

The Portuguese Council on Public Finances: Just starting

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The CPF to date

- The law creating the Council was published in October 2011
- The Senior Board members were appointed in December 2011 and inducted on February 16, 2012
- The Council's budget is now being drawn up, together with a recruitment strategy and an action plan

Creation of the Council

- The Council was created in the context of the revision of the budget framework law, a process that started in April 2010, under the previous Socialist government
- The Council's statutes were drawn up on the basis of a proposal by a group of independent experts, jointly appointed by the incumbent Socialist government and the Social Democratic Party, then the main opposition party, now part of the coalition government
- The IMF-EU program signed in May 2011 lent support to the budget reforms underway, but the negotiating team was not involved in the creation of the CPF

Rationale for the Council

- The need for such an institution has long been felt in Portugal for three main reasons:
 - to increase fiscal transparency
 - to monitor medium-term and sustainability issues
 - to help ensure the comprehensive and consistent coverage in the Budget of all general government entities, including autonomous services, sub-national governments and public enterprises
- The revised budget framework law reinforced these objectives and made the creation of an independent fiscal council compulsory

Information and independence

- Independence was a prime concern in the creation of the new agency. The CPF statutes contain a number of provisions devoted to that aim (inter alia, the form of appointment of the senior board members, including two foreign citizens, and the approval of its budget)
- Access by the Council to all relevant information is key to ensure that the Council fulfils its role in the budget process and is granted by the statutes

Role of the Council

- The Council's role consists of
 - assessing budget forecasts and the measures taken by the government in order to achieve its fiscal targets
 - monitoring fiscal developments in order to assess their consistency with the targets
 - analysing the dynamics of existing commitments, with special emphasis on pension and health systems, public-private partnerships, and the financial position of the sub-national governments and public enterprises, in order to evaluate their potential impact on the consolidated public accounts and their sustainability
- The Council shall not be involved in assessing alternative policy paths and measures or in giving policy advice

Remit [art. 6 CS]

- a) Assess the macroeconomic scenarios adopted by the Government and the consistency of budget projections with these scenarios;
- b) Assess whether the fiscal rules laid down [in articles 12-C and 12-D BFL] are complied with;
- c) Analyse the dynamics of the public debt and its sustainability.
- d) Analyse the dynamics of existing commitments, with special emphasis on the pensions and health systems and on public-private partnerships and concessions, including an assessment of their implications for the sustainability of the fiscal accounts;
- e) Assess the financial position of the autonomous regions and local governments;
- f) Assess the economic and financial situation of public enterprises, and their potential impact on the consolidated public accounts and their sustainability;
- g) Analyse tax expenditures;
- h) Monitor the budget outturn.

Compulsory reports on

- The Stability Programme / European semester
- The draft State budget
- The Multi-Annual Framework of Budgetary Planning
- *on a regular basis*, reports on the sustainability of the public finances
- *on a regular basis*, reports on other subjects it considers relevant

Transparency and resources

- Transparency with respect to all its work and opinions is a crucial factor in determining the Council's effectiveness and credibility
- The Council shall create a website that will make available the results of all its work, as well as the methodologies used and its sources of information
- The CPF is created in a context of extreme budget austerity and shall have to make the most efficient use of scarce resources
- Prioritising its activities is the most urgent tasks, starting with recruitment of qualified staff and establishment of appropriate IT infrastructure