

Strengthening policy costing methodologies and medium-term budgeting practices in Portugal



Current situation

Portugal adopted a new Budget Framework Law (BFL) in 2015 that introduced important reforms to its public financial management system, notably the progressive implementation of program and medium-term budgeting. More recently, Portugal has strengthened its spending reviews framework.

With full implementation of program budgeting underway and the completed modernisation of its spending reviews framework, Portugal wishes to seize the opportunity for strengthening its methodologies for policy costing, in accordance with national reform objectives. The adoption of a robust policy costing model is also a milestone in Portugal's Recovery and Resilience Plan (RRP).

Concerning medium-term budgeting, Portugal has been producing Medium-Term Budgetary Frameworks (MTBF) and Medium-Term Expenditure Frameworks (MTEF) since the introduction of the BFL. However, due to stricter requirements regarding the binding nature of ceilings from 2026 and the need to meet the new requirements of the EU Economic Governance Framework on national budgetary frameworks, Portugal now wishes to strengthen these existing frameworks.

Support to be delivered

The project will provide comprehensive support to Portugal through both an assessment and implementation phase.

Firstly, it will evaluate existing policy costing methodologies and the medium-term budgeting framework, resulting in a technical report that will benchmark Portugal against international good practices and provide recommendations.

Secondly, to support implementation of the report's recommendations, the project will facilitate the development of manuals on policy costing and baseline formulation. It will also deliver capacity-building activities including workshops and training sessions. Finally, it will organise high-level events to raise stakeholders' awareness to on-going reforms and foster engagement.

Expected results

This project will strengthen the ability of the Ministry of Finance, jointly with line ministries, to pursue prudent medium-term fiscal policies, through the increased capacity to estimate current and future costs of policies. It will also contribute to an enhanced capacity to produce reliable expenditure projections and set binding expenditure ceilings as required by the BFL.