



## OECD Senior Budget Officials meeting

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## Portugal PFM Recent Developments

1. Growing convergence of Public and National Accounts
2. Reinforcement of Decentralization
3. Budget Fragmentation Reduction
4. Changing the control focus from payment to commitment
5. Multiannual Expenditure Framework 2013-2016
6. Challenges Ahead

## Portugal PFM - Recent Developments

### 1. Growing convergence of Public and National Accounts

- The scope of the new Budget Framework Law (2011) considers, as integrating the overall public administrative sector, all the entities that have been included in the context of the European System for National Accounts, by the National Statistic Authority, for the year before the Budget presentation (n-1)

## Portugal PFM - Recent Developments 2. Reinforcement of Decentralization

A new **Monitoring Methodology** was put in place, since the beginning of 2012

- It **aims an increased decentralized accountability** from sectorial executors
- Focus the central monitoring more in the overall performance, evaluate deviations and anticipate risks, rather than (assess compliance) monitoring in each entity
- It is an integrated monitoring process with a three level approach, with monthly meetings:
  - *DGO (Budget Directorate) and the coordinators of the budget programmes;*
  - *Political interlocutors that should occur previously to the monthly Budget Outturn Summary Report;*
  - *Presentation on the monthly budget execution by the Minister of State and Finance at the Council of Ministers.*

## Portugal PFM - Recent Developments

### 3. Budget Fragmentation Reduction

- A new budget model is being designed in order to avoid excessive budget fragmentation within each Ministry.
- Financial, Human resources and Logistics will function as shared services, provided by a single entity, the General Secretary, to all the Ministry services, excluding those with Financial autonomy.
- This **will reduce direct and indirect costs and will allow a more efficient monitoring and budget control.**
- During 2013, the Ministry of Finance will work as a Pilot, implementing this new model.

## Portugal PFM - Recent Developments

### 4. Changing the control focus from payment to commitment

- It was approved the “Law adopting the rules for the assumption of commitments and arrears”
- The fundamental principle - budget execution cannot lead to the accumulation of arrears, by ensuring that the public authorities do not commit expenditure in excess of available funds.
- It applies to all entities within the Public Administrations plus Hospitals, Public Enterprises.
- The law adopted changes the focus control from payment to commitment.
- These new rules are being subject to strict verification of compliance, by DGO and partly by coordinators of the Programs.
- **This new discipline is a milestone for the sustainability of the consolidation process.**

## Portugal PFM - Recent Developments

### 5. Multiannual Expenditure Framework 2013-2016

- A multi-annual expenditure framework (MTEF) was integrated into the Fiscal Strategy Document 2012-2016 (DEO, April 2012).
- It lays down limits of expenditure financed from general revenue to the Central Government as a whole and for each of its Budgetary Programs (14), for 2013. The expense limits for 2014 onwards are indicative.
- The existence of a multiannual budgetary framework: improves planning capacity, and accountability concerning the results achieved.

## Portugal PFM - Recent Developments

### 6. Challenges Ahead

- ✓ Full implement the Budget Framework Law - improve the consolidation within all the different subsectors;
- ✓ Simplification budget procedures, keeping the focus on strategic monitoring and forward looking impacts;
- ✓ Building new capacities at the Ministry of Finance;
- ✓ Building new capacities and the adequate institutional framework at Sectorial Level.



## Thank you

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