Independent Fiscal Institutions Review

OECD Review of the Portuguese Public Finance Council (CFP)

Conselho das Finanças Públicas
OECD Review of the Portuguese Public Finance Council (CFP)
Table of contents

Abbreviations and Acronyms.................................................................................................................. 5
Executive Summary .............................................................................................................................. 7
Summary of Recommendations ........................................................................................................... 9
Introduction and Review Methodology ............................................................................................. 11
Chapter 1: Context............................................................................................................................ 13
  1.1. Introduction.............................................................................................................................. 13
  1.2. Relationship to the legislature................................................................................................. 14
  1.3. Relationship with other institutions in Portugal................................................................. 14
  1.4. Mandate ................................................................................................................................. 15
  1.5. Multiple institutions in Portugal ......................................................................................... 17
  1.6. Conclusions and recommendations.................................................................................... 23
Chapter 2: Inputs............................................................................................................................. 25
  2.1. Introduction.............................................................................................................................. 25
  2.2. Funding ................................................................................................................................. 25
  2.3. Human resources ................................................................................................................... 28
  2.4. Access to information .......................................................................................................... 34
  2.5. Independence ......................................................................................................................... 37
  2.6. Conclusions and recommendations.................................................................................... 39
Chapter 3: Methodology and Outputs............................................................................................ 41
  3.1. Introduction.............................................................................................................................. 41
  3.2. Technical assessment of CFP methodologies ........................................................................ 42
  3.3. Key issues for CFP reports .................................................................................................... 47
  3.4. Conclusions and recommendations.................................................................................... 54
Chapter 4: Impact............................................................................................................................. 55
  4.1. Introduction.............................................................................................................................. 55
  4.2. Influence on the public debate .............................................................................................. 55
  4.3. Enhanced fiscal transparency as a basis for improved fiscal management.......................... 62
  4.4. Conclusions and recommendations.................................................................................... 64
Annex A. Review team and acknowledgements............................................................................... 65
Annex B: Interview list ...................................................................................................................... 67

Tables
Table 1.1. Overview comparison of UTAO and CFP......................................................................... 17
Table 2.1. The CFP’s budget: revenue and expenditure 2012-2018 ................................................. 26
Table 2.2. Difference between funding sought by the CFP, and funding approved by government.... 27
Table 2.3. CFP staffing levels 2012-2018 ................................................................. 33
Table 3.1. Assessment criteria ................................................................................... 42
Table 3.2. Assessment of CFP’s models and methodologies ........................................ 43
Table 3.3. Assessment of key outputs relative to peers ................................................. 53

Figures

Figure 2.1. Mandate and resources of EU IFIs ......................................................... 28
Figure 2.2. CFP functional chart ............................................................................. 29
Figure 2.3. The CFP Senior Board and Executive Committee ................................... 32
Figure 2.4. Arrangements through which access to information is secured across OECD IFIs ....................................................... 34
Figure 3.1. CFP reports throughout the year .............................................................. 42
Figure 3.2. CFP’s economic projections – sample 1 ................................................. 47
Figure 3.3. CFP’s treatment of uncertainty – sample 1 ............................................ 48
Figure 3.4. CFP’s treatment of uncertainty – sample 2 ............................................ 49
Figure 4.1. CFP media coverage and report publications 2014-2018 ...................... 57
Figure 4.2. Total CFP media mentions by type of coverage 2014-2018 ..................... 58
Figure 4.3. CFP web sessions and reports released 2014–2018 ............................... 59
Figure 4.4. CFP parliamentary mentions 2011-2018 ................................................. 61
Figure 4.5. Channels through which the CFP has demonstrated impact ..................... 63

Boxes

Box 1.1. The CFP’s legislative framework ............................................................... 13
Box 1.2. Policy costing by the US Congressional Budget Office ............................... 16
Box 1.3. The Portuguese Parliamentary Budget Office (UTAO) .............................. 18
Box 2.1. Appointment process for members of the Slovak Council for Budget Responsibility .................................................. 30
Box 2.2. Tracking of information requests by OECS IFIs ........................................ 35
Box 2.3. Developing a culture of independence: the US Congressional Budget Office .................................................. 38
Box 3.1. AIReF macroeconomic forecasting working group for Spain’s regions ........ 45
Box 3.2. The US Congressional Budget Office’s Advisory Panels ........................ 51
Box 4.1. IFI communication tools ......................................................................... 59
Box 4.2. AIReF efforts to broaden political understanding of the institution ............ 62
# Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIReF</td>
<td>Spanish Independent Authority for Fiscal Responsibility</td>
</tr>
<tr>
<td>CBO</td>
<td>US Congressional Budget Office</td>
</tr>
<tr>
<td>CBR</td>
<td>Slovak Council for Budget Responsibility</td>
</tr>
<tr>
<td>CFP</td>
<td>Conselho das Finanças Públicas (Public Finance Council)</td>
</tr>
<tr>
<td>CPB</td>
<td>Netherlands Bureau for Economic Analysis</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EU-IFIs</td>
<td>Network of EU Independent Fiscal Institutions</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>IFI</td>
<td>Independent Fiscal Institution</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MIDAS</td>
<td>Mixed-data sampling</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MPs</td>
<td>Members of Parliament</td>
</tr>
<tr>
<td>OBR</td>
<td>UK Office for Budget Responsibility</td>
</tr>
<tr>
<td>OLS</td>
<td>Ordinary least squares</td>
</tr>
<tr>
<td>PBO</td>
<td>Parliamentary Budget Office</td>
</tr>
<tr>
<td>PBO Network</td>
<td>OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions</td>
</tr>
<tr>
<td>PMF</td>
<td>Portuguese Macro-Fiscal model</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>UTAO</td>
<td>Unidade Técnica de Apoio Orçamental (Portuguese Parliamentary Budget Office)</td>
</tr>
<tr>
<td>VAR</td>
<td>Vector Autoregressive</td>
</tr>
</tbody>
</table>
Executive Summary

The Portuguese Public Finance Council (CFP - Conselho das Finanças Públicas) was established in 2011 as part of comprehensive national budget reforms in response to the 2008 global financial crisis.

The Council was given a relatively broad mandate with responsibility for delivering eight core tasks, including assessing the Portuguese Government’s compliance with fiscal rules. Its mandate was further extended in 2013 to give the Council an official role in endorsing the government’s macroeconomic forecasts.

In a relatively short period of time, the CFP has become a well-regarded independent institution providing high-quality analysis of public finances in Portugal. The institution will shortly be fully delivering on its mandate, and already receives impressive media coverage for its work. CFP reports are often discussed in Parliament and referred to during national fiscal debates. The institution has also played an important role in improving fiscal transparency and providing new information to facilitate fiscal oversight and a greater understanding of issues affecting Portugal’s long-term fiscal sustainability.

The early success of the CFP is in no small part due to the excellent stewardship by its first President, the rest of the Senior Board, and the head of staff. This leadership team has instilled in the institution a high degree of independence, reinforced through its institutional arrangements. In particular, the President of the Court of Audit and the Governor of the Bank of Portugal play an important role in relation to the appointment of the Council’s leadership and auditor, as well as its budget.

While it is off to an excellent start, the CFP faces several challenges. The most prominent among them are as follows:

1. The CFP has difficulties in accessing some information, particularly data relating to social security. This affects the Council’s ability to deliver medium and long-term projections.

2. To achieve broader public and political buy-in, the CFP needs to improve the way it communicates so that the value of the institution, and of its outputs, are more widely understood.

3. The leadership appointment process is not fully protected from political interference. Arrangements could be strengthened to ensure the CFP continues to be served by well-respected and non-partisan leadership in an increasingly fragmented political environment.

A summary of the main recommendations follows.
Summary of Recommendations

Context
1. The CFP should undertake renewed efforts to communicate its role as a national institution, serving the citizens of Portugal. The aim is to overcome misconceptions that its purpose is to enforce austerity imposed from the outside. As part of this, the Council should work to broaden understanding across the political spectrum of the value of the institution and its crucial role in relation to long-term fiscal sustainability.

2. The CFP has a proven track record and the potential to take on new functions, such as the provision of policy costings, provided that it is given adequate additional resources and access to relevant information. It should be noted that policy costing is a particularly resource-intensive activity. Resources and information available to the CFP should always be commensurate with the Council’s mandate, as outlined in OECD Principle 4.1.

3. The CFP should continue its good coordination with UTAO to ensure working methods are complementary and mutually reinforcing. Both institutions have a useful and distinct role in relation to fiscal oversight in Portugal. However, each institution should be mindful of potential duplication of work. Improved budget reporting by the government will support these institutions in delivering their mandates, and reduce the potential for their information requests stretching limited government resources during peak times of the budget cycle.

Inputs
4. The CFP should publish a medium-term funding plan that sets out its resource requirements to operate at full capacity. This should form part of the material accompanying the Council’s budget proposal. It should also be published on the Council’s website so that information is publicly available as to whether allocated funding is at the level required for the Council to fully implement its legislative mandate.

5. Should the CFP’s legislation be revisited, stakeholders may wish to consider giving the President of the Court of Audit and the Governor of the Bank of Portugal powers to approve the CFP’s funding for submission as part of the Draft State Budget proposal submitted to Parliament. While funding has not been an issue for the CFP to date, this would help remove any future risk of government interference in the level of resources the Council reasonably requires.

6. The leadership appointment process should be strengthened and further protected from political interference, in line with OECD Principle 2.2. One option is for the President of the Court of Audit and the Governor of the Bank of Portugal to submit the list of proposed candidates to the Budget and Finance Committee at Parliament. This gives the Committee an opportunity to provide an opinion on the proposal, before the final decision is taken by the Council of Ministers. The aim would be to broaden the collective
responsibility of the decision taken to appoint a given candidate and to help increase transparency around the process.

7. **The gender criterion for leadership appointments should be refined so that it applies to members of the Senior Board, excluding the President.** This would increase the potential pool of candidates for the position of President. At the same time, gender balance could also be strengthened by increasing the gender criterion to apply to two members of the Senior Board being male or female.

8. **Relevant government departments and agencies should meet with the CFP to resolve access to information challenges in line with OECD Principle 6.1, particularly in the area of social security.** Regular reporting by the CFP on access to information requests, and whether or not they have been fulfilled, would allow the Council to better highlight its continued challenges to external stakeholders.

9. **Timely access to information would be fostered by additional staff capacity in some areas of government.** This may require re-thinking organisational arrangements in areas where the government has struggled to maintain, or attract, staff, and where the CFP has had particular difficulties accessing timely information, such as information relating to the draft State Budget.

**Outputs**

10. **The CFP should take steps to increase transparency around its economic modelling to reinforce its reputation as an independent and non-partisan institution, in line with OECD Principle 7.1.** In addition, the CFP should report on the accuracy of its projections and forecasts when this becomes technically feasible. The Council could also set up a working group, or hold annual workshops, to serve as platforms for analytical discussions on projections and forecasting in Portugal.

11. **The CFP should increase its focus on medium-long term fiscal sustainability.** The Council already produces five-year economic projections, but a greater focus on these, and on medium-term fiscal projections, is recommended. Continued fiscal challenges around ageing and debt also merit the Council looking at issues such as the sustainability of the social security system in more detail, in line with its mandate.

12. **The CFP should boost its strong internal quality control process by drawing on external expertise when undertaking work in more specialist areas, such as health finance.** One way in which this could be formalised is through the CFP establishing an external advisory panel, or organising seminars with international experts.

**Impact**

13. **The CFP could improve the way it presents information in its reports through enhancing executive summaries with one or two key summary charts and tables.** The Council may also consider reducing the number of tables and charts in the main body of some reports to reduce the risk of loss of focus and confusion on the part of the readers.

14. **The CFP could also seek to better-communicate its main messages to non-technical stakeholders so that the public has a better understanding of the role, and benefits, of the institution, in line with OECD Principle 8.1.** The re-development of the website provides an opportune moment to consider how communication tools such as podcasts, short video clips and infographics may be helpful in this regard. These materials could also prove useful for the CFP increasing its social media presence.
**Introduction and Review Methodology**

This review was commissioned by the Portuguese Public Finance Council (CFP). It was at the Council’s initiative and comes towards the end of the term of its first leader. This provides an opportune moment to reflect on the impact of the Council to date, and identify aspects that could be improved to ensure its long-run viability. Consequently, it should help better prepare the Council for the transition from its foundation chair to its next leader.

The methodology for this review is anchored in the OECD Principles for Independent Fiscal Institutions (OECD, 2014\(^1\)) and a subsequent evaluation framework elaborated within the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network). Principle 9.1 of the OECD Principles for Independent Fiscal Institutions states that:

> “IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.”


The evaluation framework takes as a starting point internationally agreed standards (e.g. the OECD Principles). As such, the review assesses the CFP against these standards, benchmarks it against peer institutions in OECD countries and, where possible, identifies the difference it has made. The framework covers four main elements:

- **Context**, the institutional setting and mandate of the CFP
- **Inputs**, human and financial resources, access to information and independence
- **Outputs**, the CFP’s core products, including effectiveness of the methodology
- **Impact**, of the CFP’s work, including effectiveness of communications and stakeholder confidence

The evaluation framework follows a performance framework approach used by governments globally and leverages conventional evaluation tools such as stakeholder interviews and peer review.
The final report will be published by the OECD in English and made available electronically on the OECD’s website. The findings of the review will be presented and discussed at a peer review session at the 2019 meeting of the OECD PBO Network, as part of ongoing discussions on the governance arrangements and working methods of member IFIs, as well as on evaluation of IFIs and the Network’s evaluation framework.

**The review team**

The review team included two members of the OECD Secretariat’s Budgeting and Public Expenditures Division in the Directorate for Public Governance, one international peer from the United States (US), one local academic peer, and contributions from other relevant members of the OECD Secretariat and peers within the PBO Network. The mission to Lisbon, Portugal, for stakeholder interviews was undertaken in November 2018 (see Annex B for more information).
1.1. Introduction

In May 2011 the Conselho das Finanças Públicas (CFP), the Portuguese Public Finance Council, was created through the fifth amendment of the Budget Framework Law.¹ Article 7 of that law establishes the Council as an independent administrative entity that has administrative and financial autonomy. The Council was created as part of a package of reforms to strengthen long-term fiscal sustainability and budget management in Portugal; and in doing so; it was created for the benefit of Portugal and the Portuguese people.

Portugal was one of several countries severely impacted by the 2008 global financial crisis. The impacts were far-reaching and Portugal undertook comprehensive reforms to manage the impact and stabilise its economy while having regard to the social impacts on its people. Between 2008 and 2011, Portugal grappled with negative economic growth, rapidly increasing public debt and a negative expenditure balance relative to the government’s revenue.

In 2010, the government considered setting up an independent fiscal council and in January 2011 established a working group to draft the proposed legislation. The Council was subsequently established through an amendment to the Budget Framework Law, as referred to in Box 1.1, and the Parliament enacted the legislation on 19 October 2011. The initiative was timely and helped Portugal manage a further economic downturn between 2012 and 2013.

Box 1.1. The CFP’s legislative framework

The 5th amendment to the Budget Framework Law 51/2001 (Law 22/2011, 20 May 2011) formally established the council. Article 12.1 stated:

“An independent body is created, the Public Finance Council, responsible for undertaking an assessment of the objectives proposed for the macroeconomic and fiscal projections, the long-term sustainability of public accounts and compliance with the budget balance rules laid down in Article 12-C, the rules on expenditure by the central government laid down in Article 12-D, and the indebtedness rules of autonomous regions and local governments enshrined in the respective financing laws.”

The CFP’s statutes were adopted in Law 54/2011 of 19 October 2011 and amended by Law 82-B/2014 of 31 December 2014.

This statutes set out that the mission of the Council is to undertake an independent assessment of the consistency, compliance and sustainability of fiscal policy, while

¹ Law (54/2011), as amended by Article 187 of the Law No. 82-B/2014.
fostering its transparency so as to contribute to the quality of democracy and economic policy decision-making, as well as towards reinforcing Portugal’s financial credibility.

The statutes also set out provisions with regards to the CFP’s independence (Article 5), tasks (Article 6), reporting commitments (Article 7), access to information (Article 8), cooperation with outside entities (Article 9), governing bodies (Article 10), senior board (Articles 11 to 20), executive committee (Articles 21 and 22), auditor (Articles 23 to 25), staff (Article 26), budget (Articles 27 to 29), auditing of accounts (Article 30), legal responsibility (Article 31) and the council’s webpage (Article 32).

Source: (Assembleia da República, 2011[1]) and (Assembleia da República, 2011[2])

The plans to operationalise the CFP were included in the 2011 bailout agreement with the European Central Bank, the European Union and the International Monetary Fund (referred to as the ‘Troika’). The close timing between the formation of a working group, its proposed legislation and the Troika agreement means that the Council is sometimes mistakenly connected to the adjustment measures included in that agreement. This gives rise to political and communication challenges for the Council in terms of proving itself as a Portuguese institution representing the interests of Portuguese citizens.

1.2. Relationship to the legislature

The Council is independent of the Executive and the Parliament. It is an independent administrative entity under Portuguese law and interacts with other independent entities, including Statistics Portugal (Instituto Nacional de Estatística – INE), the Court of Audit (Tribunal de Contas) and the Bank of Portugal (Banco de Portugal). The Council’s independence is reflected in its legislation, including that it “is not to request or receive instructions from the Parliament, Executive or any other public or private entity.” The President of the Republic, the Government and the Parliament all receive the Council’s reports and they are also available on its website.

Supporting the CFP’s independence, the President of the Court of Audit and Governor of the Bank of Portugal provide advice on the appointment of Senior Board members of the CFP, the appointment of its auditor and its annual budget. The Parliament does not appoint members of the CFP’s Senior Board, this is performed by the Council of Ministers. However, Parliament does approve the Council’s budget as part of its role in approving the State Budget.

Although the CFP was established at a time when the government of the day enjoyed a majority position in Parliament, the political environment in Portugal is now more fragmented. The Council’s connection to the timing of the Troika period means that it can be mistakenly associated as enforcing austerity imposed from the outside. The Council has thus found it difficult to get political support from those who oppose fiscal austerity. The CFP has gone to considerable effort to clarify its independence, but the confusion persists. In order to safeguard its future, the Council may wish to consider how it could make renewed efforts to broaden understanding across the political spectrum of the value of the institution and its crucial role in relation to long-term fiscal sustainability.

1.3. Relationship with other institutions in Portugal

The CFP has collaborative and established relationships with institutions across the breadth of government, including the Ministry of Finance, the Bank of Portugal, the Court of Audit
and Statistics Portugal. These relationships are principally for the collection of data, exchanges to clarify information and to understand assumptions in models and other analytical tools. The Council also has regular contact with commercial banks, rating agencies and similar organisations that draw on its assessment of the government’s projections.

Although there is a strong academic community in Portugal, few think tanks and organisations regularly comment on the assessments produced by the Council. There are however, industry bodies such as the Competitiveness Forum (Forum para a competitividade). The absence of such bodies places increased importance on the assessments prepared by the CFP, as there are fewer organisations with comparative capacities providing commentary on the sustainability of Portugal’s fiscal outlook.

1.4. Mandate

The CFP’s mandate is to provide an opinion on the government’s proposed objectives for its macroeconomic and budget scenarios, the long-term sustainability of public finances and compliance with the country’s fiscal rules. The opinion is in the form of an independent assessment of the consistency, compliance and sustainability of fiscal policy. Through this mandate, the Council’s assessments are to support the quality of economic policy decisions and the financial credibility of the Portuguese Republic. Article 7 of the Budget Framework Law states that the CFP is:

“is to pronounce on the proposed objectives regarding macroeconomic and budget scenarios, the long-term sustainability of the public finances and compliance with the budget balance rule, the rule governing central administration spending, and the rules governing the indebtedness of the autonomous regions and local authorities provided for in the respective financing laws.” (Assembleia da República, 2015[3])

A list of eight tasks is included in the Council’s Statutes, specifically:

1. Assess the government’s macroeconomic scenarios and the consistency of the budget projections to these scenarios
2. Assess whether the government complies with its fiscal rules
3. Analyse the dynamics of the public debt and its sustainability
4. 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 public finances
5. Assess the financial position of the autonomous regions and local governments
6. Assess the economic and financial situation of public enterprises, their potential impact on the consolidated public accounts, and their sustainability
7. Analyse tax expenditures
8. Monitor of the budget outturn.

The Council has a broad mandate, which supports its ability to provide a comprehensive assessment of the macroeconomic forecasts and the alignment of budget to those forecasts. The breadth is illustrated by tasks (4), (5) and (6), which enable the CFP to look more
deeply into fiscal risks in areas such as social security, health, PPP commitments, subnational finances and the situation of public enterprises. The mandate underpins the importance of ensuring the CFP has the resources it needs to fulfil the expectations held of it.

In 2013, the CFP’s role was expanded to include endorsing the macroeconomic forecasts underpinning the national medium-term fiscal plans and draft budgets. The approval of this role was related to Portugal conforming with the new European fiscal framework, the so-called “2-pack”. The undertaking reflects Portugal’s commitment to undertake a range of duties, separate to the requirements set in national legislation on matters relating to economic governance in the Euro area. This gave the CFP a formal role on endorsing the macroeconomic forecasts underlying the national medium-term fiscal plans and draft budgets as well as the national correction mechanism that is to be observed in the event of significant deviations from the medium term objective.3

The endorsement process was first applied in October 2014 for the 2015 draft budget. A Memorandum of Understanding (MoU) between the CFP and the Ministry of Finance, signed in February 2015, defines how the analysis of the macroeconomic projections underpinning the Stability Programme and the State Budget proposal is to be performed. The MoU also defines the information the Ministry of Finance is to supply to the Council in order for it to perform its role. The national legislative base for the expansion of mandate is reflected in an amendment to the Budgetary Framework Law.4

Given its broad mandate, the CFP has taken a prudent approach through increasing the scope of its work over time. This has enabled it to develop a minimum level of modelling capacity and expertise in each area, before launching publications. Coming into its seventh year, the CFP is close to delivering its full mandate. Over the course of the next year, the CFP will release publications which address the remaining gaps; specifically publications analysing the dynamics of existing commitments in the health systems (task 4) and assessing the economic and financial situation of public enterprises (task 6).

Of note, the CFP does not have a costing role - that is, it does not prepare costings on policy proposals by the government or political parties in Parliament, as is the case in some other independent fiscal institutions such as the Congressional Budget Office (see Box 1.2). However, a number of stakeholders noted that there is a need for greater understanding of the economic and budgetary cost of individual policy measures in Portugal, and would like to see the Council being given this additional function. Developing that role would require significant additional resources and access to new government information, e.g., confidential micro data. In addition, there are important considerations about whether the policy costing role would be best delivered by UTAO (Portugal’s Parliamentary Budget Office)5.

Box 1.2. Policy costing by the US Congressional Budget Office

---

2 Medium-term refers to five years.
4 Article 7(1), Article 22(6) and Article 23(6).
5 UTAO has an explicit mandate to provide policy costings in its remit.
Undertaking costing estimates for alternative policy proposals is a key role for the US Congressional Budget Office (CBO). In undertaking this work, CBO staff first develop current-law “baseline projections” for all government programmes (roughly 1,000 different spending accounts) that extend out for a period of 10 years. Throughout the year, the CBO then completes legislative costing that includes multiyear estimates of budgetary costs or savings for various proposals, with estimates done relative to the baseline projections that were completed earlier in the year. For most cases, the US budget system focuses on 10 years of projections. In some cases, the focus is limited to 5 or fewer years; while in others, there is interest in reviewing the potential effects for the long term: looking out for 20 or more years. The CBO’s Budget Analysis Division includes roughly 65 full-time analysts (out of the CBO’s total staffing of around 240 people) that devote much of their time to policy costing (along with doing baseline projections).

Source: OECD 2019

### 1.5. Multiple institutions in Portugal

At the time the CFP was being proposed, there was already a Portuguese Parliamentary Budget Office (UTAO, using the Portuguese acronym) supporting the Budget and Finance Committee of Parliament with technical analysis relating to the general government’s budget. As a result, there are two institutions in Portugal with responsibility for providing an assessment of the general government’s budget. An overview comparison of these two institutions is provided in Table 1.1.

**Table 1.1. Overview comparison of UTAO and CFP**

<table>
<thead>
<tr>
<th></th>
<th>UTAO</th>
<th>CFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year established</td>
<td>2006</td>
<td>2011</td>
</tr>
<tr>
<td>Mandate</td>
<td>To support the Parliamentary Budget and Finance Committee with technical research and analysis</td>
<td>To undertake an independent assessment of the government’s fiscal strategy</td>
</tr>
<tr>
<td>Annual budget</td>
<td>0.4m EUR</td>
<td>2.7m EUR</td>
</tr>
<tr>
<td>Staffing</td>
<td>6</td>
<td>23</td>
</tr>
</tbody>
</table>

*Note: The budget for UTAO is an estimate. The exact budget is difficult to calculate since it is part of parliament and not an autonomous financial unit. The UTAO and CFP budget are also not directly comparable given UTAO is part of a larger institution with centrally provided services and the CFP is not. Source: OECD 2019*

Box 1.3 provides a summary of the UTAO’s institutional arrangements and mandate. While UTAO and the CFP are different and distinct institutions, there is some overlap in their work. Specifically, both institutions assess the medium-term fiscal stance set out in the Stability Programme and the tax and spend proposals set out in the annual Draft State Budget. There are some stakeholders that feel that Portugal is too small a country to support the demands of two institutions undertaking these tasks. Some government stakeholders find that serving both institutions’ data requirements in these areas can be difficult for the government, particularly at peak times in the budget cycle when resources are already stretched. Some parliamentary stakeholders also believe that having two institutions is duplicative and have a preference for UTAO being the sole institution providing analysis of the budget. This is likely to be linked to the aforementioned view among some
parliamentary stakeholders that the CFP is associated with fiscal austerity imposed from the outside. Other stakeholders would welcome the integration of UTAO into the CFP.

**Box 1.3. The Portuguese Parliamentary Budget Office (UTAO)**

The Portuguese Parliamentary Budget Office (UTAO) was created in 2006. Its purpose is to provide non-partisan budget analysis and technical support to the Parliament, particularly the Budget and Finance Committee. Prior to 2005, poor recording of budget transactions had led to fiscal surprises and in 2006, the Socialist Party had an absolute majority in the Parliament, which provided the political support necessary to establish UTAO.

UTAO is a specialised unit within the Parliament’s Directorate of Parliamentary Support (DAP) and functions under the Speaker of the Parliament. UTAO does not have a separate appropriation; its operating costs are funded from the administrative budget of the Parliament. The Budget and Finance Committee has little direct influence in determining the financial resources for UTAO and the hiring terms of its staff, and this creates a disconnect between the Committee’s requests of UTAO and UTAO’s ability to action the requests.

The Budget and Finance Committee approves UTAO’s annual work programme. Much of the work programme is framed around scheduled reports. The release of its main reports on the annual State Budget and Stability Programme update are timed to coincide with parliamentary discussions. Other periodic reports on both the consolidated general government and individual public subsectors include annual audited accounts, public-private partnerships and intra-annual analyses of debt developments and budget execution on cash and national accounting bases. On-demand requests from the Budget and Finance Committee and requests from other parliamentary committees or from individual parliamentarians via the Budget and Finance Committee make up the rest of UTAO’s work. UTAO published a total of 38 publications in 2018, and these are made available to the public on its webpage.

Owing to a lack of staff, UTAO has not been able to fully perform all of its functions and staff work under considerable pressure to complete work. Some functions, such as the task of costing the budget impact of draft legislation are not well developed because of a lack of resources. Staff, including the co-ordinator of the unit, are typically seconded from other government-funded bodies. Secondments last until the end of the legislature, and there is no formal guarantee that new contracts will be signed with the same individuals in the following legislature. Moreover, each party can terminate the contract anytime with a 30-day notice. The short duration of secondments and the lack of a formal employment contract with the Parliament creates uncertainty for UTAO to perform its role, as well as uncertainty for the individual staff members.

Sources: (OECD, 2008[1]) and (UTAO,(n.d.))[2]

---


A number of stakeholders also believe that having two institutions is beneficial for Portugal. One argument commonly expressed for having both institutions is that their
analysis serves different purposes. UTAO directly supports the Parliament’s Budget and Finance Committee and is able to provide timely information that helps members analyse the State Budget and the Stability Programme. On the other hand, the CFP undertakes its work over a longer timeframe and is able to therefore undertake more in-depth analysis of those documents that would otherwise not be done.

Another way in which the institutions differ is in their independence. The CFP compares more favourably than UTAO in this respect when measured using the OECD’s Principles for Independent Fiscal Institutions. The Parliament resolution that created UTAO states that it is “a specialised unit that operates under the guidance of the standing parliamentary committee with competence in budgetary and financial matters”. Both UTAO’s staff and access to information are thus subject to the approval of the parliament’s Budget and Finance Committee, and secondments only last until the end of the legislature. The position of UTAO’s leader is an informal arrangement that is useful in practice, but not supported in law. UTAO’s leader is typically seconded, with their contract renewed tacitly every month for the duration of the legislature, and does not have control over the hiring process for its staff. Moreover, there are no written provisions for dismissals. Hence, UTAO staff can be removed relatively easily, as happened following the 2009 general elections when all staff were dismissed and UTAO ceased to operate. As a result, a number of Portuguese stakeholders have concerns that consolidating the CFP’s functions into UTAO would be a significant backwards step unless UTAO’s organisational arrangements and independence were to be significantly strengthened.

On the whole, while there is some overlap of functions between the two institutions, each plays a useful role in relation to fiscal oversight in Portugal and has found their own distinct place in the Portuguese institutional landscape. The existence of both institutions is likely to endure for the foreseeable future.

The existence of multiple institutions requires effective coordination to ensure working methods are complimentary and to minimise duplication. At present, both institutions coordinate relatively well, even if this is on an informal basis. This is facilitated through leaders and staff moving between the institutions through their career. The existence of multiple institutions also has the potential to place heavy demands on limited government resources if there is a high volume of information requests during peak times in the budget cycle. Both UTAO and the CFP have agreed on standardised routine data requests with key departments in the Ministry of Finance as an attempt to secure timely access to information and to minimise the burden on the public administration. Yet, the Portuguese Government may wish to consider how it might improve budget reporting to further reduce this risk.
Table 1.2. Does the CFP meet the OECD Principles for Independent Fiscal Institutions (assessment of legislation and practice)

Key: ●=yes; =partial; ○= no

<table>
<thead>
<tr>
<th>OECD Principle</th>
<th>Is there related EU-IFI Principle</th>
<th>Assessment</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LOCAL OWNERSHIP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Broad national ownership, commitment, and consensus across the political spectrum. Models from abroad should not be artificially copied or imposed.</td>
<td>In preamble</td>
<td>●</td>
<td>Initiative to set up institution came from national task force. Majority support in parliament enacted enabling legislation.</td>
</tr>
<tr>
<td>1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI.</td>
<td>In preamble</td>
<td>●</td>
<td>Non-partisan experts from Portugal were appointed to prepare draft statutes for institution.</td>
</tr>
<tr>
<td>2. INDEPENDENCE AND NON-PARTISANSHIP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Does not present its analysis from a political perspective; strives to demonstrate objectivity and professional excellence, and serves all parties. IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.</td>
<td></td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.</td>
<td>✓</td>
<td>●</td>
<td>Legislation stipulates that members of the Senior Board shall be personalities of acknowledged merit, with experience in economics and public finance and a high degree of independence.</td>
</tr>
<tr>
<td>2.3 Term lengths &amp; number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria &amp; process.</td>
<td></td>
<td>●</td>
<td>The President of the CFP is appointed for a non-renewable 7-year term. Removal from office is limited to the reasons specified in legislation.</td>
</tr>
<tr>
<td>2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.</td>
<td>✓</td>
<td>●</td>
<td>The President of the CFP is a remunerated, full-time position, and strict criteria to guard against a conflict of interest apply.</td>
</tr>
<tr>
<td>2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.</td>
<td>✓</td>
<td>●</td>
<td>The CFP has the freedom to hire and manage its employees in the bounds set by the remuneration committee.</td>
</tr>
</tbody>
</table>
2.6 Staff should be selected through open competition based on merit & technical competence, without reference to political affiliation, in line with civil service conditions.

### 3. MANDATE

<table>
<thead>
<tr>
<th>3.1 The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.</th>
<th>●</th>
<th>The mandate, reporting commitments and the recipients of the reports are defined in legislation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 IFIs should have the scope to produce reports and analysis at their own initiative and autonomy to determine their own work programme within their mandate.</td>
<td>✔</td>
<td>The CFP can undertake work at its own initiative.</td>
</tr>
<tr>
<td>3.3. Clear links to the budget process should be established within the mandate.</td>
<td>●</td>
<td>The CFP assesses the macroeconomic scenario for the draft State Budget and the Stability Programme and its opinion is included in these documents.</td>
</tr>
</tbody>
</table>

### 4. RESOURCES

| 4.1 The resources allocated to IFIs must be commensurate with their mandate. | ✔ | The resources allocated are sufficient for the scope of work the CFP currently undertakes, although this does not yet represent the full scope its mandate. |
| 4.1.1 The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies. | ✔ | The appropriation for the CFP is reported as a separate line item in the government’s budget. The CFP’s budget proposal is subject to a favourable opinion issued jointly by the President of the Court of Audit and by the Governor of the Bank of Portugal. |
| 4.1 Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure. | ✔ | The CFPs budget appropriation "can only be reduced in duly justified exceptional circumstances". |

### 5. RELATIONSHIP WITH THE LEGISLATURE

| 5.1 Mechanisms should be put in place to encourage appropriate accountability to the legislature. | ✔ | The CFP is to present its assessment of the government’s macroeconomic projections before the Budget and Finance Committee of the Parliament. The CFP regularly appears before the Committee during the year. |
| 5.1 The budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work. | ✔ | The budget calendar is well prescribed which establishes certainty for managing the budget process, but the time available to the CFP to complete its assessment is tight. |
| 5.2 The role of the IFI vis-a-vis the parliament’s budget committee (or equivalent), other committees, and individual | ● | The CFP cannot request or receive instructions from the Parliament. Requests for analysis from the Budget and |
members in terms of requests for analysis should be clearly established in legislation. Finance Committee are served by a separate institution, UTAO.

| 6. ACCESS TO INFORMATION | | 6.1 IFI should have full access to all relevant information in a timely manner. | ✓ | Legislation establishes the right to information and provides for consequences for non-compliance. Despite this, the CFP has had challenges accessing information on specific topics. |
| | | 6.2 Any restrictions on access to government information should be clearly defined in legislation. | ✓ | |

| 7. TRANSPARENCY | | 7.1 IFI should act as transparently as possible, including full transparency in their work and operations. | ⚫ |
| | | 7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and sent to parliament. | ⚫ |
| | | 7.3 The release dates of major reports and analysis should be formally established, especially in order to coordinate them with the release of relevant government reports and analysis. | ⚫ |
| | | 7.4 IFIs should release their reports and analysis, on matters relating to their core mandate on economic and fiscal issues, in their own name. | ⚫ |

| 8. COMMUNICATIONS | | 8.1 IFIs should develop effective communication channels from the outset. | ⚫ | The CFP deploys a multi-channel communications strategy through parliamentary and stakeholder engagement, media interviews, briefings, publications, and website material. |

| 9. EXTERNAL EVALUATION | | 9.1 IFIs should develop a mechanism for external evaluation of their work. | ✓ | Evidenced through this review, but dependent on a decision by the Senior Board as opposed to being a requirement in legislation. |
1.6. Conclusions and recommendations

The establishment of the CFP was part of comprehensive national budget reforms in response to the 2008 global financial crisis. The Council has a well-designed and clearly articulated legal framework which to date has served Portugal well. For a young institution, established in only 2011, it has quickly become an integral and respected part in Portugal’s fiscal framework. Although the economic situation in Portugal has improved since the Council was established, the sustainability of public finances remains an important issue. Its role is particularly important given that there are few alternative sources of commentary on Portugal’s economic and fiscal outlook.

The Council was given a broad mandate when it was established. This was extended in 2013 to ensure Portugal complied with new EU requirements to have an independent fiscal institution endorse macroeconomic forecasts underlying the national medium-term fiscal plans and draft budgets. The CFP is close to fulfilling its full mandate, and has plans to close remaining gaps over the forthcoming year.

The success of the CFP in delivering independent fiscal analysis has given rise to calls for it to be given additional functions that would close remaining gaps in fiscal oversight in Portugal. In particular, a number of stakeholders would like to see the Council examine the economic and budgetary cost of individual policy measures in Portugal. The Council has built up skills and credibility that would serve it well in delivering this function. As such, the CFP could potentially provide policy costings in the future, as long as the new function is accompanied by adequate additional resources and access to relevant information from the Portuguese Government, including confidential micro data.

Portugal had the foresight to identify the merits of an independent fiscal institution such as the CFP before the global financial crisis led to the 2011 bailout agreement for Portugal by the Troika. Although the Troika programme is now complete, some political stakeholders continue to mistakenly associate the Council with this period of fiscal austerity. The CFP has made significant effort to project itself as an institution of national origin serving the people of Portugal through its focus on ensuring long-term fiscal sustainability. In order to safeguard its future, the Council may wish to consider how it could broaden understanding across the political spectrum of the value of the institution.

The existence of both the CFP and UTAO in the sphere of budgetary oversight is considered by some as excessive for a country the size of Portugal. While there is some potential for overlap, each institution also serves a distinct and useful purpose that is valued by Portuguese stakeholders. Continued coordination between both institutions will help ensure working methods are complementary and mutually reinforcing. Improved budget reporting by the government will support these institutions in delivering their mandates. It will also reduce the risk that their information requests over-stretch limited government resources during peak times of the budget cycle.
Chapter 2: Inputs

2.1. Introduction

An assessment of an IFI’s inputs must take into account the human and financial resources, as well as whether these resources are predictable and sustainable. It should also examine the IFI’s access to information and whether the IFI has the necessary level of independence to carry out its work. According to the OECD Principles, an IFI must have resources commensurate with its mandate to fulfil it in a credible manner (Principle 4.1). An IFI must also have access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals (Principle 6.1). Finally, non-partisanship and independence are pre-requisites for any successful IFI (Principle 2.1).

This chapter assesses the extent to which the CFP has sufficient funding, human resources, access to information, and independence in order to deliver its mandate. Analysis indicates that the Council has received adequate funding so far in order to undertake its tasks, although its funding needs may grow for it to be able to deliver its mandate in full. The governance structure has served the Council well, but the leadership appointment process could be strengthened to ensure it is better protected from political interference.

Although the CFP has access to information guaranteed in legislation and reaffirmed through MoU, it still experiences problems obtaining information, particularly in relation to social security. The institutional arrangements for the CFP serve it well in terms of reinforcing its independence. In addition, the first President of the Council has instilled a culture of independence and non-partisanship within the institution that has the potential to last long beyond the end of her tenure.

2.2. Funding

Under Article 29 of the CFP’s Statutes, the Senior Board is responsible for preparing the CFP’s budget, which is reviewed by President of the Court of Audit and the Governor of the Central Bank. Subject to a favourable review by these two leaders, the budget is submitted to the Minister of Finance for approval using the procedures that apply to comparable independent administrative bodies such as the Court of Audit. The CFP’s budget has been a separate line item in the State Budget since 2012 and its funding is not connected to any other institution.

The role of the President of the Court of Audit and the Governor of the Bank of Portugal is to review the draft budget prepared by the Senior Board of the CFP and to submit its review to the Minister of Finance. The process to prepare a draft budget and submit it for review is largely the same from one year to the next; further, the timing of the Parliament’s consideration of the national budget is prescribed. The process and decision-timeline provide the CFP with a high degree of predictability on the timing of its funding.

However, the Ministry of Finance also prepares advice to its Minister on the overall allocation of funding in the national budget. This does not necessarily result in any
particular treatment of the proposed budget prepared by the Senior Board of the CFP, even if the leaders of the Court of Audit and the Bank of Portugal prepare a favourable review of the CFP’s proposed budget. In this regard, obtaining a favourable review from the leaders of the Court of Audit and the Bank of Portugal amounts to an advisory role on the reasonableness of the proposed budget and does not include decision rights to approve or establish an expectation on the Minister of Finance to approve the proposed budget. This is an area where the decision rights and expectations of the parties involved in approving funding to the CFP are clarified.

The OECD Principles (Principle 4.1) state that:

“the appropriations for IFIs should be published and treated in the same manner as the budgets of independent bodies, such as audit offices, in order to ensure their independence” (OECD, 2014[5])

Under the Portuguese State Budget appropriations, the CFP’s budget “can only be reduced in duly justified exceptional circumstances” (CFP statutes, Article 23[3]). Consistent with this, Table 2.1 below shows that, since the CFP became fully operational in 2014, the budget has not reduced in cash terms⁷.

Table 2.1. The CFP’s budget: revenue and expenditure 2012-2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>2.639</td>
<td>2.471</td>
<td>2.533</td>
<td>2.59</td>
<td>2.657</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>0.041</td>
<td>0.055</td>
<td>0.095</td>
<td>0.053</td>
<td>0.043</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.000</td>
<td>2.681</td>
<td>2.526</td>
<td>2.629</td>
<td>2.643</td>
<td>2.700</td>
<td>2.700</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remuneration</td>
<td>0.968</td>
<td>1.473</td>
<td>1.64</td>
<td>1.632</td>
<td>1.69</td>
<td>1.956</td>
<td></td>
</tr>
<tr>
<td>Goods and services</td>
<td>0.467</td>
<td>1.166</td>
<td>0.832</td>
<td>0.896</td>
<td>0.9</td>
<td>0.702</td>
<td></td>
</tr>
<tr>
<td>Purchase of capital goods</td>
<td>0.566</td>
<td>0.042</td>
<td>0.055</td>
<td>0.1</td>
<td>0.053</td>
<td>0.043</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.000</td>
<td>2.681</td>
<td>2.526</td>
<td>2.629</td>
<td>2.643</td>
<td>2.700</td>
<td>2.700</td>
</tr>
</tbody>
</table>

*Source: (CFP, (n.d.),[6])*

In 2014, the CFP’s approved budget (for both current and capital spending) was EUR 2.53 million and in 2017 it was EUR 2.70 million. On average, two thirds of the Council’s budget is spent on remuneration, one third on goods and services. Goods and services includes spending items such as office rental, ICT, travel and subsistence and translation services. With the exception of 2018, when the Council’s funding was left unchanged in cash terms, the CFP has received a modest increase in its budget each year over the five-year period.

The fact that funding has not reduced is not the same as saying the CFP has received the funding it sought from the government. The CFP publishes its approved budget but does not publish the value of its proposed budget. As such, there is no disclosure on whether the CFP has been under-funded relative to what it sought from the government to fulfil its

⁷ Note, in 2013, the CFP received additional funding to help it set up.
mandate. Table 2.2 shows the difference between the funding sought and the funding approved since the Council was established. In general, the Council has received less funding than it has sought. However, the shortfall has tended to be small, equating to about 4% of final funding in 2014, and less than 2% of the final funding allocated in each subsequent year.

Table 2.2. Difference between funding sought by the CFP, and funding approved by government

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding sought</td>
<td>2.000</td>
<td>2.544</td>
<td>2.635</td>
<td>2.629</td>
<td>2.659</td>
<td>2.717</td>
<td>2.745</td>
</tr>
<tr>
<td>Funding approved</td>
<td>2.000</td>
<td>2.648</td>
<td>2.526</td>
<td>2.629</td>
<td>2.643</td>
<td>2.700</td>
<td>2.700</td>
</tr>
<tr>
<td>Shortfall (Euro, million)</td>
<td>0.0</td>
<td>-0.104</td>
<td>0.109</td>
<td>0.000</td>
<td>0.017</td>
<td>0.017</td>
<td>0.046</td>
</tr>
<tr>
<td>Shortfall as a % of funding approved</td>
<td>0.0%</td>
<td>-3.9%</td>
<td>4.3%</td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Note: In 2013, government salary reductions were considered non-constitutional by the Constitutional Court. This led to an immediate and across the board upward revision of approved spending figures to all organisations dependent on the State Budget, CFP included.
Source: CFP 2018

To date, the funding has been sufficient for the Council to perform its current activities; however, it has not been fully staffed over that period relative to the scope of work outlined in its mandate (as highlighted in Section 2.4). Further, as its IT systems and office equipment age, it is likely to face higher capital costs in certain years.

Given fiscal constraints in Portugal, it could be argued that the shortfalls shown in Table 2.2 do not appear unreasonable in the context of competing government priorities. However, as the CFP extends its activities in order to fully deliver its mandate, its funding needs will grow. A larger shortfall for an extended period without adjustment for cost pressures or capital replacement would increase the risk around the effectiveness with which the CFP could fulfil its functions.

Figure 2.1 shows that relative to other IFIs, the CFP is modestly funded for the scope of functions it performs. However, this chart does not capture the broad range of subjects that the Council should assess in delivering its mandate, as set out in Section 2.4.
Notes: * Italy and the UK also monitor compliance with fiscal rules. Data on the budget for Belgium and Austria are not available.
The Portuguese CFP has a formal role assessing official government forecasts and also presents its own fiscal and macroeconomic forecast.

Source: OECD 2019

2.3. Human resources

This section considers the role and performance of the governance bodies, oversight body and staffing. The Council has two governance bodies (the Senior Board and the Executive Committee) and one oversight body (the legislated auditor). In total, the Council has 23 permanent staff, comprising its Senior Board, head of staff, analysts, administration and support staff. Figure 2.2 shows the CFP functional chart.
2.3.1. Senior Board

The Senior Board is the highest governing body of the CFP and is responsible for the Council fulfilling its mission and overseeing the performance and control environment of the organisation. The Senior Board comprises five members, up to two of whom can be non-nationals of Portugal. The positions are for an executive President (or chair), Vice President, one Executive Member and two Non-Executive Members. According to the Council’s statutes, Senior Board members are to be personalities of acknowledged merit, with experience in economics and public finance, and not all members can be of the same gender. At present, four out of five members of the Senior Board have a Doctorate and four out of five are male.

The President must be a Portuguese citizen, and reside in Portugal. During an initial five-year transition period, members’ terms were staggered: the President for seven years (non-renewable); the Vice-President and the Executive Member for five years (non-renewable); and the two Non-Executive Members for three years (renewable once). Now, all members are appointed for a seven-year term, non-renewable. The terms of the Senior Board members are delinked from election cycles to help enhance the independence of the CFP.
The President of the Senior Board is the leader of the organisation and represents the CFP at parliamentary hearings and press conferences. That person is responsible for convening the meetings of the board, presides over the Executive Committee and in this regard takes part in the day-to-day operations of the CFP. A Vice President supports the President.

The enabling legislation provides guarantees of independence, such as specifying a prospective member cannot have been a member of a national parliament within the previous two years. It also specifies the limited conditions under which a member can be removed from the board, for example, through unjustified absence from two meetings or through dismissal for serious misconduct, agreed jointly by the President of the Court of Audit and the Governor of the Bank of Portugal.

Members are appointed by the Council of Ministers on a proposal jointly prepared by the President of the Court of Audit and the Governor of the Bank of Portugal. The Council of Ministers may also take advice from officials, such as the Ministry of Finance on the proposal jointly prepared by the President and Governor.

The appointment process is unique to Portugal and reflects the circumstances of Portugal in 2010 when the institutional arrangements for the CFP were designed. The CFP is a young institution in terms of the number of times appointment decisions have been made. In general, the members proposed jointly by the President of the Court of Audit and the Governor of the Bank of Portugal have been appointed by the Council of Ministers. However, during the most recent appointment process, the two proposed candidates were rejected and new candidates had to be found. While the two candidates that were finally appointed are now well-regarded members of the CFP Senior Board, the incident highlights that the appointment process is not free from political interference.

Were the enabling legislation for the CFP to be revisited in the future, alternative approaches to appointing members with greater protection from political interference may be desirable. A number of stakeholders suggested that the final appointment should be made by a qualified majority at Parliament, rather than the Council of Ministers. This is the case for the Council for Budget Responsibility in the Slovak Republic (see Box 2.1). Involvement of Parliament in the appointment process would potentially have the added benefit of increasing cross-party support for the legislative purpose of the CFP. However, stakeholders acknowledged that the process is still political and there would also be a risk of political deadlock over candidates proposed.

**Box 2.1. Appointment process for members of the Slovak Council for Budget Responsibility**

The Council for Budget Responsibility in the Slovak Republic has three members: one chair and two other members. The chair is elected by the Parliament (National Council) of the Slovak Republic, with the support of at least three-fifths majority vote of members, based on a proposal by the government. One council member is elected by the Parliament with an absolute majority of members present, based on a proposal of the President of the Slovak Republic. Another member is elected by the Parliament with an absolute majority of members present, based on a proposal by the Governor of the National Bank of Slovakia.

Source: (Lisa von Trapp, Lienert and Wehner, 2016[3])

Another option put forward is for the President of the Court of Audit and the Governor of the Bank of Portugal to submit the list of proposed candidates to the Budget and Finance Committee at Parliament. This gives the Committee an opportunity to provide an opinion
on the proposal, before the final decision is taken by the Council of Ministers. The aim would be to broaden the collective responsibility of the decision taken to appoint a given candidate and to help increase transparency around the process.

A similar process has already been adopted for the leadership of regulatory agencies in Portugal, and has proven useful, even if the Parliament’s opinion is not binding. In an OECD context, it is not unusual for the Parliament to have a role in the leadership appointment process for IFIs, even if it does not take the final decision. For example, in Spain, the AIReF President is appointed by the Council of Ministers. Prior to the appointment, the nominated candidate for President of AIReF must appear before the Congress of Deputies Finance and Public Administrations Committee which assesses the candidate's experience, training and skills.

The CFP President’s term ends in February 2019, and the next President has already been appointed8. In order to meet the gender criterion under the existing legislation, the eligible candidates had to be female as the other four members of the Senior Board are currently male. Stakeholders highlighted that this gender criterion, on top of the existing criterion for candidates, means that – in a country the size of Portugal - the pool of potential successors is limited.

Were the enabling legislation for the CFP to be revisited in the future, an alternative approach to prevent this situation from arising again would be for the gender criterion to apply to all members of the Senior Board, except the President. This would mean that, in seeking a new CFP President, the President of the Court of Audit and the Governor of the Bank of Portugal would always have the ability to seek the widest possible pool of eligible, qualified candidates for the top position. Such an alternative would be stronger if it applied to two of the four remaining positions on the Senior Board, giving a gender ratio of male or female of 40 percent of the full five-member board.

2.3.2. Executive Committee

The Executive Committee is responsible for the day-to-day management of the CFP. The President chairs the committee and fellow members of the committee include the Executive Member of the Senior Board and the head of staff of the CFP. The distinctions between the Senior Board and the Executive Committee are highlighted in Figure 2.3.

2.3.3. Auditor

Balancing the independence and financial autonomy of the CFP, the Council is required by law to have an external auditor. The Minister of Finance decides on the chartered accountant or audit firm that will perform the audit function, based on a proposal jointly prepared by the President of the Court of Audit and the Governor of the Central Bank. The auditor is appointed for a non-renewable period of five years. The responsibilities of the auditor include oversight of the financial and asset management of the CFP, issuing an opinion on the management report and financial accounts of the CFP, and conducting a regular examination of the CFP’s financial and economic situation, including its internal control environment.

Since the CFP was established, it has had two auditors, one for the five-year period since the Council’s establishment and its current auditor. The auditor has always issued unqualified opinions on the financial management of the CFP and has acknowledged the high quality of the internal control environment in the Council. The auditor has full access to the CFP’s general ledger, receives monthly and quarterly accounts, board minutes and copies of internal policies. This breadth of access underpins the auditor’s ability to provide an opinion.

2.3.4. Staffing

The CFP employs staff to carry out its functions and appoints a head of staff who is responsible for tasks delegated by the Executive Committee. Staff are hired on an exclusive basis and are not available to perform tasks in other public or private entities, except for a limited range of activities and only when authorised by the Executive Committee. Table 2.3 shows the staffing numbers of the CFP for the seven-year period since its establishment. Except for the first year of operations (2012), staffing levels have largely remained stable, but with high turnover rates in some years. While the CFP has been successful in continuing to recruit new staff, high turnover has been a challenge for the Council’s performance, particularly during its early years. Staff remuneration does not have to follow the scales set
by the public service. The CFP’s Remuneration Committee determines the rate of remuneration of staff.

Table 2.3. CFP staffing levels 2012-2018

<table>
<thead>
<tr>
<th>Staff</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>*2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Staff</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Administrative &amp; Financial Manager</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Economic &amp; public finance analysts</td>
<td>-</td>
<td>11</td>
<td>10</td>
<td>12</td>
<td>10</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Communications officer</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Legal advisor</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Administrative &amp; financial officers</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Technical Assistant</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>16</td>
<td>16</td>
<td>18</td>
<td>17</td>
<td>15</td>
<td>18</td>
</tr>
</tbody>
</table>

Notes: * As at 30 September 2018. Figures exclude the five members of the CFP Senior Board.

Source: CFP 2018

The CFP performs well in relation to gender equality, with around 50% of staff being male, and 50% being female. Almost half of the Council’s staff have a Master’s qualification (70% of the analysts) and 15% have a Doctorate (23% of the analysts). Analytical staff have expertise in macroeconomics, microeconomics and modelling.

The CFP’s staffing levels are modest in that it has only one person covering some topics and is not currently able to allocate a second person in order to have greater assurance on business continuity and staff development. This is a challenge for any organisation, and can expose it to risks in delivering its functions should staff members leave or become sick, etc.

The Council also employs an expert in communication to manage the engagement with media, other stakeholders and to support the effective publication and distribution of its reports and related materials. Other professionals are employed to manage finance and human resources. The Council’s information technology function is outsourced. External consultants may also be hired to undertake specific projects. This is similar to the situation in peer IFIs. For example, the Slovak Council for Budget Responsibility (CBR) hired external consultants to develop a microsimulation model for healthcare spending and Spain’s AIREF brought in external consultants to help with demographic forecasting.

In addition to requiring staff with expertise in macro-fiscal analysis, the CFP also requires people with a strong understanding of public finance and in-depth expertise on topics consistent with the Council’s mandate, including, pension programmes and other forms of welfare assistance, regional and local government finances, public-private partnerships and public enterprises. The CFP has found that the pool of candidates with the above areas of expertise in Portugal is not large, even taking into account a decision in 2014 which permitted the Council to employ academics. This is likely to be linked to factors such as the sparsity of think tanks in Portugal, as well as a hiring freeze at the Ministry of Finance over the last decade. A particular challenge for the CFP, and other institutions in Portugal, is finding specialists in the field of tax economics\(^9\).

---

In this context, the Council has had difficulty finding and retaining sufficient qualified staff. However, over the years the Council has brought in a number of developments in order to address this challenge. For example, in 2018, the CFP introduced career progression in an attempt to manage staff turnover and provide career options for existing staff. The Council has also begun to recruit and develop graduates direct from academia, and has worked to develop international networks to attract candidates with international experience who are returning to Portugal. These changes, together with the good reputation that the CFP has now developed domestically and internationally, have helped the Council to demonstrate that it has a range of employment opportunities for people with different skill-sets and career experience. As a result, the Council is increasingly confident that high staff turnover will not be so much of a challenge going forward.

2.4. Access to information

As independent institutions, IFIs require access to information from across the public sector to ensure they are in the best possible position to deliver informed analysis and opinion. Consistent with this requirement, Principle 6.1 of the OECD Principles states:

“This creates a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals.”

Through its enabling legislation, the CFP has the authority to access all the economic and financial information it requires to fulfil its mission (Article 8).

Supporting this authority, the Council has entered into MoU with key stakeholders from which it requests information. Figure 2.3 shows that the instruments available to the Council (both legislation and MoU) to access information are the ones available to the largest proportion of IFIs across OECD countries.

**Figure 2.4. Arrangements through which access to information is secured across OECD IFIs**

<table>
<thead>
<tr>
<th>Access to Information</th>
<th>Underpinned by both legislation and MoU</th>
<th>Underpinned by legislation only</th>
<th>Underpinned by MoU only</th>
<th>No underpinning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>25%</td>
<td>11%</td>
<td>23%</td>
</tr>
</tbody>
</table>

*Source: OECD 2019*
In particular, MoU help to operationalise the CFP’s information requests by specifying the information requested, its format, frequency and other relevant details. The MoU help ensure the continuity and integrity of operations by establishing a common understanding of data standards, operating systems and the authorisation required to transfer the information to the CFP. The MoU are available on the CFP’s website\(^\text{10}\). Transparency around the supply arrangements helps support the integrity of the CFP’s assessments of macroeconomic projects as it discloses the basis on which it is informing its opinions.

The CFP does not publicly report information requests and whether or not they have been fulfilled, as is the case with some peer institutions (see Box 2.2). However, in cases where a MoU is in place and the data supplied is in a standard format, the CFP reports that information is generally made available in a timely manner. In the majority of instances, the information the CFP requests is supplied in an electronic format that enables the CFP to analyse the data without having to reproduce it. The CFP has developed a structured database to manage the time series of data it is building up from receiving successive data files from organisations.

However, the CFP reports that it has experienced challenges getting the information it needs to deliver its mandate. A particular area of difficulty has been social security, although the CFP have also had occasional difficulties with timely access to information relating to the draft State Budget proposal. Social security information is important for the Council to be able to fulfil its mandate in relation to medium and long-term fiscal projections for Portugal.

---

**Box 2.2. Tracking of information requests by OECS IFIs**

**Canadian Parliamentary Budget Office (PBO)**

The Canadian Parliamentary Budget Office is entitled, by request made to the head of a department or of a parent Crown corporation, to free and timely access to any information under the control of the department or parent Crown corporation that is required to deliver its mandate. The PBO lists all of its information requests on the Communications section of its website. It lists information on the date of the request, the department the request is targeted at, and a description of the information requested. Each entry has details of the response, for example, “Requested information provided”, “Requested information partially provided” or “Requested information was not provided”. The exchange of letters relating to both the request and the response are also available online.

**Spanish Independent Authority for Fiscal Responsibility (AIReF)**

The law establishing AIReF guarantees access to information in a timely manner. In order to monitor the fulfilment of the duty to collaborate with AIReF on this matter, in 2016 AIReF implemented a system for tracking information requests to the different public administrations. AIReF publishes summary information on its requests for information within its Annual Report. Data is presented, whether a response is received or not, in three categories; information received consistent with the request, partial response not sufficient for the analysis or information denied, not consistent with the request or not submitted. Information is broken down by type of public institution and type of data requested (e.g., national accounts, debt, adjustment plans, fiscal rules, etc).

---

According to its enabling legislation, the CFP has a number of powers available to it in instances where the information is not supplied or the period taken to supply the information is unreasonable. The Council can post a notice on its website stating the nature of the information not supplied and the parties involved. It can also formally advise the President of the Court of Audit, the Governor of the Bank of Portugal, the Parliament and the President of the Republic as a last resort. The range of powers are intended to guard against political interference to disrupt the supply of information. The powers are reasonable and graduated depending on the seriousness of the situation.

To date, the CFP has only resorted to the first of these measures, placing a notice on its website in July 2017 advising that the Instituto de Informática - part of the Ministry of Labour, Solidarity and Social Security - had failed to comply with its duty to provide social security information on the number of beneficiaries (existing and new) in good time. This notification was a decision not taken lightly by the Council. However, the impact of this move has been limited. Despite press attention to the notification, and a follow up letter from the CFP’s President to the Minister for Labour, Solidarity and Social Security in February 2018, the CFP is still awaiting the provision of the social security information.

Government stakeholders report that problems related to the CFP receiving the social security information in a full and timely manner are exacerbated by difficulties accessing the required information (which sits in multiple databases), and the difficult nature of compiling and cross-checking this information. More generally, freezes to staff recruitment across the public sector have negatively impacted the capacity of some government stakeholders to respond to information requests in a timely manner. This is a problem for different areas of the government administration that provide information to the CFP.

Given that the CFP’s ability to access information underpins its ability to fulfil its mandate, it is important that access to information issues, particularly those in the area of social security, are resolved. In order to achieve this, the CFP has contacted and tried to meet with the relevant institutions. A meeting would allow the CFP and Government counterparts to develop a shared understanding of the data needed and the plan for its delivery. Ideally, the institutions could formalise information requirements into a MoU.

The lack of response to CFP measures taken to date indicate that relevant government stakeholders need to afford higher priority to their legal requirement to provide the CFP with access to the information it needs to fulfil its mandate.

---

11 The information requested and not received is as follows:
1) Number of individuals, the amount of their declared earnings, average monthly earnings and contributions paid by category (Total, Employees, Self-Employed Persons, Members of Governing Bodies, Persons in Domestic Service and Voluntary Social Insurance) identifying, where available, the bank employees;
2) Total pensioners and new pensioners per month, by scheme (General Scheme, Rural Transitional Scheme, Special Social Security Scheme for Rural Occupations, Non-Contributory Scheme and Bank Employees) and, also per month, new pensioners receiving an unemployment related early pension or a voluntary early pension.
In cases where the government is under-resourced to serve the CFP’s data requests, the government should seek to boost the capacity of the civil service. In some cases, this may involve re-thinking organisational arrangements so that it is easier to attract and retain staff.

Subsequent to these developments, if the CFP is still experiencing problems accessing information in these specific areas, it should consider using its power to inform the President of the Republic, the Parliament, the President of the Court of Audit, and the Governor of the Bank of Portugal.

2.5. Independence

Independence and non-partisanship refer to the ability of an IFI to undertake its duties free from political pressure or influence. The extent to which independence is fostered within an IFI is significantly influenced by the legislation that establishes and governs the institution.

One of the most notable ways in which the CFP’s legislation supports its independence is through establishing a role for politically independent bodies (the leaders of the Court of Audit and the Bank of Portugal) in relation to the appointment of the Council’s leadership and auditor, and also its budget.

The CFP’s legislation has several other legal provisions that reinforce its independence:

- **Legal independence**: The CFP has legal separation from the Executive, Parliament and President (and other public institutions). Its corporate form is as an independent administrative entity (Article 7), similar to the Court of Audit and Bank of Portugal. Article 5 also states that the CFP cannot request or receive instructions from the Assembly of the Republic, the government or any other public or private entity.

- **Leadership independence**: Leadership positions are full-time and remunerated. The duration of their terms are not linked to the political cycle. In addition, leadership can only be removed for certain reasons prescribed in the legislation.

- **Operational independence**: The CFP has autonomy to determine its own work programme and undertake work at its own initiative. It also has financial independence to determine the way in which it deploys its budget appropriation. The Council’s operational independence has also been reinforced through the Senior Board and all staff being located in offices separate from the Court of Audit, the Bank of Portugal, Ministry of Finance, and the Parliament.

It is important to note however that *de jure* independence does not always translate into *de facto* independence and may not capture the relationship culture of the IFI, government and other public institutions. Moreover, most IFIs work to gain *de facto* independence over time through their actions and analysis. The first leader of any IFI has a particularly important role in establishing a culture of independence inside the institution, as well as ensuring that the institution gains external credibility and relevance in its first few years of existence. Developing a culture of independence takes time, and requires continual effort to maintain.

Despite being a young institution, strong leadership by the first President of the CFP – Teodora Cardoso, a well-respected economist in Portugal - has established the Council as a respected institution delivering oversight of public finances. The first President has focussed on ensuing that the Council’s analyses have been devoted to the principle of transparent, nonpartisan work. This has been aided by the Council having had well-
respected and well-qualified members appointed to the Senior Board, and the fact that the head of staff has selected and developed a strong, highly dedicated staff of economists. The institution thus has a clear preference for completing independent assessments based on available data and state-of-the-art analytical methods.

A natural concern of any institution is that a successful organisational culture established by one leader may be eroded if subsequent leaders have a different approach. With regard to the CFP, provided the Council of Ministers continues to appoint members to the Senior Board that are non-partisan and well-respected experts in Portugal, then the strong and independent organisational culture that the first CFP President has developed is likely to serve as a valuable asset for the institution in the longer term. This was the case with the first leader of the Congressional Budget Office in the US (see Box 2.4).

Box 2.3. Developing a culture of independence: the US Congressional Budget Office

The US Congressional Budget Office’s (CBO’s) reputation as a strong, independent organisation providing a non-partisan source of national budget and economic information in the United States was greatly influenced by having a highly respected first leader, Alice Rivlin, who served as the agency’s founding director from 1975 to 1983. The CBO was able to thrive and maintain its reputation as an independent, non-partisan source of information well beyond Alice Rivlin’s tenure in large part because of the strong independent culture that she established within CBO.

The agency’s staff, from the start, was geared towards top-quality, rigorous analysis that was free from political influence. CBO staff have always strived to provide their best estimates of future economic and budgetary outcomes, regardless of whether than analysis was supportive or contrary to the policies and projections of whoever was in political control of the US Government. Again, Alice Rivlin set that tone of clear independence – for example, some of the work conducted during her first few years as CBO director was viewed as highly critical of statements and policy priorities of the Administration of President Jimmy Carter (even though Alice Rivlin had been selected by leadership of the US Congress that was controlled by the same political party as the President: namely, the US Democratic Party).

Subsequent leadership of the CBO has continued the tradition of strong non-partisan analysis and independence practiced during the agency’s first several years under Alice Rivlin’s leadership. Each of the CBO’s eight directors that followed Alice Rivlin, inherited an agency with a strong staff culture of independence and dedication to high-quality, nonpartisan analysis. As a result, that culture and the credibility of the CBO’s work has continued under a series of directors appointed by different political stakeholders.

Source: OECD 2019

The CFP is far from resting on its independence and appears to actively undertake initiatives to state its independence and the purpose of its role. Examples include regularly stating the independence and purpose of the organisation in its publications, appearances before parliamentary committees and at media conferences. In addition, it remains accountable in that its budget is subject to scrutiny, an auditor provides an opinion on financial expenditure and internal controls, it prepares an annual report and its assessments
and other products are publicly available through the internet and media. Continual work to reinforce the independence of the Council is prudent as it is still a young institution relative to the age of many of institutions in Portugal, including the Court of Audit and the Bank of Portugal.

2.6. Conclusions and recommendations

The CFP is sufficiently resourced in the near term, but may face higher staff costs in order to fully fulfil the scope of its mandate. In addition, in some years the Council may have the need for a greater budget, e.g., to enable the replacement of IT equipment as it becomes outdated. It may be helpful if the CFP developed a medium-term funding plan for the resources it requires to fully implement its legislative mandate in a predictable and sustainable manner. This should include capital replacements and form part of the material supplied to the President of the Court of Audit, the Governor of the Bank of Portugal, and the Ministry of Finance with its annual proposed budget. The medium-term funding plan should be published on the CFP’s website so that information is publically available as to whether allocated funding is at the level required for the Council to fully implement its legislated mandate. Consideration could be given to the President of the Court of Audit and the Governor of the Bank of Portugal having the powers to approve CFP's funding for submission to Parliament to remove the perceived risk of government interference in the level of resources the Council reasonably requires.

The CFP is well-governed and has strong, competent leadership, supported by professional staff. The governance structure has served the institution well, but the leadership appointment process could be strengthened to ensure that it is better protected from political interference. For example, the President of the Court of Audit and the Governor of the Bank of Portugal could submit the list of proposed candidates to the Budget and Finance Committee at Parliament. This gives the Committee an opportunity to provide an opinion on the proposal, before the final decision is taken by the Council of Ministers. The aim would be to broaden the collective responsibility of the decision taken to appoint a given candidate and to help increase transparency around the process. The government may also wish to consider refining the gender criterion for CFP leadership so that it applies to the members of the Senior Board, but excludes the President. Such a change would increase the pool of candidates for the position of President. At the same time, gender balance could also be strengthened by increasing the gender criterion to two members of the Senior Board being male or female.

The CFP has a legislative guarantee to access information from the government, and this is reinforced by MoU between the Council and the Government where necessary. However, the Council continues to experience challenges in accessing the information it requires to deliver its mandate, particularly in the area of social security. Relevant Government stakeholders should meet with the Council to resolve these access to information issues, and ideally agree a MoU covering future arrangements for information-sharing. Where limited resources are hindering the capacity of the administration to respond to the CFP’s requests, the government should seek to boost its capacity. Further, increased transparency around the Council’s information requests, for example, through publishing details of each information request, and whether or not it has been fulfilled, would allow the CFP to better highlight its continued challenges to external stakeholders.

The CFP has a high degree of independence, reinforced through its institutional arrangements. In addition, the first President of the CFP has instilled in the institution a culture of independence and non-partisanship that has the potential to last long beyond the
end of her tenure. However, this is subject to the Council of Ministers continuing to appoint non-partisan and well-qualified successors.
Chapter 3: Methodology and Outputs

3.1. Introduction

The CFP provides an independent assessment of the consistency, compliance and sustainability of fiscal policy. In doing this, it has swiftly established itself as a well-regarded independent institution providing high quality analysis of public finances in Portugal.

As stated in Section 1.4, the CFP’s annual work programme is based on the eight specific tasks outlined in its Statutes. In the areas where the CFP is already delivering publications, the review finds that its methodologies and products both satisfactorily comply with its legislative requirements, and compare well against international standards.

The CFP’s Statutes also identify various reporting requirements. These include an analysis of the draft State Budget, and an analysis of the Stability Programme, including the endorsement of the macroeconomic forecasts underlying these documents. A mandatory analysis of the multiannual budgetary framework programming is made together with the draft State Budget, since the State Budget Law annually reviews the spending limits. The CFP also produces an analysis of the budget outturn of the previous year, which is a near-mandatory document.12

In addition to its statutory requirements, the CFP can undertake work at its own initiative. In 2015, the CFP started the biannual publication of a flagship report entitled “Public Finance: Position and Constraints”, which presents its own fiscal and macroeconomic estimates for the current year and projections for the next four years under the no-policy change assumption. The goal of this publication is to raise awareness of the intertemporal consequences of fiscal policy. This report is updated twice a year: before the presentation of the Stability Programme in the Spring and before the presentation of the draft State Budget in the Autumn.

Further, in July 2018, the CFP launched the “Fiscal Risks and Public Finance Sustainability Report”, which it also plans to update every two years. This report focuses on five areas: macroeconomic performance, public revenue and public expenditure, contingent liabilities and public debt.

In April 2018, the CFP also started publishing a biannual analysis of the Local Government outturn, which has immediately received broad media attention, both from the national press and from local and regional newspapers, especially with regards to the arrears of municipalities and their compliance to the legal debt limit.

Apart from its regular publications, the CFP maintains a “Notebook” series that seeks to explain complex technical issues to the public through more accessible language. So far,

12 Article 17 of the Statutes requires a compulsory meeting of the Senior Board to assess the outturn of the State Budget for the previous year.
the issues addressed comprise macroeconomic projections underlying the budget, public
debt, the difference between cash accounting and national accounting, a description of the
often-complex social protection systems, and the impact assessment of economic policy
programmes. The CFP has also published some Occasional Papers and Opinions on diverse
themes such as the reform of the Budget Framework Law, public finance management,
local and regional finances, and other structural economic themes.

Overall, the CFP’s reports are of excellent quality. They are thorough, with numerous tables
and charts to accompany clear, well-written text. Most reports include a useful executive
summary, though in some cases, the summaries could be improved upon—for example, by
including one key chart or overview table in that opening summary material.

The range of the CFP’s reports throughout the budget cycle is illustrated in Figure 3.1.

**Figure 3.1. CFP reports throughout the year**

![CFP Reports Diagram](image)

*Source: OECD 2019*

### 3.2. Technical assessment of CFP methodologies

#### 3.2.1. Approach

The CFP uses a number of tools to deliver on its mandate. This technical review identifies
and assesses these tools using six assessment criteria. The goal is to determine whether
these tools are appropriate for the Council’s analysis and whether they meet standards
practised by other IFIs. Table 3.1 summarises the assessment criteria used.

<table>
<thead>
<tr>
<th>Table 3.1. Assessment criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theoretical justification</strong></td>
</tr>
<tr>
<td><strong>Accuracy</strong></td>
</tr>
</tbody>
</table>
Can the methodology and results be easily and convincingly communicated to parliamentarians and the public?

Are assumptions clear? Does the model use free and open data? Has it been published in a manner that lets the public recreate its results?

Does the model require many analysts with specialized skill sets to maintain?

Does it compare favourably to approaches used at other research institutions and those recommended by authoritative reference manuals?

### 3.2.2. Results of the technical assessment

The CFP employs a number of models to deliver on its mandate. It plans to add to the existing models in the future. The Portuguese Macro-Fiscal model (PMF) plays a central role in all analysis that the Council conducts. This is a standard macroeconometric model enhanced by a detailed fiscal section. This model is supported by a number of satellite models that allow analysts to check the robustness of the PMF model’s results. They also provide the CFP with the capacity to undertake probabilistic assessment of its projections.

The methodology and models used by an IFI depend on its specific mandate and the resources available to it. In most cases, simple statistical models may suffice and provide reasonable results. Statistically more complex models do not necessarily lead to more robust results. In fact, results from very complex models are difficult to communicate. Maintaining the models may also require too many dedicated resources.

The technical review concluded that the models and approaches the CFP uses to fulfil its mandate are appropriate. Table 3.2 summarises the assessment of each model.

<table>
<thead>
<tr>
<th>Table 3.2. Assessment of CFP’s models and methodologies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro-Fiscal Model (PMF)</strong></td>
</tr>
<tr>
<td>GDP VAR</td>
</tr>
<tr>
<td>Potential output</td>
</tr>
<tr>
<td>Nowcasting model for GDP</td>
</tr>
<tr>
<td>CPI VAR</td>
</tr>
<tr>
<td>Fan charts</td>
</tr>
<tr>
<td>Nowcasting model for revenues</td>
</tr>
</tbody>
</table>
The assessments shown in Table 3.2 are based on analysis undertaken using the following six criteria.

On, **theoretical justification**, all models used by the CFP are based on academically accepted methodologies. The Portuguese Macro-Fiscal model is a standard macro model that combines neo-classical long-term optimisation behaviour with short-term Keynesian dynamics through an error correction process.

The supply block of the model is a labour-augmented Cobb-Douglas production function with constant returns to scale. All other sectors of the model are constructed on the basis of accepted economic theory. For example, private consumption takes into account the effect of financial wealth and long-term interest rates; business investment follows an accelerator process; and nominal wages are modelled as a Phillips Curve.

The PMF is supported by a number of Vector Autoregressive (VAR) models to verify PMF’s forecasts of GDP and inflation. While VARs are not based on a specific economic theory, they are time series models that have become popular among forecasters for short-term forecasts.

The mixed-frequency nowcasting models (MIDAS) are useful tools for using high frequency data for forecasting lower frequency key macro variables for one or two quarters.

On, **accuracy**, analysis conducted by an IFI aims to create a framework for debate and to assess the reasonableness of the government’s forecasts and estimates. In this context, the precision of forecast numbers is not as important as the internal consistency of a forecast and the reasonableness of the narrative that explains the forecast. Despite this, most IFIs monitor the degree of accuracy of their forecasts and compare the results with forecasts of other such institutions, and with alternative models.

The OECD did not undertake an independent assessment of the accuracy of CFP’s projections and forecasts and the performance of its models because to examine the accuracy of these, one requires data on estimates and outturns for a longer period of time than is currently available. Similarly, the CFP has not yet prepared a report on the accuracy of its projections and forecasts for the same reason. However, the CFP internally monitors its accuracy by comparing its economic and fiscal projections and forecasts with others produced for the Portuguese economy.

In addition, the statistical performance and properties of the models can be assessed by studying their simulation results and impulse responses. The CFP has provided the simulation results of the PMF model in a working paper; the results indicate reasonable simulation properties.

The methodologies and models that the CFP employs are consistent with common practice. Thus, the CFP’s models are appropriate forecasting tools; if they are supplemented by sound judgement, they can provide reasonably accurate forecasts. Nevertheless, it would be helpful to stakeholders if the Council can provide an analysis of its forecasting accuracy as soon as it is feasible.

On **communication**, one of the CFP’s main stakeholders are parliamentarians. It is critical to communicate the results of its reports in terms that parliamentarians can easily
understand and provide value. The Council uses only a limited number of standard models with results that are relatively easy to communicate. For example, PMF is a standard structural macro model. Its results provide a simple narrative on projected profiles of key economic variables and their interactions with each other.

An examination of the reports published by the CFP shows that model-based results are clearly communicated. The technical review concludes overall that the CFP scores highly on communication because it has struck the right balance between the complexity of the models it uses and the ability to easily explain the results.

On transparency, in principle, allowing external experts full access to the models’ equations, parameters and even software codes would help improve the performance of the models. Experts can suggest improvements and find coding errors and identify other issues that the analysts who maintain and use the models may have overlooked.

One way in which the CFP could engender greater transparency on its modelling would be through setting up a working group of economic forecasters in Portugal. This would also allow the Council to periodically obtain some feedback and new ideas related to the modelling of the Portuguese economy and the key trade and financial flows between Portugal and the rest of the EU. An example of a working group of economic forecasters set up by Spain’s independent fiscal institution (AIReF) is provided in Box 3.1. Another option could be for the CFP to set up an annual workshop where such macro and fiscal issues could be discussed, with presentations from the CFP, other (national and international) institutions, and academia.

**Box 3.1. AIReF macroeconomic forecasting working group for Spain’s regions**

AIReF has a broad mandate that includes undertaking macroeconomic forecasts for Spain’s regions. One of the key gaps in AIReF’s regional work is the level of detail underpinning the macroeconomic projections for the regions. AIReF recognised this as an important area for development and is working to improve the availability of data, such as intra-regional trade data. AIReF also set up a working group to try and develop a homogeneous methodology to arrive at estimates for this data. The group is made up of AIReF and macro analysts and statisticians from the regional statistical institutes of all 17 regions. The National Statistics Institute was also invited to participate but declined. The group is chaired by one of the regions and AIReF provides secretariat support.

Source: (Von Trapp et al., 2018[9])

In addition, since IFIs are funded publicly, it can be argued that the models they develop belong to the public. Some institutions, such as the US CBO and the United Kingdom (UK) Office for Budget Responsibility (OBR), make their models and their codes public. There are, however, risks associated with allowing the public to have full access to the models. To use a model properly, the user has to fully understand all its linkages. An outside expert is unlikely to sufficiently understand all the intricacies of a model to be able to use it properly. This may lead to inaccurate or misleading results. Moreover, preparing detailed documentation and instructions for using a model is resource intensive. An IFI should weigh the benefits of dedicating resources to prepare documentation for a model against the cost of the time lost in using it to do further analysis.

The CFP has provided a working paper that describes its core macro-fiscal model; however, it does not provide the estimated parameters of the model and its code. It is not necessary
at this time to provide further detail on the PMF. However, providing the same level of information, that is, a working paper, for the other models in use by the CFP would help increase the CFP’s credibility.

On resources and business continuity, most IFIs are relatively small organisations that are likely to experience a high turnover of employees. In building models, an institution has to take into account the resources required to maintain and use the models, as well as the time needed to train new employees. If the models are complex and difficult to use, the institution may encounter disruption in its work when some employees leave.

The technical review concludes that the CFP has the right balance between the complexity of its models and the capacity to achieve business continuity. Two or three skilled economists can maintain and run all the models used by the Council.

On international use, the CFP’s approach to nowcasting, short and medium-term economic outlook and fiscal outlook is similar to the approach used by other IFIs, including Canadian PBO, the UK OBR and the US CBO. Some, such as Spain’s AIRef, use many complex statistical models that are difficult to maintain and operate.

There is no standard approach to nowcasting. For example, the UK OBR uses an ad hoc approach. That is, information on high frequency indicators and surveys determines the momentum in GDP growth. This in turn enables forecasting for the current and the subsequent quarters. Canada’s PBO uses a similar approach that employs information from high frequency data and simple regressions. There is a large element of judgement involved in the approaches used by the UK OBR and the Canadian PBO. The CFP’s reliance on MIDAS is appropriate mainly because it reduces the need for the forecaster’s subjective judgement.

The CFP uses a standard approach to medium-term economic forecasting. It does a bottom-up forecast of the national accounts components of GDP. Prices and wages respond to the output gap, which is estimated using a Cobb-Douglas production function.

The CFP also uses a number of VAR models to verify the Portuguese Macro-Fiscal model’s forecasts and assess the uncertainty associated with forecasting GDP and its components. The Canadian PBO uses a similar approach, while the UK OBR first examines the output gap and judges how fast the economy should reach its potential level of GDP. Then GDP components are forecast consistent with the chosen profile for GDP. Both the Canadian PBO and UK OBR provide fan charts for their economic outlook on the basis of past forecasting errors.

On the fiscal outlook, government revenues depend on the projected tax bases, which are derived from the medium-term economic outlook, and the tax rates. Some organisations, such as the US CBO and the Canadian PBO, use microsimulation tax models to measure tax elasticities and effective tax rates, which are then applied to the projected tax bases derived from the macro outlook.

The CFP uses a set of error correction regressions along with a nowcasting model to estimate short-term elasticities. Microsimulation models, which are based on a large sample of actual tax filers, typically provide a more accurate estimate of elasticities. In addition, they can be useful in estimating the revenue impact of tax changes and their distributional impacts.

Forecasting government spending does not require complex models. In most cases, institutional arrangements, demographic factors and government policies determine the future path of spending. For example, in Canada, a large percentage of government
spending is in the form of transfers to persons and other levels of government. These are largely determined by demographic factors and nominal GDP growth.

The CFP’s approach to forecasting government spending is in line with methodologies used by other IFIs. Government consumption is assumed to remain constant relative to GDP in the long run, while government transfers are projected based on their specific structure and underlying policies.

3.3. Key issues for CFP reports

The publication of reports containing analysis and opinion is the main instrument used by the CFP to deliver its mandate. This section assesses key aspects of the Council’s reports, including their near-term versus longer-term focus, the treatment of uncertainty, and their comprehensiveness, clarity and transparency. It also provides an assessment of key Council reports relative to similar publications by peer institutions within the OECD’s member countries.

3.3.1. Near-term focus versus longer-term estimates

The CFP is effective in providing both near-term estimates of economic performance and public finance outcomes when focusing on budget plans for the current or upcoming fiscal year, and longer-term projections when considering the broader perspective of Portugal’s financial position over a medium term of five fiscal years.

It is somewhat natural for economic projections and budget information to focus more on the most immediate near term of just one fiscal year. That focus, in both the political sphere and in the common media is apparent in Portugal, as for most countries. However, to address the significant concerns for long-term financial stability of governments, a view towards macroeconomic and budgetary outcomes over five or more years is essential. A sample of CFP’s economic projections extending out for five years, taken from a March 2018 publication, is shown in Figure 3.2 below.

Figure 3.2. CFP’s economic projections – sample 1


Source: (CFP, 2018(a))

As noted above, the Council’s reports provide some balance between near-term and longer-term focus. However, it may be prudent for the Council to place at least a little more
emphasis on the projections that extend out for five years, and if possible, to develop projections that extend out for ten years or more, as IFIs in several other countries do. Uncertainty over such long-term projections often increases significantly when looking that far into the future, but it can still be instructive to prepare economic and budgetary estimates for the long term, to serve as a baseline of most-likely outcomes under a “no-policy change” scenario.

By way of comparison to the CFP’s focus over one to five fiscal years, the US CBO completes a variety of macroeconomic projections and budget analysis activities that focus on mid-term or long-term projection horizons. For example, the CBO’s annual Budget and Economic Outlook focuses on a 10-year projection period and similarly, the bulk of the agency’s work on cost estimates for legislation cover a period of 10 years. Moreover, in separate annual reports to the Congress, the CBO presents a Long-Term Budget Outlook that presents estimates going out for 25 years (or more).

3.3.2. Treatment of uncertainty

Projections of macroeconomic activity and public finance (budgetary) results are inherently uncertain. In particular, the constantly changing dynamics in domestic and worldwide markets, as well as government responses to a country’s needs, can significantly affect the magnitude and even the direction of recent economic and budget trends. As a result, any “point estimate” of a key parameter such as GDP growth or the nationwide budget deficit is subject to such uncertainty and to the reality that the actual results may deviate noticeably from even the best, unbiased estimate. The CFP takes effort to recognise such uncertainty and has adopted the commonly used practice of including probability-based “fan charts” and text discussing the uncertainty of projections in its key reports.

A sample chart from the CFP’s March 2018 publication on Portugal’s Public Finance position illustrating uncertainty in the economic projections is shown in Figure 3.3, with a shaded area reflecting a two-thirds probability interval around the set of point estimates for GDP growth.

Figure 3.3. CFP’s treatment of uncertainty – sample 1

Source: (CFP, 2018(4))
A further, more sophisticated example is provided by the CFP fan charts illustrating the uncertainty associated with economic projections, where the CFP includes 30 percent and 60 percent probability ranges for five-year projections (see Figure 3.4).

**Figure 3.4. CFP’s treatment of uncertainty – sample 2**

![CFP's treatment of uncertainty](image)

*Source: (CFP, 2017[5])*

The CFP may wish to consider extending this good practice by providing a similar assessment of uncertainty for its macroeconomic forecasts and projected budget outcomes. The existing tables and charts are comprehensive, but material could be improved by including some additional fan charts showing the range of reasonably likely outcomes around key projections. While it is unlikely to be practical to present a range of outcomes for all forecast variables, greater discussion and presentation of uncertainty would help further improve future publications, particularly with regard to the five-year projections, where there is greater uncertainty.

### 3.3.3. Comprehensiveness and clarity of reporting

The CFP’s regular publications on Portugal’s public finance position, the analysis of the State Budget and macroeconomic forecasts, and results of recent year’s budget outturns tend to be comprehensive and well-presented. The most recent of those publications (annual reports from 2018) are particularly effective in terms of presenting analytical material in detail, accompanied by numerous tables and charts. A good example of comprehensiveness and clarity in publication is CFP’s April 2018 Analysis of General Government Account 2017, namely, the report on the budget outturn of the most-recently completed fiscal year. Overall, this documentation of the budget outturn is both very thorough and clearly written. The use of bold text at the start of most key paragraphs is a good tool to highlight the major storylines of the report.

It is important to correctly balance text to charts and tables in technical reports. While in general, the balance in CFP reports is good, on some occasions the CFP includes a substantial number of charts and tables relative to text. While different charts can be helpful for the exposition of the analysis; too many charts can make it hard to quickly grasp key elements of the overall story laid out in the report.
While nearly all CFP publications are rich in detail, in terms of having a lot of information presented in tables and useful charts, the Overview or Executive Summary sections of most such reports generally consist of just written text summarising key aspects of the report. Those introductory summaries could be augmented by the inclusion of a single key summary table and/or key chart for the report. This would help give readers the most important information from the report before they delve into the details of the following chapters, as well as presenting that key information to busy readers who do not have the time or inclination to read through the entire report.

As an example, the Executive Summary of CFP’s July 2018 report on Fiscal Risks and Public Finance Sustainability consists of five pages of text, including several key summary numbers from the report. While that summary is reasonably comprehensive, its readability could be improved by presenting some of those summary data points in a relatively simple summary table, and perhaps highlighting the most important analysis results in just one simple chart (such as a chart showing a comparison of economic growth across the projection horizon used in the report).

3.3.4. Quality control process

For any IFI, having a consistent high-quality product is critically important because each IFI’s public credibility rests largely on two key criteria: (1) the perceived independence (from political leanings) of the institution, and (2) the perceived quality of the IFI’s output—in particular, of its core publications.

The unique organisational set-up of the CFP serves to ensure good internal quality control. In particular, relative to peer institutions, the CFP Senior Board is hands-on in terms of providing constructive guidance for publications while keeping a close eye on quality control during that process. The Council’s President also plays a critical role in reviewing CFP documents to make sure they are as thorough, transparent, clear, and technically sound.

In addition, the CFP has done an excellent job of selecting and training its staff and promoting a high level of motivation. CFP economists and analysts tend to be highly motivated to do their best work and to support the mission of the institution. The Council’s staff has three well-qualified technical coordinators who work closely with the staff members that report to them, as well as communicating well with each other. That close coordination across different task areas further helps to ensure the high quality of the CFP’s published work. Overseeing all of the CFP’s technical work is a single head of staff who has over 30 years of management experience. That position is a critical link for quality control because it involves the roles of hiring and training staff as well as reviewing drafts of each CFP report. In addition, the CFP technical head has a planning function as well, and part of the process of formulating strategy for future CFP activities includes setting up work plans and internal processes that will continue to keep “quality control” at the forefront.

Finally, the communications expert at the CFP serves a very important role in the quality control process by reviewing reports before they are published and providing helpful feedback on any parts of the analytical presentation that is not as clear as it might be, in addition to providing some editing suggestions to improve clarity.

Together, these elements help guide the institution achieve an extremely high quality of work, and have built strong public credibility for the CFP in its first several years of operation.
As the CFP works to fulfill elements of its mandate which are relatively specialist, e.g., health finance, it may benefit from augmenting its internal quality control process by drawing on external expertise. This is a practice undertaken by peer IFIs to bring in additional checks and perspectives to the quality assurance process. An example of the use of such external expertise is provided by the US CBO’s use of advisory panels – both for economic forecasting and for health care analysis (see Box 3.2).

**Box 3.2. The US Congressional Budget Office’s Advisory Panels**

Throughout the more-than-four-decade history of the US CBO, it has maintained and relied upon a panel of economic advisors consisting of widely recognised experts with a broad range of economics, financial, and budget-related backgrounds. Many have positions in academia, but representatives from the business world and private-sector economics forecasting firms have also been included. Generally, CBO’s panel of advisors comprises 20 to 25 members that serve two-year terms, but members have sometimes been reappointed for multiple terms.

The economic advisors typically meet with CBO staff at the agency’s offices in Washington DC, twice a year for reviews of preliminary economic projections. Panel members sometimes present results of their own recent research, and they provide critical outside feedback to the CBO. Those semi-annual meetings serve as an important source of input to the CBO’s official economic projections that underlie the agency’s Budget and Economic Outlook reports to the US Congress. As an off-the-record (confidential, informal) discussion, the free flow of opinions and arguments made by a broad range of economic research experts during those meetings constitute a highly valuable input to the CBO’s own deliberations on interpreting recent data and determining a well-reasoned forecast of future activity for the US economy.

In addition, the CBO has used a panel of health advisors over the past decade. That group of 20 or so experts in health policy and the health care sector reflect a variety of backgrounds, areas of expertise, and experience. The CBO hosts occasional meetings of its health advisers, as well as soliciting their views between meetings. Through those interactions, CBO analyses benefit from gaining an understanding of recent research and developments in health care delivery and financing in the United States.

Source: OECD 2019

Where there is limited specialist expertise available inside Portugal, the CFP could engage with relevant academics, think-tanks and experts who are based internationally. For example, the Slovak CBR’s “MaFiA” seminars brought in international researchers from various international organisations as well as academia. The intention is to provide access for experts from CBR, other public institutions and Slovak universities to recent developments and a network of experienced foreign researchers.

**3.3.5. Transparency**

The CFP has done an excellent job of presenting its work in a transparent manner. The CFP’s reports are published (generally in both Portuguese and English) on its extensive public website. CFP publications often include detailed “box” descriptions to explain methodologies or key aspects of the work, and these are an indication of significant transparency in the Council’s work. In addition, some publications contain Annexes that
present additional details in tabular form to support the work presented in the main body of a report. The CFP might want to build on these good practices through including further detail on its methodologies and analytical approach in additional short Annexes to some reports.

The CFP also has some internal “working papers” which the Council prepares in order to test the viability of these papers as future publications for public release. This is a reasonable approach for the CFP to take in developing new publications and can help ensure that CFP methodology or analytical results are sufficiently well-documented, properly vetted, and of professional quality before new publications are launched. However, the CFP may wish to communicate this practice to those stakeholders providing data for these working papers to ensure full transparency and avoid giving rise to questions about why data is provided in a certain area and yet there are no related publications.

Another key aspect of transparency is relationships with the press. The CFP is pro-active in its relationship with the media. The Council’s president has frequently talked to reporters and is available to explain the CFP’s work and its role in debates about Portugal’s public finances. Representatives of the press also mentioned that they were able to get additional explanations by talking to some CFP staff; though some of those press representatives said that they would like to have more interaction with the technical staff of the CFP.

3.3.6. Assessment of key outputs relative to peers

The CFP has only been fully operational for about five years, and it is thus somewhat early to make a full assessment of its published work in comparison to peer IFIs. However, based on Table 3.3 it is reasonable to conclude that CFP’s work compares very favourably with the published work of more-established peer IFIs in OECD countries, particularly in light of its limited resources. Table 3.3 provides a summary evaluation of some key CFP reports relative to similar reports published by peer institutions across the OECD.
<table>
<thead>
<tr>
<th>Report type</th>
<th>Macroeconomic Forecast</th>
<th>Draft State Budget</th>
<th>Stability Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How well does the report fulfil the legal mandate?</strong></td>
<td>The CFP complies with its mandate to review and endorse the Government’s economic forecasts in the spring and fall each year: Thorough reports with good tables and charts.</td>
<td>Detailed reports such as the November 2018 review (80 pages, many tables and charts) mean that the CFP is fulfilling its mandate well.</td>
<td>The CFP fulfils the legal requirement for a review of the annual update, with both an analysis of the macro forecast and 5-year projection of budgets.</td>
</tr>
<tr>
<td><strong>How does the content and methodology compare to international standards?</strong></td>
<td>The CFP’s macroeconomic modelling compares favourably with common international standards, including those used by the European Commission, the IMF, and the Bank of Portugal.</td>
<td>The CFP is doing a thorough job of reviewing State Budget plans, including sufficient detail to compare favourably to common international standards for such work.</td>
<td>The dual CFP analysis (macro and budgets) is well done and thorough, equal to or superior to Stability Programme work in other European countries.</td>
</tr>
<tr>
<td><strong>How does the content and methodology compare to those of peer IFIs?</strong></td>
<td>The content of reports and methodology used compare well to those used by IFIs in other OECD countries. Published methodological material is thorough, but not as extensive as for some peers such as the UK OBR and the US CBO.</td>
<td>The CFP analysis of State Budgets compares favourably with that undertaken by many peer IFIs. The analysis is more-detailed than that of some peers, but somewhat less-detailed than others (such as the US CBO). The CFP projections extend out only a few years, however, while some IFIs projections go out further.</td>
<td>The CFP’s detailed analysis, extending out for 5 years, compares very favourably to the Stability Programme Update analysis done by other European IFIs. The CFP does a good job showing debt and deficit estimates, and their compliance with European fiscal rules. The CFP may wish to draw out key messages more prominently as is done by peer institutions such as the Irish Fiscal Advisory Council.</td>
</tr>
</tbody>
</table>
3.4. Conclusions and recommendations

In addition to the reports that the CFP is legislated to publish, the Council publishes analysis in many other areas in order to fulfil its mandate. It also publishes work at its own initiative in areas of importance to long-term fiscal sustainability in Portugal.

The CFP’s approach to modelling and forecasting is generally appropriate and consistent with common practice. However, the Council could take steps to increase the transparency of its approach and enhance the credibility of its work through providing more detailed documentation of all models it uses, and reporting on the accuracy of its projections and forecasts when it becomes technically feasible. The CFP could also set up a working group, or annual workshops, to serve as platforms for analytical discussions and improve the overall quality of projections and forecasts amongst Portuguese institutions. The development of a microsimulation tax model by the CFP would also facilitate revenue forecasting and tax policy analysis.

The work of the CFP has a strong focus on the short and medium term. Even though the Council does 5-year projections, many of its publications focus more on the relative near term of just a year or two. This is understandable given that the focus in government forecasts and budget plans are for just the current year and upcoming fiscal year. However, in the Portuguese fiscal context, increased focus on the medium-term seems warranted. Concerns around ageing and debt mean that increased focus on the sustainability of public finances in the longer term is also merited.

The CFP performs well in documenting its analyses and providing thorough and clear stories about Portugal’s economy, State Budget, and Stability Programme updates in its reports. Those reports are uniformly well-written and contain helpful tables and charts, and useful summaries of key analytical indicators. While the CFP’s published reports are already very strong, they could be improved by enhancing executive summaries with one or two key summary charts and tables. The CFP may also consider reducing the number of tables and charts included in the main body of some reports. Having such detail can be useful, but too many risks loss of focus and confusion on the part of readers.

Finally, the internal quality control process for CFP reports is very strong, in large part due to hand-on input from the Senior Board and the Council’s communications expert. As the CFP moves to fulfil its mandate in more specialised areas, such as health expenditure, the Council may benefit from drawing on external expertise to ensure the quality of its reports remains high. One way in which this could be formalised would be through the CFP establishing an external advisory panel or organising seminars with international experts, as has been done by peer institutions.
Chapter 4: Impact

4.1. Introduction

This chapter seeks to assess the available evidence with regards to the CFP’s impact in providing soundly based opinion and technical judgements regarding public finances. Although they have no decision-making authority, IFIs promote discipline and transparency in public finances through their influence on the public debate around fiscal policy. The CFP is no different, as its main channel of influence is the public debate, typically through media exposure and discussions in Parliament. As such, a key measure of impact of the CFP’s work entails assessing its timely impact on fiscal policy debate.

Overall, the creation of the CFP has greatly improved the disclosure, access to, and analysis of fiscal information in Portugal, which has in turn enhanced stakeholders’ understanding of public finance issues. Although the fragmented political landscape in Portugal gives rise to challenges for the CFP impacting fiscal policy debate across the full political spectrum, the CFP’s reports are widely used in Parliament and inform the decision-making process. The broad media attention and press coverage of the CFP’s publications are further evidence of the salience and authority of the CFP with regard to fiscal policy oversight.

4.2. Influence on the public debate

In its seven years of existence, and amidst a changing economic and political environment, the CFP has demonstrated consistency in its commitment to increase budget transparency and accountability, and in turn ensure fiscal sustainability in Portugal. Its relevance and legitimacy stem from its unique role in the institutional landscape. Indeed, although UTAO also exists, it has a more limited mandate relating to supporting the Budget and Finance Committee at Parliament, and does not enjoy the same public visibility.

Since its early years, the CFP has recognised that its work could have greater impact through the institution pro-actively engaging with the media, as well as Parliament. Having a direct relationship with the media has been particularly helpful given the specificities of the political landscape in Portugal, where some parliamentary stakeholders mistakenly view the CFP as being associated with the Troika and pro-austerity. The CFP has implemented a targeted communications strategy, which seeks to maximise coverage of its outputs in the specialised press, and tries to avoid the Council becoming a regular commentator on economic and fiscal events. The next focus for the CFP is to improve communication with the public at large so that the relevance of the institution and of its outputs are more widely understood.

4.2.1. Media coverage

OECD Principle 8.1 states that IFIs should develop effective communication channels from the outset, especially with the media. This assists in fostering informed constituencies that
may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters. From its creation, the CFP has recognised the importance of engaging with the media. Over time, the CFP has continuously developed new materials, such as concise report summaries, as a means to further improve media engagement. However, the CFP is careful to restrict media interventions so that they are timed around publications. This strategy stems from recognising that targeted communication allows for greater impact, since minimising the noise-to-signal ratio increases the chance of key messages penetrating the public debate.

The work of the CFP is covered by all major newspapers at the national level, and has recently been receiving attention from local and regional media following the launch of its publication on Local Government outturn. In general, journalists, mainly from specialised press, stated that the CFP’s reports are clearly presented and accessible to an expert audience, although perhaps not as much to a broader audience. Of note, media stakeholders praised the usefulness of the reports’ executive summaries, as well as the CFP-led training sessions for journalists. Overall, journalists have a positive perception of the Council’s independence and transparency, and an equally positive impression of the quality, clarity and usefulness of the Council’s work.

Figure 4.1 shows the total number of media mentions that the CFP has received over the period 2014 to 2018. It shows that spikes in media coverage tend to occur around the time that the CFP publishes its reports. Overall, the CFP’s publication “Public Finances: Position and Constraints” published in March and updated in September has generated the most consistent media coverage over the years. This publication updates the macroeconomic and fiscal projections made by the Council.

Spikes in media mentions in January to April 2016, and April 2017 can be explained by fiscal events at the domestic and European level. In 2016, the European Commission considered that there was a risk of serious non-compliance of Portugal’s Draft Budget Plan 2016 with the Stability and Growth Pact. Hence, the CFP’s analysis of the Draft Budget Plan and macroeconomic forecasts received significant media attention. In 2017, there was considerable public debate around the Portuguese tax burden. In addition, the CFP gave evidence to Parliament and two new members were appointed to the Council’s Senior Board. Together, these factors led to heightened media mentions for the institution. Increased attention to the work of the CFP during fiscal debates speaks to the relevance of the work of the Council in informing fiscal policy-making, and demonstrates that it has so far been successful in fulfilling its core mandate.
Figure 4.1. CFP media coverage and report publications 2014-2018

Source: OECD, based on information provided by the CFP

Figure 4.2 shows the total CFP media mentions by type of coverage (TV, online, press, and radio). Online coverage is greater than coverage in the printed press, particularly in more recent years. In 2014, the CFP received 1.2 online mentions for every one mention in the printed press. By 2018, this figure doubled.

In addition to engaging with traditional media, the CFP is currently one of the few OECD IFIs doing TV appearances, alongside the UK OBR, the Slovak CBR, the Netherlands CPB, and the Canadian PBO. Figure 4.2 shows that the Council received more mentions on TV than any other media platform. In particular, the CFP received a lot of TV coverage during the period January-April 2016 when the European Commission considered that there was a risk of serious non-compliance of Portugal’s Draft Budget Plan 2016 with the Stability and Growth Pact.
4.2.2. Website and social media

The CFP communicates principally through its website. Similar to the situation with media coverage, increased traffic to the CFP website tends to coincide with the release of major CFP reports (see Figure 4.3). Web traffic has, in general, been consistent each year since the CFP was established. The spike in web traffic in June 2015 is related to national elections, the spike in April 2016 is related to a TV appearance by the CFP leader, and the spike in April 2017 can be explained by public debate surrounding the tax burden and the CFP giving evidence to Parliament. This demonstrates how CFP engagement with the media and Parliament can lead to further traffic to the CFP’s website, and consequently greater user engagement with CFP’s work.

Figure 4.2. Total CFP media mentions by type of coverage 2014-2018

Note: Figures include media coverage from January 2014 to September 2018
Source: OECD, based on information provided by the CFP
For its initial years of existence, the website of the CFP served its purpose. The fact that it is maintained in both Portuguese and English has proven useful and has allowed for greater impact during a period when international organisations have been closely following Portuguese fiscal affairs. However, the Council recognised that its website was ready for its next phase of development and recently hired an external consultancy to update it. In the near future, the new website will include a blog with contributions from technical staff as a way to improve the visibility of the CFP’s work, and ultimately raise public awareness of the Council’s outputs. This is in line with best practice among OECD IFIs. As a comparative experience, the US CBO Director and senior staff members post five to ten blogs per month to publicise new reports, provide technical explanations and discuss hot topics.

Given the desire for the CFP to better communicate its purpose and outputs with the public, the Council might consider developing online materials accessible for non-technical stakeholders around the key messages of the CFP’s most important reports. In particular, the use of podcasts, short video clips and interactive infographics may be helpful. Box 4.1 below provides some insights on communication tools for IFIs.

To date, the CFP has been relatively inactive on social media, only using Twitter to indicate that reports have been released. However, augmenting these posts with charts, video clips or infographics communicating the key message(s) from CFP outputs could leverage greater impact.

Box 4.1. IFI communication tools

To be as effective as possible, an independent fiscal institution (IFI) needs to develop and use varied communication tools. Clearly, an IFI’s flagship reports are critically important.
for documenting and communicating their work. For the CFP, the reports on endorsement of official macroeconomic forecasts, analysis of the Stability Programme, assessment of the budget outturn, and analysis of the State Budget all serve that critical communication role.

As important as such reports are, however, IFI generally needs to go beyond those publications to communicate with government and private stakeholders, as well as the media and the general public. Additional communication tools to accomplish that broader communication mission perhaps most prominently include having a state-of-the-art interactive website that allows users from varied backgrounds to find and use information produced by the IFI. The CFP has been developing a new, greatly improved website that will go a long way towards meeting that communication need. Lessons from recent history suggest that continual upgrades of website layouts and capabilities is warranted.

Forms of effective communication for an IFI also include having frequent interaction with the press, through periodic press briefings by leadership and informal staff communications to answer technical questions from individual members of the press.

Short, accessible summaries of IFI work are a good way to get across key messages from long, in-depth reports. Having such separate, easy-to-find summaries can be particularly effective (over and above having good “executive summaries” within such reports). Similarly, some of the IFI’s work may be best summarised and presented in somewhat non-traditional ways:

* Data tables
* Working papers
* Blog entries (often by IFI leadership, sometimes by key staff members)
* Podcasts or short video clip “explainers”
* Infographics (mix of graphic images and summary explanatory text)
* Interactives (such as simple spreadsheet models that allow users to input key assumptions)

Several IFIs have developed rich websites that deploy many of the above communication tools. See, for example, the websites for the US Congressional Budget Office (www.cbo.gov), Canada’s Parliamentary Budget Officer (www.pbo-dpb.gc.ca), and the UK’s Office for Budget Responsibility (www.obr.uk).

Source: OECD

4.2.3. Parliamentary debate

By informing the parliamentary debate, IFIs can strengthen the legislature’s ability to hold the government to account throughout the budget process. Over the course of the year, the CFP Senior Board usually gives evidence before the Budget and Finance Committee on two occasions; firstly to inform parliamentary discussion of the Stability Programme in Spring, and secondly, to inform parliamentary discussion of the draft State Budget in the Autumn. In addition, there have been CFP hearings at the request of the Budget and Finance Committee on other specific legislative matters, such as the reform of the Budget Framework Law, and the local and regional finance laws. More recently, a parliamentary
A hearing on public debt was held by the Working Group of the Budget Committee as part of their evaluation of the public and external indebtedness.

One measure of the Council’s impact on the parliamentary debate is the number of CFP parliamentary mentions. Figure 4.3 shows the number of diary pages where the CFP is mentioned in plenary session each year. By this measure, parliamentary mentions increased in the 2016/17 and 2018/19 parliamentary terms. Indeed, these spikes can be explained by significant events at European and national levels involving important political decisions relating to public finances. In 2016/17, the European Commission raised concerns around the compliance of the Draft Budget Plan 2016 with the Stability and Growth Pact, with a risk of being prone to sanctions. In 2018/19, there was significant parliamentary debate on the 2019 Budget Bill regarding the government’s growth forecasts, which are formally endorsed by the CFP.

Overall, the Parliament’s reliance on the CFP’s work in times of heightened debate on fiscal issues points to the relevance of the Council’s outputs as well as to its ability to enrich political discussions.

Figure 4.4. CFP parliamentary mentions 2011-2018

Note: Each diary covers a plenary day at Parliament and has tens of pages. The number of diary pages where CFP is mentioned is not a perfect measure as the CFP may be mentioned multiple times on each page. For this exercise, it has not been possible to count the number of mentions in each diary page.
Source: OECD, based on information provided by UTAO

Despite its impact on fiscal debates in Parliament, the Council has encountered challenges in the political realm, which means it does not benefit from cross-party support. As mentioned in Section 1.2, although the creation of the CFP stemmed from a national decision, some parliamentary stakeholders associate it with the Troika period. In particular, some parliamentarians on the left have reservations about the CFP, and perceive it as having a pessimistic bias in its assessments in order to support fiscal austerity. The CFP may wish to consider ways in which it may broaden understanding across the political spectrum of the value of its work. Cross-party political support can be important for the sustainability of the institution over time.
Stakeholders suggested that one potential way for the CFP to increase its appeal across the political spectrum would be for it to broaden its analysis and present new information on how fiscal policy affects different groups in society. Distributional analysis is likely to particularly appeal to political stakeholders on the Left.

Box 4.2 below provides insights into the approach that the President of the Spanish IFI (AIReF) took to broaden political understanding of the institution.

**Box 4.2. AIReF efforts to broaden political understanding of the institution**

The Spanish Independent Authority for Fiscal Responsibility (AIReF) is an example of an IFI that has been successful in building a strong constituency within Parliament over time. The government that created AIReF had an absolute majority, and did not seek cross-party support for the establishment of the institution. 184 Deputies voted against the the Law that created AIReF, and 134 Deputies abstained. This meant that AIReF did not start its life as an institution with backing from all political parties. However, the President took action to engender greater cross-party credibility for AIReF. In particular, the President met individually with all of the parties represented in the Spanish legislature, explaining the role of the institution and reinforcing its independence. AIReF also held information sessions at its premises that MPs could attend, sought to increase the number of hearings before Parliament (Congress and Senate), and undertook studies at the request of MPs. As a result, even those political stakeholders that disagree with the nature of the institution now generally recognise the quality of its work, and its independence. Parties across the political spectrum have increasingly come to AIReF for information and clarification regarding AIReF’s opinions. Parliamentary stakeholders report that AIReF has enriched the parliamentary debate on fiscal issues and that AIReF’s products are viewed as useful across the political spectrum.

Source: AIReF 2019 and (Von Trapp et al., 2018[10])

4.3. Enhanced fiscal transparency as a basis for improved fiscal management

In Portugal, many of the problems experienced during the financial crisis derived from poor information on fiscal developments and reporting (IMF, 2014[11]). Improved fiscal transparency provides a basis for sound and prudent fiscal management.

One of the key ways in which IFIs demonstrate impact, is through their work enhancing fiscal transparency and improving fiscal analysis. Stakeholders report the CFP as having contributed to enhancements in fiscal transparency in Portugal in recent years through a number of channels, described below.
4.3.1. Improved analysis of existing government data

The CFP makes a number of regular data requests to government stakeholders, e.g., data on tax revenues and on local government finances. These requests have provided the government with new compiled sets of data. Government analysts now report using these datasets for their own monitoring purposes. The Council’s data requests have therefore brought about improved analysis of existing government data.

4.3.2. Enriched shared discussions on fiscal data

The introduction of a new stakeholder to analyse fiscal data has led to enriched discussions on, and improved micro sensitivity to, issues affecting the data. Stakeholders from across the institutions of government report that shared conversation with CFP on the analysis of data has helped improve their own understanding of fiscal data and has provided important new insights. This has been particularly helpful for those stakeholders involved in the compilation of fiscal statistics, such as the Statistics Portugal and the Bank of Portugal.

4.3.3. Provided new information to facilitate fiscal oversight

Stakeholders report that CFP publications provide new information that facilitate fiscal oversight through; improving understanding of the government’s fiscal stance and providing new economic and fiscal data that helps track public finances. In addition, a
A number of stakeholders welcomed the forward-looking approach that the CFP has introduced to fiscal oversight in Portugal.

4.4. Conclusions and recommendations

The CFP recognises that one of its main channels of influence is the public debate. In this context, the Council has implemented a targeted communications strategy, which seeks to maximise media coverage of its outputs in the specialised press. The Council has been successful in developing good relations with the print media journalists and the President has been forthcoming in undertaking radio and TV appearances. Overall, the CFP’s outputs now receive an impressive amount of attention in the media, particularly around the release of key reports and during periods of heightened political and fiscal interest.

Similarly, increased activity on the CFP webpages tends to coincide with the release of major CFP reports. The recent revamp of the CFP’s website will help ensure that the Council improves the way it communicates with the public at large. In particular, the forthcoming introduction of a CFP Blog should be a useful tool to raise public awareness of the Council’s work. Going forward, the CFP might consider developing online materials accessible for non-technical stakeholders around the key messages of the CFP’s most important reports. In particular, the use of podcasts, short video clips and interactive infographics may be helpful, and could also prove useful for social media.

The CFP regularly appears before the Budget and Finance Committee in Parliament to give evidence. The work of the CFP is used in parliamentary debates, particularly more recently where the work of the CFP has helped inform key fiscal debates. However, some political parties on the Left have some reservations about the CFP, and view it as having a pessimistic bias in its assessments in order to support fiscal austerity. The CFP may wish to consider ways in which it could broaden understanding across the political spectrum of the value of the institution and its crucial role in relation to long-term fiscal sustainability. This may be possible through looking at how its analysis could be better presented to ensure its usefulness to parliamentary stakeholders.

The existence of the CFP has brought about improvements to the public availability of fiscal information in Portugal. There is also evidence that analytical discussions around this information has improved understanding of public finance issues among government and public stakeholders and helped facilitate greater fiscal oversight.
Annex A. Review team and acknowledgements

The review team would like to thank the President and staff of the CFP, as well as the many individuals who agreed to be interviewed for the review, for their frank and candid discussions of all issues during the review process. A particular thank you goes to Miguel St. Aubyn and Luís Gomes Centeno for their assistance in organising the mission schedule and cooperation throughout the review. The review team is grateful to Rui Nuno Baleiras, Chair of UTAO, for his assistance in research related to the Portuguese Parliament.

The review team would like to acknowledge the important contribution of Mostafa Askari, Chief Economist at the Institute of Fiscal Studies and Democracy and former Deputy Parliamentary Budget Officer at the Canadian Parliamentary Budget Office, in assessing aspects of the methods and models used by the CFP.

The review team would like to thank Edwin Lau, Head of Division, Lisa von Trapp, Senior Policy Analyst, in the Budgeting and Public Expenditures Division, OECD, and Michal Horvath, Lecturer in Economics, University of York, and founding Member of the Council for Budget Responsibility (CBR), Slovak Republic, for their thoughtful comments.

The review team would also like to acknowledge the helpful contributions of Emeline Denis, Policy Analyst, Budgeting and Public Expenditures Division, Directorate for Public Governance, OECD.

Review team

António Afonso is a Full Professor of Economics at ISEG - Lisbon School of Economics and Management, Universidade de Lisboa. He is also the President of UECE - Research Unit on Complexity and Economics, and the President of REM - Research in Economics and Mathematics, at ISEG. He was previously Principal Economist at the European Central Bank, Senior Economist at CGD, BNU, and at IGCP, and Consultant and Adviser at the Portuguese Ministry of Finance. Previous project work include the Inter-American Development Bank, the European Commission, the European Court of Auditors and the International Monetary Fund. He has published and worked in such topics as Macroeconomics, Fiscal policy, Financial Economics, Sovereign debt, and Government efficiency.

Andrew Blazey is Deputy Head of Division in the Budgeting and Public Expenditure Division, Directorate for Public Governance, OECD. Andrew joined the OECD after four years as a director in the New Zealand Treasury. Through his career, he has moved to progressively larger roles while also undertaking assignments outside the organisation. These external roles included as an advisor at the International Monetary Fund and the private sector. Areas of expertise include public sector performance, investment, governance, and state owned enterprises. Achievements in the Treasury were to lead organisational strategies, manage a programme of sales to publicly list state-owned enterprises, reform the government’s investment and infrastructure systems and prepare for the government’s first wellbeing budget.
**Peter Fontaine** has 40 years of experience in public policy and public administration. For most of that time, his primary work focus has been the US federal budget. Pete spent 30 years working at the US Congressional Budget Office, where he started as an analyst covering energy programs. He later managed a CBO cost-estimating group and then served as Deputy Assistant Director and as Assistant Director for CBO’s Budget Analysis Division for 15 years. In that role, Pete guided CBO’s development of baseline projections and analysis of legislation considered by the Congress, including completion of about 600 cost estimates each year and managing a staff of about 80. Pete now teaches a graduate course on Public Budgeting, Revenue, and Expenditure Analysis at the George Washington University and provides consulting support on governmental budgeting and the work of independent fiscal institutions.

**Scherie Nicol** is a Policy Analyst in the Budgeting and Public Expenditure Division, Directorate for Public Governance, OECD. She specialises in the areas of independent fiscal institutions and parliamentary budget oversight. She began her career as an economist for the economic development agency for the Highlands and Islands of Scotland. She moved to the Scottish Parliament in 2008, providing research support to the elected members in areas relating to public finance and the economy. In this role, she helped set up the Financial Scrutiny Unit and worked on the devolution of increased fiscal powers to Scotland.
Annex B. Interview list

The review team would also like to thank all those who have contributed evidence and insights to this review, in particular individuals from the following institutions and groups who met with the team during its mission to Lisbon in November 2018:

- Banco de Portugal - Bank of Portugal
- BBVA Research
- CFP Senior Board Members
  - Present: Teodora Cardoso, Paul De Grauwe, Miguel St. Aubyn, George Kopits, Carlos Marinheiro
  - Past: Jürgen von Hagen, Rui Baleiras
- CFP staff: Director (head of staff), division coordinators; technical staff, communications staff; auditor
- Directorate General of local authorities (DGAL)
- European Commission Portuguese Country Desk
- Former Minister of Finance:
  - Maria Luís Albuquerque (now Member of Parliament)
  - Vítor Gaspar (now Director of the Fiscal Affairs Department at the IMF)
- Former Secretary of State for the Budget
  - Luís Morais Sarmento (now at Bank of Portugal)
  - Hélder Reis (now economic adviser to the President of the Republic)
- Forum para a Competitividade
- Instituto De Direito Económico Financeiro E Fiscal (IDEFF) - Institute for Economic, Fiscal and Tax Law
- IGCP - Public Debt Management Agency
- IMF Portuguese Country Desk
- INE (Instituto Nacional de Estatística) – Statistics Portugal
- Instituto de Informática (IP) - Ministry of Labour, Solidarity and Social Security: Information Institute
- Institute of Public Policy (IPP)
- Instituto de Gestão Financeira da Segurança Social (IGFSS)
- Ministry of Finance, including:
- Chief Economist
- DG Budget
- GPEARI - Planning, Evaluation, Strategy and International Relations Office
- Tax authority
- MPs from Portuguese Parliament’s Budget and Finance Committee
- NECEP - Católica Lisbon Forecasting Lab
- Nova School of Business and Economics
- Portuguese media:
  - Eco
  - Expresso
  - Jornal de Negócios
  - Público
- Porto Business School, University of Porto
- Santander Totta Research Department
- Tribunal de Contas (Court of Audit)
- UTAO (Unidade Técnica de Apoio Orçamental) - Parliament Budget Office