finance acts and a note on macroprojections, given the importance of these subjects to the national debate on public finance in 2012. The “CFP Notebooks” collection is made up of texts dealing with subjects related to the CFP’s specific mission, that allow interested parties to better evaluate the issues included in the Council’s activities. It is a series published at irregular intervals, which call for no specialist knowledge on the part of the reader, and the documents are no more ten pages long. Table 3 identifies the publications produced during the year under review, all of which are available in both Portuguese and English on the CFP portal. Table 3 contains links to the documents in Portuguese, which allow for the downloading of the publication itself and related material, such as presentations made to press conferences or the Portuguese Parliament.

Table 3 — List of CFP publications

Title	Type	No.	Date
Portugal’s Fiscal Strategy 2012-2016	Report	1/2012	21 May
Principles for Revising Subnational Public Finance Laws	Report	2/2012	18 September
Analysis of the Draft State Budget for 2013	Report	3/2012	7 November
Macroprojections underlying the State Budget	Notebook	1/2012	7 November

7 Public acts

Interviews and statements made in public by Senior Board members, in that capacity, are other means for disseminating the results of the Council’s activities. Table lists the public acts that took place in 2012.

Table 4 — List of Senior Board members’ public acts

Date	Event	Senior Board Member	Theme	Format
16.02.2012	Taking of office of the Senior Board of the Portuguese Public Finance Council, Portuguese Parliament	Teodora Cardoso	Speech on taking office	Speech
23.02.2013	4 th Annual Meeting of "OECD Parliamentary Budget Officials and Independent Fiscal Institutions", OECD Conference Centre, Paris	Teodora Cardoso and Carlos Marinheiro	CFP presentation to fellow institutions	Presentation
23.04.2012	Short Course on <i>Reform of the Portuguese Fiscal System</i> , Faculty of Law, Lisbon University	Rui Nuno Baleiras	Intertemporal dependence of fiscal choices. Rationale behind a “fiscal council” and presentation of the CFP	Presentation

⁵ In 2012 Portugal did not submit a new version of the Stability Program, so strictly speaking the CFP was not required to produce a report on theme a). Nonetheless, the existing version gave rise to the [Fiscal Strategy Document](#) (FSD), which included the Multiannual Budgetary Programming Framework (MBPF), and the CFP drew up a report on the FSD, in which it highlighted the MBPF.

Date	Event	Senior Board Member	Theme	Format
23.05.2012	Hearing at the Portuguese Parliament's <i>Committee on Budget, Finance and Public Administration</i>	Senior Board	Portugal's Fiscal Strategy, 2012-2016	Hearing page (Portuguese Parliament)
	Press conference to present the "Portugal's Fiscal Strategy, 2012-2016" Report			Presentation Report
05.07.2012	"The Economic Crisis and Multilevel Finance" Conference, Azores University, Ponta Delgada	Rui Nuno Baleiras	On-going institutional reform in Portugal	Presentation
18.09.2012	Press conference to present the "Principles for Revising Subnational Public Finance Laws" Report	Rui Nuno Baleiras	Regulatory foundations of and empirical evidence on the subnational public finance system in Portugal	Presentation Report
11.10.2012	CFP Chair interviewed by "Jornal de Negócios" newspaper	Teodora Cardoso	Spending control vs. management, spending rule, other fiscal rules and the Constitution	Interview
08.11.2012	Hearing at the Portuguese Parliament's <i>Committee on Budget, Finance and Public Administration</i>	Senior Board	Analysis of Draft State Budget for 2013	Hearing page (Portuguese Parliament)
	Press conference to present the "Analysis of Draft State Budget for 2013" Report			Presentation Note Executive summary Report
09.11.2012	CFP Chair interviewed by "Diário Económico" newspaper	Teodora Cardoso	State Budget, macroeconomic and fiscal adjustment, State reform and structural reforms	Interview
16.11.2012	Public signing of contracts between Central Government and Municipalities under the <i>Local Economy Support Program</i> , Foz Palace, Lisbon	Rui Nuno Baleiras	Revision of the Local Finance Law: critical areas and types of solution	Presentation
19.11.2012	Participation in the TV program <i>Comissão Executiva</i> on the ETV station	Teodora Cardoso	Development model, monetary union, adjustment, return to the markets, zero-based budgeting	Audio-visual recording, part 1 Audio-visual recording, part 2
20.11.2012	CFP Chair interviewed by "Diário Económico" newspaper	Teodora Cardoso	Sixth 'Troika' review	Interview
18.12.2012	Roundtable on "The Crisis and Regional Development", hosted by the Portuguese Association for Regional Development, at ISEG, Lisbon Technical University	Rui Nuno Baleiras	The crisis and local and regional finance	Presentation
27.12.2012	CFP Chair interviewed by "Diário de Notícias" newspaper	Teodora Cardoso	Budget outturn risks	Interview

8 Cooperation with other institutions

The CFP's activities are not limited to the production of published material and the public acts described in the two previous sections. A significant portion of its capacity is dedicated to interaction with other institutions. In this area numerous meetings were held with a range of bodies on public finance issues. Special mention must be made to contact with the Parliament's Committee on Budget, Finance and Public Administration, with Government members responsible for finance, the Governor

and Board members of the Bank of Portugal, the President and the Director-General of the Court of Auditors, the Budget General Directorate, the Office of Planning, Strategy, Assessment and International Relations of the Ministry of Finance, the Portuguese Statistical Authority, the Bank of Portugal's Departments of Statistics and Economic Studies, the International Monetary Fund's Fiscal Affairs Department, the "troika" review missions, foreign parliamentary delegations, diplomats accredited in Lisbon and financial rating agencies. At the invitation and expense of foreign institutions, George Kopits presented the CFP viewpoint at a number of conferences including the "IMF Workshop on Enforceable Fiscal Rules", held on 2 May in Paris, and the "ECB Conference on EU Fiscal Governance", held on 13 and 14 December in Frankfurt. Rui Nuno Baleiras represented the CFP on the Monitoring Committee of the "[Working Party on the revising of the Autonomous Regions Finance Law and the Local Finance Law](#)" and, in that capacity, took part in meetings and read and wrote working documents to be discussed by the working party.