SUMMARY

The Court issues its Opinion on the 2024 General State Account (GSA), providing an assessment of the State's financial activity based on the results of the examination of the central administration and social security accounts as well as of consolidated figures reflected in the GSA. It also includes the outcome of the analysis of other matters that impact on the State's financial activity and position during the year, such as the Public Financial Management reform and the budgetary process, State financial support and fiscal policy measures. In addition, it contains an assessment of the recommendations previously issued by the Court.

The non-compliance opinion on the Account is due to its failure to meet the requirements of the Budgetary Framework Law, as it does not include consolidated budgetary and financial statements of the central administration and social security. This fact also prevented the Court from issuing the Account Certification. The Opinion contains reservations due to materially relevant omissions and errors, as well as emphases of matter concerning other significant issues.

The central administration account, by failing to include the consolidated budgetary and financial statements required under the Public Administrations Accounting Standardisation System (SNC-AP), translates into an incomplete report regarding public debt, treasury, financial and real estate assets, and contingent liabilities. Meanwhile, the advances made in the transition of social security entities to SNC-AP allowed, for the first time in 2024, the inclusion of the consolidated budgetary and financial statements of the 12 entities in this subsector under the terms of the new accounting framework. Nevertheless, the consolidated balance sheet still does not reflect the true financial position of social security, for not including the liabilities for the awarding of the pensions associated with pension entitlements of beneficiaries. This omission significantly reduces the quality of the information needed to support future pension-related decisions and to assess their fiscal impact.

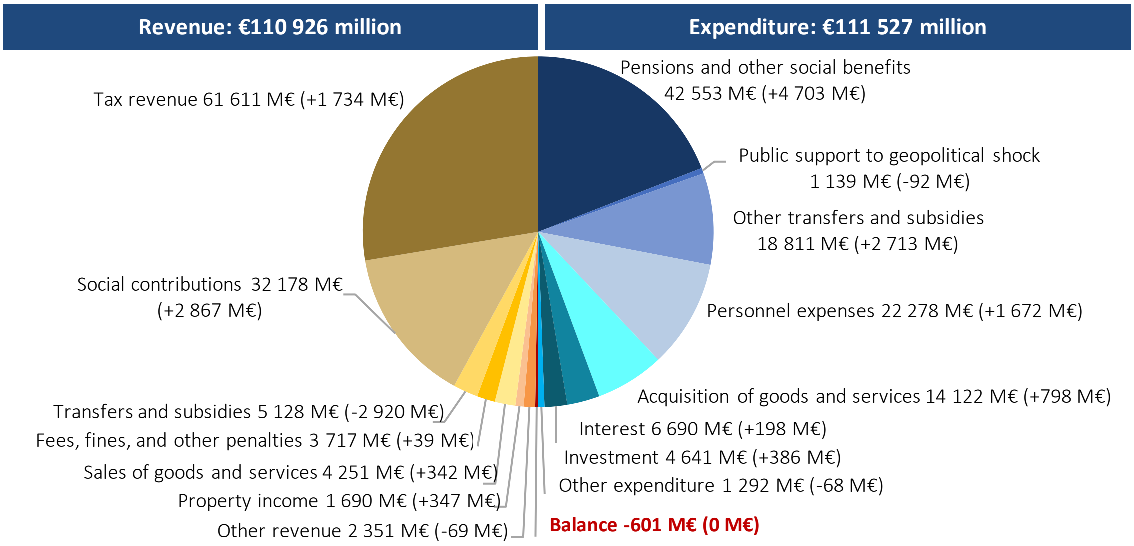
The Opinion includes 69 recommendations to the Government and to the Parliament, addressing the identified weaknesses.

Consolidated values – central administration and social security

The exam of the consolidated budget execution provides an overall assessment of the financial dimension of the central administration and social security subsectors. It identifies, in particular, the main purposes of the expenditure incurred and the sources of revenue that finances it. The exam covers the flows arising from relations with the European Union and with regional and local administrations. The consolidated debt is also determined, the risks posed to its reduction are identified and the liabilities arising from the granting of guarantees are disclosed.

1. **In 2024, the budget execution of central administration and social security recorded a negative balance of €601 million (-0.2% of GDP), due to a central administration deficit of €6 137 million that was largely offset by a positive social security balance of €5 536 million.** The deficit reflected the dynamics of expenditure, which increased by €10 312 million compared to 2023, exceeding by more than four times the increase in revenue (€2 340 million), which, in turn, decelerated compared to previous years. Revenue totalled €110 926 million, of which 84.6% came from tax revenue and social contributions. Expenditure amounted to €111 527 million, with 58.1% allocated to pensions, other direct social benefits, and personnel expenses. **(See C.1.2.)**

Origin and application of consolidated revenues of GSA – 2024 and variation compared to 2023



Source: SGR, SIGO, DGO and SS (COVID-19 expenditure files). TC Calculations.

2. **The reporting of these figures in the GSA reveals weaknesses across multiple dimensions:**

   The Account encompasses 477 central administration processing units and 12 social security entities. However, it omits five entities from central administration. In addition, four entities were incorrectly considered as reclassified public entities This misclassification exempts them from a set of obligations they would otherwise be subject to if properly categorized as autonomous services and funds, thereby impacting their report. **(See C.1.1.)**

   Flaws persist in the Account consolidation process, leading to an overstatement of both revenue and expenditure, although the overall fiscal balance remains unaffected. Not all materially significant intra-entity transactions within the GSA perimeter were eliminated, resulting in inflated revenue and expenditure figures, at least €516 million in transactions related to the sale/purchase of goods, services, and capital assets, and €307 million in direct public debt interest flows. **(See C.1.2.)**

   There is insufficient specification of revenue and expenditure related to the outdated economic classifier or the use of its simplified version. Changes in the budget perimeter and the evolution of the composition of revenue and expenditure aggregates have led to the use of residual line items for materially significant amounts, due to the absence of appropriate classification codes This issue is further exacerbated by reclassified public entities employing a simplified classifier version. **(See C.1.2. and Box 7)**

   Despite their impact on public debt, certain financial operations continue to have no effect on the fiscal balance due to their classification as financial assets. These operations primarily pursue social and public policy objectives rather than financial returns. In 2024, this included the capital injection into TAP, SA amounting to €343 million **(See C.1.2.)**

3. **The *stock* of consolidated public debt remains high, reaching €257 985 million, more €8 178 million (3.3%) than in 2023**. In the evolution of the *stock* in 2024, the following stand out: the issuance of Treasury bills (+203.0%) and Treasury bonds (+5.7%); loans under the RRP (+75.6%); and the decrease in financing through short term special debt certificates (-17.9%). There are several factors that may constrain the commitment to reducing public debt, namely high volumes of debt to be refinanced in the period from 2026 to 2028 (€65 billion), the reduction of public debt held by the European Central Bank and by the Bank of Portugal, as well as the uncertainty regarding its cost. The favourable evolution in interest rates benefited the 2024 issuances, so the cost of debt issued was 3.4% (3.5% in 2023), halting the upward trend that had been observed since 2021. **(See C.2.5. and C.2.5.2.)**

4. **The guarantees provided by the State, on a cumulative basis, amounted to €13 850 million, of which 80.8% were granted to entities outside the budgetary perimeter. If called upon, these guarantees would affect expenditure and debt. However, this is a risk that is not disclosed in the Account Report**. In 2024, the State

granted guarantees amounting to €410 million: €225 million to the Autonomous Region of Madeira for the refinancing of its debt, and €185 million to credit institutions, under the personal guarantee aimed at facilitating access to housing loans for young people acquiring their own and permanent housing. Payments related to the execution of guarantees and the activation of insurance stood at €116 million, below the €144 million recorded in 2023, but significantly above the amounts registered between 2020 and 2022. **(See C.4.5.)**

5. **Financial flows between Portugal and the European Union in 2024 showed a balance of €3 254 million, 46.2% lower than in 2023, mainly due to the sharp decrease in transfers to Portugal**. Transfers to the European Union reached a total amounted to €2 256 million in 2024, confirming the figures recorded in the Account. Financial flows from the European Union totalled €5 510 million, a value that does not coincide with that reported in the Accounts, due to insufficient coordination between the Budgetary Entity and the beneficiaries of direct transfers of European funds.

   Following the Court's findings in previous Opinions, there is still a need to speed up the pace of execution of European funds. **By the end of 2024:**

   - The execution of the PT 2020 indicated an almost total absorption of the funds transferred to the country;
   - 2 years before the end of the Recovery and Resilience Plan (RRP), 72% of the total amount programmed, 45% of the funds received and 22% of the amount paid under this mechanism had not yet reached the real economy;
   - The commitment rate of Portugal 2030 was 22.7%. With validated expenditure of €1 264 million, the execution rate at the end of 2024 - three years into the programming period - was only 5.5%.

   In particular in relation to the RRP, it was observed that: its planning has been inadequate; despite the permanent effort and adjustment, there are still delays in its implementation and in the production of its effects; despite the warnings already made, the publicly available information on the monitoring remains neither entirely reliable nor transparent; the 2024 Account does not fully reflect the implementation of the RRP; remaining weaknesses in accounting records and different accounting practices for the receipt and use of funds from the Recovery and Resilience Facility; and that the analysis of the control systems in the execution of RRP funds shows weaknesses. **(See C.4.2. and Box 14)**

6. **Financial flows to the autonomous regions and local authorities increased by 22.1% and 18.0%, respectively**. For autonomous regions, the most significant components were transfers mandated by the Regional Finance Law (€620 million) and allocations from European funds (€348 million). In the case of local authorities, the predominant flows were transfers under the financial framework for municipalities and intermunicipal entities, amounting to €5 535 million. At the reporting level, there was an overstatement of the off-budget expenditure: €74 million for autonomous regions and €9 million for local authorities. Additionally, budgetary expenditure was overstated by €321 million due to the inclusion of payments to entities outside the perimeter of local administrations. **(See C.1.4.)**

7. **The Decentralization Financing Fund finances the competences transferred to local administration. Total expenditure amounted to €1 377 million, more €167 million when compared to 2023, and reflecting the reinforcement of funds, but also the progressive acceptance and effective exercise of competences by the municipalities**. Part of these funds (€23 million) was not allocated to municipalities, but rather to central administration services as they related to competences not yet exercised by the municipalities. The Account incorporates a detailed mapping of the funds transferred to the municipalities within the scope of decentralization. However, this detail shows some shortcomings and is not complete, a situation that should be addressed, given the strategic importance of the process - both at national and local level - and the requirements of transparency and *accountability* that fall on it. **(See Box 5)**

Central administration Account

The exam of the central administration budget execution focused on the operations of the sovereign State and of a highly diverse set of entities, including nearly all tax revenues, and also the use of public resources that ensure core functions such as healthcare, security, defence, education, and the regulation of different activities.

8. **The effective revenue for central administration amounted to €83 137 million, primarily composed of tax revenue, which totalled €61 378 million, an increase of €1 736 million compared to 2023.** Corporate income tax continued its post-COVID-19 recovery trajectory, contributing an additional €1 542 million. In contrast, personal income tax revenue declined by €910 million, due to the fiscal relief stemming from the revision of withholding tax tables, which improved the alignment between withheld amounts and the actual tax liability. **(See C.2.2.1. and Box 6)**

   Approximately half of non-tax revenue (€9 229 million out of €21 759 million) arises from the activities of the State, reflecting a year-on-year increase of 5.8%. It is a key source of financing for several entities and comprises revenue from the sale of goods and services (€4 210 million), the collection of fees, fines and other penalties (€3 579 million) and property income (€1 021 million, including interest and dividend payments to the State). The remainingr half of non-tax revenue is primarily composed of transfers (€6 162 million, including those from the European Union and social security) and social contributions (€4 490 million), notably those collected by the Civil Servants Pensions Scheme. **(See C.2.2.2. and Box 7)**

   Earmarked tax revenues totalled €5 358 million, representing 8.7% of total tax revenue—an increase of €373 million compared to 2023, constraining the financing of general expenditures. As earmarking revenue contravene the non-assignment accounting principle, it must be exceptional, temporary and subject to annual scrutiny by the Parliament within the framework of the State Budget. **(See C.2.2.)**

9. **The coercive tax debt collection portfolio increased by €2 126 million (7.9%) compared to 2023, despite the implementation of State-led schemes aimed at encouraging voluntary settlement of tax liabilities. Of the total, 39.5% is deemed uncollectible - a category of debt that has nearly quadrupled since 2016.** At the end of 2024, the total portfolio stood at €28 884 million, equivalent to 46.9% of annual tax revenue. In the uncollectible debt (€11 406 million), thus classified due to the absence of seizable assets from the debtor, 57.5% relates to taxpayers with ceased VAT activity. This, combined with the fact that a significant portion of enforcement proceedings (45.2%) were initiated prior to 2015, explains the persistent challenges faced by the Tax and Customs Authority in recovering these amounts. **(See C.2.2.3.)**

10. **In 2024, expenditure increased by 9.8%, totalling €89 274 million, mainly driven by current transfers and personnel expenses**. These aggregates were the largest contributors in absolute terms—rising by €4 383 million and €1 651 million, respectively. The approval of permanent fiscal policy measures significantly influenced this trend, thereby introducing structural pressure on public expenditure. Capital transfers recorded the highest year-on-year growth rate, with a 20.2% increase. **(See C.2.3.)**

11. **Expenditure on housing totalled €868 million in 2024, maintaining the upward trend observed since 2020. However, this amount represents only approximately two-thirds of the allocation approved in the 2024 State Budget.** The increase was primarily driven by two key programs: the Extraordinary Rent Support program (€306 million) and the 1st Right Housing Program (€301 million). Together, these interventions contributed to a €292 million increase compared to 2023. **(See C.2.3.3.)**

12. **The persistence of elevated arrears throughout 11 months of the fiscal year - averaging €334 million - highlights structural underbudgeting across several budgetary programs, most notably the Health Program.** At the end of 2024, arrears (defined as liabilities overdue by more than 90 days) had declined to €73 million, resuming the downward trajectory observed since 2018. However, the year-end allocation of capital appropriations to cover losses incurred by State-Owned Health Units (EPEs) proved insufficient to settle their total overdue liabilities, which amounted to €291 million. **(See C.2.3.4.)**

13. **Revenue and expenditure were understated by at least €467 million due to delays in accounting and non-compliance with accounting principles**. Several transactions were recorded as deductions from revenue without properly reflecting their legal and financial nature, thereby violating the principle of non-compensation. These include: €158 million in revenue allocated to the Tax and Customs Authority; €101 million in social support payments offset against personal income tax; €33 million in personal income tax earmarked for institutions with public utility status; and at least €174 million in dividends, where only the net amount was recorded, excluding the withheld tax component. **(See C.2.2.1. and C.4.3.1.)**

14. **Off-budget transactions involve materially significant amounts, and their proper accounting is essential to ensure transparency and effective control of public finances**. At least €3 421 million in revenue and €10 527 million in expenditure related to off-budget transactions were not recorded in the central systems of the Ministry of Finance. This situation stems primarily from limitations in the existing information systems, which have been acknowledged by the competent authorities. Addressing these gaps requires integration into the ongoing development framework under the Public Financial Management reform agenda. **(See C.2.4.)**

15. **The net financing of the State-owned business sector amounted to €4 651 million, with 71.2% allocated to public transport and road and rail infrastructure companies. The information in the Account Report has limitations**. Notably, *Infraestruturas de Portugal* received €2 590 million. Approximately 70% of the total financing was executed through capital injections into State-owned enterprises, primarily to cover operating losses, service debt obligations, and support investment activities. The information in the Account Report presents limitations: on one hand, it excludes operations from certain central administration entities, amounting to €1 346 million in expenditure; on the other hand, it includes financial flows to entities outside State-owned enterprises sector, such as regional and local government companies and funds with administrative and financial autonomy. This underscores the importance of correctly identifying all State-owned enterprises. **(See C.4.3.1.)**

The information provided in the central administration Account and in the Report is incomplete with regard to public debt, financial and real estate assets, the treasury, as well as contingent liabilities.

16. **The Account omits information regarding the debt *stock* of autonomous services and funds, which amounted to €22 519 million.** The absence of this data in the Account also affects the verification of compliance with the limits set by the Parliament, particularly in relation to the increase in overall net direct indebtedness. It was noted that the debt of autonomous services and funds was reduced by €3 772 million, as a result of the conversion of Metro do Porto's debt to the State into share capital, an operation that, although effective in 2023, was only reported in the 2024 GSA. **(See C.2.5.)**

17. **The Account fails to disclose €77 million related to matured but unpaid savings and treasury certificates owed to families, either due to the inability to process payments or because the certificates are immobilised following the death of the holder**. Additionally, the debt *stock* includes €1 097 million associated with savings accounts containing outdated information or belonging to deceased holders, debt that may be prescribed or at risk of prescription.

    The Court also examined the rules governing the conversion process of savings certificates into book-entry form, scheduled to take place between 5 January 2026 and 29 November 2029, and concluded that, without flexibility of certain aspects and a communication strategy capable of reaching the public, this process may result in the automatic redemption of series A and B certificates, which will cease to accrue interest from that date onwards. Holders of saving certificates will have to deliver the physical titles (series A, B, C and D), and failure to do so by 29 November 2029 will lead to the automatic redemption of series A and B certificates. Although these certificates are perpetual, they will no longer accrue interest from that date on, even for holders with updated savings accounts. **(See Box 9)**

18. **The information regarding financial assets reported in the Account is incomplete, as it does not include the full portfolio of 222 entities and fails to cover certain State assets, limiting its control. It is noteworthy the existence of assets that are not expected to generate financial return or be recoverable. In turn, expenditure on financial assets remains overvalued**. The value of financial assets reached €132 551 million, €717 million less than in 2023, with 67.1% of the portfolio consisting of assets held by entities within the budgetary perimeter, resulting in consolidated financial assets of €43 613 million. The State's asset portfolio is mainly composed of equity holdings (42.3% of the portfolio), while in the case of autonomous services and funds, the main component is public debt securities (59.1%). The State's portfolio includes holdings in entities that have already been dissolved or are in the process of liquidation. It also includes loans that are not repaid, as the outstanding amounts are either forgiven or converted into equity. Some of these situations led to the recognition of provisions in the State's asset Account, amounting to 3.9% of the nominal value of the portfolio. Expenditure on financial assets remains overvalued, as in 2024, €987 million (+75.6% compared to 2023) were unjustifiably recorded as financial assets, referring to capital injections into State-owned companies to cover losses. **(See C.2.6. and C.2.6.1.1.)**

19. **In the Account, there is still a lack of inventory and proper valuation of the State property, which represents a structural constraint in asset management and compromises the preparation of the State's financial statements.** The Court identified €71 million in revenue from disposals and €41 million of expenditure on real estate acquisitions, noting that the Account Report omits much of this information. Regarding rents from the occupation of State properties by public entities, €370 million were collected (94.5% from the Armed Forces, of which €179 million refer to 2023), and €49 million remain unpaid. **(See C.2.7.)**

20. **The Account still fails to reflect the treasury balance of the entities, as it does not include information on accounts held by entities in commercial banks**. This situation limits the usefulness of the data regarding the treasury balance of the entities included in the Account and prevents full reconciliation between budget execution and fund movements. The State treasury balance, at the end of 2024, amounted to €8 671 million (more €568 million compared to 2023). **(See C.2.8.1.)**

    The assessment of compliance with the State treasury unity principle involves risks arising from weaknesses on the report and the absence of a comprehensive regulatory framework to strengthen monitoring and control procedures, including a sanctioning regime. Despite the decrease in funds held outside the Treasury (at least €35 million in 2024 compared to €91 million in 2023), there are still 20 entities legally exempt from complying with the State's treasury unity and 137 exempted by order of the Treasury and Public Debt Management Agency - IGCP. **(See C.2.8.2.)**

21. **In 2024, net expenditure on public-private partnerships amounted to €1 288 million, 2.1% (€26 million) higher than the 2023 figures and 1.8% (€23 million) than the Budget forecasts. There are still shortcomings in identifying the public-private partnerships universe, validating of data provided by public and private partners, in monitoring by the competent bodies and in budgetary reporting**. The majority of costs were concentrated in the road sector (80%), followed by the health sector (16.4%). The Account Report only includes information related to the partnerships reported by the Technical Project Monitoring Unit, without ensuring the completeness of the public service concession contracts. In 2024, contingencies associated with ongoing litigation and reported compensatory claims totalled €1 761 million, an increase of 49.8% compared to 2023 (€1 176 million). The road sector stood out with an increase of 84.5% (€568 million, to €1 240 million). **(See C.4.6.)**

Social security Account

The performance of social security functions is subject to examination concerning the relationship between resources obtained and the benefits granted. The inclusion in the GSA of consolidated budgetary and financial statements prepared in accordance with the SNC-AP also allows for the verification of their compliance, as well as of the procedures for the recognition and measurement of operations, in accordance with that accounting framework. In the case of pensions, their financing is examined, complemented by the inclusion of those managed by the Civil Servants Pensions Scheme.

22. The 2024 GSA integrated, for the first time, the consolidated social security account prepared under the SNC-AP. The consolidation process involved the 12 accounts within the social security perimeter, but it remained, in part, manual, which makes it difficult to control all the impacts of consolidation operations and to prevent/detect errors. In addition, limitations were found in terms of procedures, consolidated reporting and group accounting policies. **(See C.3.1.)**

23. At the budgetary performance level, social security recorded an effective surplus of €5 536 million (compared to €5 478 million in 2023). The €3 859 million increase in revenue, reaching €42 192 million, was mainly driven by contributions, which rose by 10.3% compared to 2023 due to the positive evolution of the labour market and changes in wage policy. In turn, expenditure increased by €3 801 million 11.6% more than in 2023, mainly due to pensions, which represent 64.3% of effective expenditure. The 12.4% increase in pensions reflects their regular updating and the extraordinary supplement, in the amount of €360 million. Additionally, the evolution of extraordinary updates of pensions and allowances, whose weight in effective expenditure has been increasing since the first allocation (€77 million in 2017), reached €986 million in 2024, with a cumulative value of €4 635 million.

It should be noted that the increase in revenue from employer and employee contributions reflects a predominantly cyclical situation, while the pressures on the expenditure side are structural in nature, arising not only from demographic factors, but also from acquired rights resulting from political decisions in this area. **(See C.3.3.)**

24. The Social Security Financial Stabilization Fund increased by €6 048 million (20.3%) in 2024, bringing it closer to the legal target of covering two years of pension payments under the contributory system (22.3 months). The increase in the Fund's value was mainly due to the transfer of the surplus from the pay-as-you-go contributory scheme (€3 500 million), capital gains from portfolio management (€1 916 million) and earmarked tax revenues (€631 million). However, transfers of the latter have continued to reflect the amounts budgeted rather than those actually assessed by the Tax and Customs Authority. As a result, the cumulative amount of earmarked tax revenues transferred to the Fund since 2017 falls short of what is due by €360 million. **(See C.3.5.)**

25. The year 2024 marked the second year of SNC-AP adoption by social security entities. Progress has been made in this process, particularly in accrualling the income from employer and employee contributions, revaluation of real estate assets and inventorying of movable property. However, consistency between the budgetary and financial accounting subsystems was confirmed in only four of the twelve entities (namely at the level of settlement accounts that generate receipts in current and/or future periods and obligations that generate payments in current and/or future periods of the budgetary accounting, with accounts receivable and accounts payable of financial accounting). Additionally, management accounting is still to be implemented, and previously identified errors and omissions persist. **(See Box 10)**

26. The audit of the individual accounts of the social security perimeter entities identified the persistence of errors and omissions in their preparation: (See C.3.4.)

- **Undervaluation of taxpayers' debt**, since the interest on the debt not reported to tax enforcement remains to be recognised (40.6%, totalling €5 619 million), undermining its reliability and full compliance with the accrual principle.
- **Overvaluation of customer debt**, as uncollectible amounts, although impaired, are not written-off despite lack of realistic recovery prospects.
- **Overstatement of recoverable social benefits,** resulting from undue social security payments to beneficiaries, with the balance recognised in the accounts being €104 million higher than that stated in the debtors' current accounts.
- **Weaknesses in the control and accounting of real estate**, namely: i) properties with no book value; ii) properties without segregated land parcels; iii) separate fixed asset codes for capital improvement works; and iv) lack of standardisation and compliance in assigning useful lives.

- **Weaknesses in the control and accounting of movable assets**, persisting, to a lesser extent, the incorrect and incomplete location of assets, as well as the existence of group recognition when it should be individualized and the incorrect classification as movable assets and/or attribution of useful life.

27. **The social security real estate assets consist of 3 063 properties across 219 municipalities on the mainland and islands, valued at €403 million. Approximately 50% are rented (including under social rent schemes) 20% are vacant and 10% are occupied by social security services**. There are constraints in the management of more than half of the 586 vacant properties, because they do not meet minimum safety conditions for occupation, of which 227 are under rehabilitation. There are also 254 improperly occupied properties, of which 108 are in litigation or judicial proceedings. **(See C.3.4.1.1. and Box 11)**

28. **Social security's year-end cash holdings have, over the past five years, exceeded €4 300 million on average. Values of this magnitude make it relevant to implement a model that ensures adequate treasury management.** The weaknesses in the current treasury management model identified in this Opinion include both the lack of regulation of the single social security treasury provided for by law since 1999, and the lack of harmonisation of procedures in the preparation of the treasury plan that integrates the plans of the perimeter entities. It is also essential to create the conditions for optimising available resources and ensuring proper coordination with the State Treasury, managed by the Treasury and Public Debt Management Agency. **(See C.3.4.1.1. and Box 12)**

29. **In 2024, the absence of revision of legislation with impact on the activity of social security entities remains.** In this context, the following should be noted: i) Lack of clarification on the application by social security entities of the treasury management model established in Article 90 of the 2024 Budget Execution Decree-Law and on how to operationalise the reporting of information to the Treasury and Public Debt Management Agency; ii) failure to constitute the Wage Guarantee Fund's own assets and absence of national regulations for part of its financing; iii) Lack of regulatory decrees for the single social security treasury and for setting investment limits by the Social Security Financial Management Institute; iv) failure to update the ordinance that regulates the investment policy of the Social Security Financial Stabilization Fund; and v) persistence of inconsistencies in the legal framework of financing, namely regarding the capitalization component of the social security system. **(See C.3.)**

30. **Expenditure on pensions and allowances, including those from the Civil Servants Pensions Scheme, amounted to €35 672 million and was mainly financed by revenue from employer and employee contributions (64.4%) and transfers from the State Budget (33.4%).** The transfers from the Budget are mainly aimed at the payment of non-contributory pensions of the social security system and to compensate the Civil Servants Pensions Schemefor the reduction in contributions that reflects the decrease in active beneficiaries, as new retirements occur. **(See C.4.1.1., C.4.1.2. and C.4.1.3.)**

    At the level of the Civil Servants Pensions Scheme, the State's financial effort will be increasing, to compensate for the loss of contribution revenue and the insufficiency of reserves in some integrated pension funds. On the one hand, when it became a closed system in 2006, it no longer benefited from the contributory revenues of workers in public functions who, after 31/12/2005, became registered with the social security system and, on the other hand, at the end of the year, only 14 of the integrated funds had their own reserves, with the State ensuring €219 million to fund the pensions paid by the others (€2 333 million since 2011). **(See C.4.1.4.)**

Budgetary process

The exam looks into the consistency of the information reported in the planning documents, on the State Budget and on the Account .

31. **The policy options presented in the medium-term planning documents are not fully aligned with the annual budget that implements them. The Medium-Term Budgetary Framework remains an instrument of limited usefulness**. The 2023-2027 Stability Programme does not include the new fiscal policy measures for the reference period. The strategic challenges defined in the Major Options do not allow a link with the priorities outlined in the 2024 State Budget Report. Changes to the expenditure limits set in the Medium-Term Budgetary Framework, as

reflected in the 2024 State Budget, are not justified and reveal the limited effectiveness of this instrument of medium-term budgetary discipline . **(See B.1.)**

32. **The reporting on the impact of fiscal policy measures in the GSA Report is compromised by omitting the execution of 10 out of the 62 planned measures.** These measures - particularly those related to personal income tax, salary increases, promotions and career progressions, career changes, and the revision of special career regimes - are important not only for the materiality of the budgeted amount, which reached €2 734 million (in absolute value, with an expected impact of -€1 212 million on the balance), but also due to their relevance during the State Budget discussion. **(See B.2.)**

33. **Under the European Union's economic governance framework, the focus is on the medium-term fiscal adjustment through the use of new information in the regular assessments, namely the key indicator "net expenditure" but also information regarding investments and implicit and contingent liabilities.** In October 2024, the Government presented the first National Medium-Term Fiscal-Structural Plan for 2025–2028, which was approved with the recommendation that net expenditure growth should not exceed the defined limits. This framework requires a revision of the Budgetary Framework Law, which was already foreseen in the report accompanying the State Budget proposal for 2025. In the context of the budgetary process, this new framework entails a periodic assessment of the estimates for the aforementioned elements, as well as the underlying values, information that is also largely reported in the Account. **(See Box 3)**

34. **Deviations between forecasts and execution are recurring in certain revenue and expenditure items, and have become more pronounced in investment expenditure and current transfers.** The trend identified since 2017 persists, with the under-budgeting of tax and contributory revenue and the over-budgeting of revenue from European funds, as well as most expenditure items. Investment, in particular, was €2 650 million below the forecast in 2024, the largest deviation since 2020 and more than double that recorded in that year. On the other hand, current transfer expenditures, which generally include year-specific expenditures (such as measures in response to the pandemic and geopolitical shock), showed an average deviation of €2 152 million over the past four years. **(See B.2.)**

35. **The use of provisional and centralised appropriations to supplement other expenditure appropriations did not fully achieved their intended purpose**. A substantial portion of the provisional allocation (€220 million of €468 million) was not intended to supplement appropriations for unforeseen and unavoidable expenses as stipulated by law, but rather to cover recurrent costs – specifically, staffing expenses within the education sector, highlighting shortcomings in the budgeting process. Furthermore, €295 million in centralised appropriations under the Ministry of Finance, originally recorded as financial assets (thus exerting no effect on the fiscal balance), were redirected to fund actual expenditure (which does affect the balance). This reallocation contravened the intended purpose of the entry and undermined the proper classification of expenditure within the Budget. **(See C.2.1.)**

Public Financial Management reform

The implementation of the Public Financial Management reform entails restructuring processes and information systems that are essential for a GSA in accordance with the Budgetary Framework Law. This Opinion assesses the progresses taken so far.

36. **The failure to award of a contract related to information systems has delayed critical developments required for the centralization of financial data and for the operationalization of the State Accounting Entity, that are crucial for the consolidation of the Account** Furthermore, no implementation timeline has yet been established. Progress to date includes regulatory developments, notably the conceptual model for the State Accounting Entity and the rules for program-based budgeting, as well as advancements in treasury management information systems. Only 5.2% of the total funding allocated for this reform under the RRP has been executed. The reform activities are now expected to extend until 2029, beyond the RRP's defined timeframe (June 2026), risking the loss of a key financing source. **(See A.1. and Box 1)**

37. The pilot project for program-based budgeting encompasses twelve programs within the Ministries of Economy and Culture, covering over 85% of their respective budgets. However, reported expenditure is overstated due to the use of non-consolidated figures. The core objective of programme budgeting – to assess the performance of public policy measures – has been undermined by the generic formulation of several of the objectives and by challenges in collecting data for certain indicators and targets. **(See C.2.3.3.)**

38. Within this reform, GSA developments also depend on improvements in the individual accounts of the entities included in the perimeter. In 2024, 80% of the entities used the SNC-AP accounting framework, although they covered only half of the financial volume of the submitted accounts. Materially significant accounts – such as those related to exceptional expenditures recorded by the Ministry of Finance and direct public debt – are not applying SNC-AP yet. The information in these accounts will be incorporated in the State Accounting Entity, whose operationalization is yet to be completed. For a substantial portion of accounts, only about 23.7% of assets were subject to statutory audit, preventing a consolidated and reliable assessment of the quality of reported figures. Nonetheless, several risks to the future certified GSA can already be identified, particularly in the areas of asset recognition and measurement, execution and accounting of program contracts, and the specialization of liabilities. **(See A.2. and Box 2)**

Support and policy measures

Public intervention takes various forms through support granted directly or indirectly by the State, namely tax benefits, grants, subsidies, loans, and bonuses. This Opinion includes an assessment not only of their implementation and operationalization, but also on the relevance of the information disclosed to evaluate the outcomes. The Court has also been monitoring the implementation of the United Nations 2030 Agenda.

39. Weaknesses were identified in the compilation and accounting of certain measures aimed at mitigating the geopolitical shock, which led to an overstatement of the cumulative deficit impact by €1 016 million. It is noteworthy that the impact of the "Extraordinary Support for Natural Gas" measure was not adjusted, despite reimbursements made in 2023 and 2024 that reduced the initial €1 000 million paid in 2022 to a final cost of €97 million. **(See C.1.3)**

40. The review of the implementation of the 1st Right Housing Program – a housing support programme, with a budget of €4 185 million for the provision of 58 993 housing solutions by 2029 – revealed constraints that may jeopardize the achievement of its targets and result in loss of RRP funding. As of 31 March 2025, only 1 950 housing units had been delivered, representing roughly one-fifth of the target for that date. Of the 8 894 applications submitted for financing, only 23.1% had been approved, with the remainder under analysis. The limited results are attributed to shortages in human and technological resources, incomplete applications, failed procurement procedures, and delays in project commissioning and execution. Additional contextual challenges in the construction sector – such as labor shortages and rising material costs – also impacted project completion. **(See Box 8)**

41. The creation of 24 new tax benefits and the amendment of others during 2024 demonstrates their importance as public policy instruments.,Tax expenditure quantified in the Account amounted to €17 817 million. This tax expenditure covers 209 tax benefits and, excluding the one associated with the reduced and intermediate VAT rates (€10 519 million), the most significant benefit remains the Non-Habitual Resident regime (€1 741 million). About another quarter of tax expenditure refers to incentives for corporate investment and research and development, including: SIFIDE - Tax Incentive System for Business Research and Development (€891 million), RFAI - Investment Support Tax Regime (€249 million) and the Tax Incentive Regime for corporate Capitalization (€186 million). Among household-targeted measures, notable items include: stamp duty exemption on inheritances and other transfers (€745 million) and support for persons with disabilities (€542 million).

Despite progress in evaluating tax benefits, deficiencies persist in reporting and control. On reporting, no expenditure was quantified for approximately one-third of the benefits (104 out of 313). On control, although the existence of tax debts should exclude tax benefits from final tax settlement, the Tax and Customs Authority does not systematically apply this control to all personal income tax related benefits, contravening the Tax Benefit Statute and resulting in unequal treatment among taxpayers. Regarding evaluation, the newly established U-TAX unit - specialized in assessing tax and customs policy - issued a report with recommendations that could reduce tax expenditure by up to 10%. The increase in administrative costs with tax benefits reflects growing complexity and dispersion of tax legislation, as well as the need to periodically implement new IT procedures, and underscores the strategic importance of U-TAX's work. **(See C.4.4.)**

42. **Public subsidies were granted mainly by17 entities, to over 300 000 beneficiaries outside the public administration. The amount granted is significant and reached €5 836 million, 25.1% more than in 2023. However, the report on these amounts presents weaknesses** and fails to identify the purpose of more than €800 million of support granted, due to insufficient specification of the payments made or because they are accounted for as off-budget transactions. These supports were predominantly aimed at mitigating the impact of rising inflation, energy prices and interest rates resulting from the geopolitical shock. Over the past three years, nearly a quarter of all support was directed to the Environment and Energy área, which received more than twice the amount allocated to other areas such as Economy or Science, Technology, and Higher Education. Weaknesses on the report persist, with different approaches and criteria affecting transparency and quality of information. Additionally, budget execution is not fully consistent with the information provided by the entities. **(See C.4.3.2.)**

43. **Support to the Financial Sector, in a net basis, amounted to €21 284 million between 2008 and 2024**. In 2024, overall, the balance between revenues and expenditures was favorable to the State by €306 million (€294 million in 2023), mostly resulting from the receipt of dividends (€247 million). The nominal value of assets at the end of the year (€9 950 million) corresponds to approximately half of the net charges incurred since 2008. **(See C.4.3.3.)**

44. **Portugal faces significant challenges in meeting the Sustainable Development Goals of the United Nations 2030 Agenda, even regarding those it has identified as priorities**. The institutional implementation model approved by the Government in 2023 has improved the integrated approach to this Agenda, but there are delays in approvaing an operational plan with defined targets and a timeline for the actions to be undertaken. The indicators used at European level place Portugal below the European Union average across a broad set of SDGs, particularly the priority ones, such as those related to the protection of Marine Life (SDG 14) and Industry, Innovation and Infrastructure (SDG 9). In terms of reporting, despite progress made with the allocation of central administration expenditure to the implementation of the SDGs, limitations remain, since it does not cover revenue and social security and does not show the link with the policies and objectives intended to be achieved. **(See C.4.7.2 and C.4.7.3.)**

    In this context, audits carried out by the Court have identified structural problems that may hinder the achievement of the 2030 Agenda targets. Notable shortcomings include strategic planning, data monitoring systems, resource mobilisation, and accountability mechanisms. Some of the obstacles have a cross-cutting impact on different áreas, such as: agriculture, food and agribusiness; education; climate action; industry, innovation and infrastructure; and public institutions. **(See C.4.7.4.)**

Implementation of the Opinion on the General State Account recommendations

The follow-up of the recommendations is essential to encourage their implementation and to identify progress in public financial management.

45. **Of the 57 recommendations issued in the Opinion on the 2022 Account, progress has been made in the implementation of 40, of which 8 have been fully implemented and 32 partially, while 17 remain unfulfilled.** The implementation of 8 recommendations adressed, in particular, improvements concerning information reported in the Account, review of procedures, issuance of instructions and assessment of tax benefits. In the partially implemented recommendations, progress has been made in identifying the universe of entities covered

by the Account, reducing arrears and disclosing the amounts executed under the public expenditure review measure. In social security, the advances are mainly due to the implementation of the SNC-AP, which allowed the book value of real estate assets to be brought closer to market value and, in the case of movable assets, a reduction in items lacking location record. **(See D.2.)**

46. **The circumstances that led to the issuance of 49 recommendations still persist, thus justifying their reiteration, even if reformulated, in this Opinion.** Of these, 26 have a structural nature, as their implementation requires the articulation of several entities, complex procedures and/or an extended timeframe for implementation. However, the remaining recommendations do not present a level of complexity that would hinder their implementation in the short term. **(See D.2.)**

47. **This Opinion formulates eight new recommendations**, namely on: i) the process of converting physical savings certificates, given its impact on families; ii) the consolidation of accounts and group accounting policies, as well as performance accounting with respect to social security account; and iii) the approval of the National Roadmap for Sustainable Development 2030. **(See. D.1.)**