

MINUTES

SENIOR BOARD MEETING No. 29, 21 and 22 March 2017

The five members of the Senior Board held their twenty-ninth formal meeting on 17 November 2016. The event took place at the CFP headquarters, Praça de Alvalade, n.º 6 – 10.º, in Lisbon, and started at 15h00m. All members attended: Teodora Cardoso, who chaired, Jürgen von Hagen, Rui Nuno Baleiras, George Kopits and Carlos Marinheiro. Luis Centeno, head of the technical services, was also present.

1. Decisions

By unanimous vote of all members, the Senior Board decided to:

- 1.1. approve Minutes of Meeting No. 28, held on 17 November 2016
- 1.2. confirm Report No. 1/2017 entitled "Fiscal developments until the end of the 3rd quarter 2016"

2. Substitution of Senior Board members: state of play

The Board was informed by the Chair of the refusal by the Prime Minister to appoint Teresa Ter-Minassian and Luís Vitório as new Board members. They were proposed in due time for the positions of Vice-President and Executive member, respectively, by the Governor of the Bank of Portugal and the President of the Court of Auditors.

A review of the appointment process as defined by CFP statutes then took place in order to assess what following steps could take place.

The Board assessed the personal and functional consequences of the delay on the appointment of the new members. Considering that the current members generously kept their availability to perform their assigned tasks no relevant functional consequences have been encountered, but personal consequences for the members leaving do exist and must be stressed.

3. Recent political and economic developments in Portugal and abroad: discussion

The Board discussed the recent political discussions in Portugal that can be harmful to the independence of CFP. This is especially relevant since harsh criticism of CFP opinions and reports have been produced at the highest level of the Government. The fact that the President of the Republic had also down played CFP role is also a fact that must be retained as negative.

The Board acknowledged the positive improvement of the Portuguese economic situation. This is expected to continue for the remaining of the year. The reduction of unemployment is an especially relevant fact that the Board hopes that can continue in the years to come.

The Board discussed the achievement of a deficit on the range of 2.1%/2.2% considering it very positive for the country. The national effort that underlies this success must be kept in the coming years, providing additional footing for the sustainability of public finances. The Government must be encouraged to keep the political stance adopted in the second semester of 2016, in line with a more prudent fiscal policy orientation.

The issues surrounding the Excessive Deficit Procedure have also been considered by the Board, both on the consideration of the requirements of European regulations and the outlook for the Portuguese economy and its public finances.

4. Discussion of the forthcoming report on the position and medium-term constraints of public finances

The Board discussed at length the draft version of the projections to be considered in the forthcoming report on the medium term position and constraints of Portuguese public finances.

Following the discussion the Board issued a number of technical guidelines to ensure a strictly no policy change methodological approach.

The meeting was adjourned at 19:30 of the 21st March and resumed at 10:00 of the following day.

5. Other issues

5.1. Discussion on the role of projections

The Board had a discussion on the assessment of CFP projections in 2016 and on the issue of projection deviations.

The Board decided that as soon as a sufficient number of released projections are available the Head of Technical Services should provide an analysis of projection deviations.

The Board reinforced its position that a projection conditioned on no policy change rules , even if assumedly is something that will not happen, has the purpose of defining the constraints for fiscal policy.

If those projections work as an incentive for the Government to become more focused on its targets then, even if they show some deviation, they have accomplished their purpose.

5.2. Peer review

The Board had a new discussion on the subject. The objective remains to have the review completed in 2017 conditional on a timely substitution of the Board members. Some review models have been aired around the table. It was decided to approach the OECD on the subject in the coming Edinburgh meeting.