SUMMARY

The Court issues its Opinion on the 2023 General State Account (GSA), assessing the State's financial activity. The Opinion includes 67 recommendations to the Government and the Parliament addressing the identified weaknesses. 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. The opinion also includes reservations and emphasis on relevant and material omissions and errors, as well as emphasis on other relevant issues. **(See Part D and Judgment)**

NON-COMPLIANCE OF THE ACCOUNT WITH THE BUDGETARY FRAMEWORK LAW

1. **The 2023 General State Account was not prepared in accordance with the Budgetary Framework Law, preventing the Court from issuing a certification.** The budgetary consolidated information provided does not meet the legal requirements for budgetary statements. Furthermore, central government financial statements are missing, due to delays in the implementation of financial accounting. In addition, no consolidated financial statements of social security are included, due to challenges faced by the 12 social security entities in the transition to the Public Administrations Accounting Standardization System (SNC-AP).

   The Minister of State and Finance foresees a gradual and phased implementation of the Budgetary Framework Law, requiring an adjustment of the established and already exceeded deadlines. Furthermore the progress on ongoing projects suggests risks to the availability of expected management and accountability information by 2026 (the target year set by the Ministry of Finance for preparing the Account in accordance with the Law), even if the planned investments are done within the timeframe of the Recovery and Resilience Plan (RRP) and the necessary information systems are operationalized. **(See A.1.)**

2. **Delays in implementing the Budgetary Framework Law affect the production of a richer cash basis accounting and a more sophisticated financial and management accounting These delays are due to the absence of essential conditions such as**: i) the definition of structural elements of the conceptual framework for preparing the Account; i) the development of information systems to support the Account preparation ; iii) the creation of mechanisms to identify entities within the public sector group from financial and budgetary perspectives; iv) the operationalization of the State Accounting Entity; and v) the implementation of internal control procedures to ensure the reliability of the Account. **(See Boxes 1 and 2)**

BUDGET IMPLEMENTATION

3. **In 2023, central government and social security budget execution recorded a surplus of €7 371 million (2.8% of GDP), reversing the deficit trend of recent years. The use of surpluses is restricted to specific purposes, namely in 2023, the payment of future pensions.** This surplus reflected revenue performance, with an increase of €14 654 million compared to 2022, primarily from tax revenue (up by €6 763 million), while expenditure also increased (€3 729 million more), despite a reduction in the financial impact of measures to mitigate geopolitical shocks and COVID-19 responses.

   Excluding the effect of two exceptional operations, the surplus would have been reduced by half: the transfer of the Staff Pension Fund from a public bank (*Caixa Geral de Depósitos)* to the Civil Servants

Pensions Scheme (*Caixa Geral de Aposentações)* (€3 018 million) and the reimbursement to the State of part of the amount transferred in 2022 to support the National Gas System (€700 million). Part of the revenue contributing to the 2023 budget surplus can only be used to ensure the payment of future pensions: i) the transfer to support the Pension Fund liabilities was allocated to public debt, forming a reserve for future pensions; and ii) the social security surplus (€5 477 million), primarily generated within the social security system, is intended for the Social Security Financial Stabilization Fund to safeguard against potential deficits. **(See C.1.2.)**

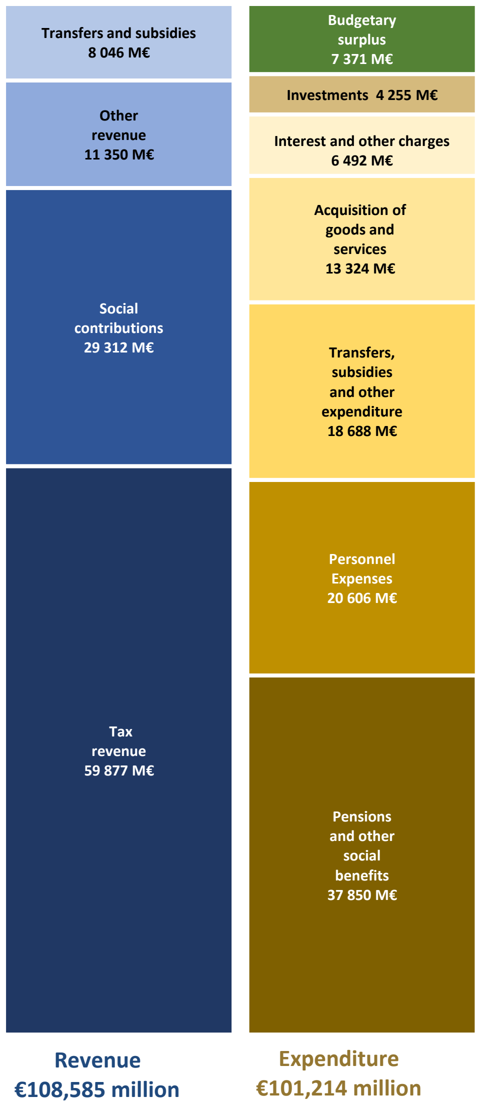
4. **Revenue amounted to €108 585 million, 82.1% derived from tax revenue and social contributions. Expenditure reached €101 214 million, of which 57.7% was allocated to pensions (and other social benefits) and personnel expenses.**

Expenditure increases affected nearly all components, most notably: €2 970 million (8.5%) in pensions and direct social benefits, €1 286 million (6.7%) in personnel expenses (primarily in health and education sectors) and €772 million (6.1%) in the procurement of goods and services. Investment expenditure rose by €332 million mainly in the areas of infrastructure and housing and environment and climate action.

Given its structural and long-term nature, pensions paid by the social security and by the *Caixa Geral de Aposentações* are particularly relevant, amounting to €32 009 million (€1 308 million more than in 2022; 4.3%).

The Account covers the budget execution of 491 central government processing services and 12 social security entities. However, four central government entities are missing from this universe and two did not report their execution. **(See C.1.1. and C.1.2.)**

Distribution of revenue and expenditure of CA and SS



5. **The *stock* of consolidated public debt stood at €247 212 million, a decrease of €11 903 million (4.6%) compared to 2022.** This positive performance – also seen in the Maastricht debt, which dropped to 99.1% of GDP – was driven by significant financing (€18 227 million more than in 2022) from public entities within the fiscal perimeter. Interest charges amounted to €5 974 million, a 3.0% increase from 2022. Although the debt ratio is forecasted to continue declining (95.6% in 2024 and 91.5% in 2025), it remains well above the reference value (60% of GDP), i.e. the *stock* of debt remains significantly high. Combined with the potential reduction or end of the asset purchase programs by the European Central Bank and the ongoing war in Ukraine, this poses increased risk for future financing, particularly in years with a substantial refinancing requirements, such as 2027 and 2030. **(See C.2.5. and Box 6)**

6. **The guarantees provided by the State amounted (cumulatively) to €16 741 million (a decrease of €2 084 million less from 2022). Notably** guarantees for entities outside the budgetary perimeter (€13 014 million, 77.7% of the total amount) are contingent liabilities that, if called upon, would affect expenditure and debt and, consequently, the sustainability of public finances. **(See C.4.5.)**

7. **Although with no impact on the deficit, the Account includes transactions classified as financial assets that primarily aim to fulfill social and public policy goals rather than generate financial returns.** In 2023, EFACEC's capital increase (€216 million) was one of those cases. In national accounts, some of these transactions are counted toward the State balance. **(See C.1.2. and Box 4)**

8. **There has been progress in fiscal reporting on decentralization. However, the 2023 Account does not yet disclose in detail all the amounts transferred under this process.** This Account reports the amounts budgeted and executed under the Decentralization Financing Fund by area, competence and municipality, but this level of detail is absent for other related financing instrument (Municipal Social Fund). Detailed report is deemed necessary to demonstrate that both funds finance different competences. **(see Box 5)**

BUDGETARY PROCESS

9. **The report on the implementation of policy measures is less robust compared to the previous year, diminishing information transparency. The multiannual framework remains limited.** The GSA Report omits a significant portion of the measure's execution, mainly on the revenue side. Furthermore, the multiannual framework of the 2023 State Budget was affected by the absence of a systematization of measures on the Major Options Law 2022-2026 that would have made it possible to establish their alignment with the 2023 State Budget Report. Moreover, the 2022-2026 Stability Program does not include policy options, and the Multiannual Public Expenditure Framework lacks explanation on how public policies contribute to expenditure limits. **(See B.1.)**

10. **Since 2017, some revenue and expenditure components have consistently deviated from budget forecasts.** These deviations translate into under-budgeting of tax revenue and social contributions and over-budgeting of revenue from European funds and most expenditure items, in particular investment, which was, in 2023, €2 202 million lower than expected. **(See B.2.)**

11. **The inclusion of provisional and centralized allocations in the Ministry of Finance budget undermines the principle of specification and reduces the usefulness of expenditure forecasting by budgetary programmes.** Reassigned provisional allocations (€804 million), were in part (40.1%) used to reinforce under-budgeted allocations, including personnel expenses (€231 million) and do not cover exceptional, unforeseeable and unavoidable expenditure, as legally intended. Additionally, €456 million from the centralized allocation for "regularization of liabilities and application of assets" (entered as financial assets with no balance impact), was primarily used to reinforce current health expenditure (with impacts on the balance). **(See C.2.1.)**

CENTRAL ADMINISTRATION ACCOUNT

12. **Central administration revenue (€83 202 million) rose by €11 908 million (16.7%), driven by specific transactions, improved economic and labor market activity, and inflation.** The transfer of *Caixa Geral de Depósitos* Staff Pension Fund, the lower loss of revenue with measures to mitigate the geopolitical shock, the collection of 2022 VAT that had an extended payment deadline until 2023, the reduction of IRC refunds from the deferred tax asset scheme and the reimbursement to the State of unused funds to support the National Gas System, explain half of the increase. Tax revenue reached €59 642 million,

up €6 758 million compared to 2022, through increased VAT revenue (€2 232 million; 10.5%), IRS (€2 142 million; 13.6%) and IRC (€1 585 million; 22.3%). (See C.2.2. and C.2.2.1.)

13. **Tax revenue is undervalued by €159 million.** This is due to incorrect deductions of: i) own revenues of the Tax and Customs Authority (€133 million registered as VAT, IRS and IRC refunds and €14 million as write-offs); and ii) social aid payments (€12 million through deduction on IRS revenue), also skewing the cost of social measures adopted. (See C.2.2.1.)

14. **The lack of progress in implementing the State revenue accounting framework continues to undermine the accuracy and timeliness of accounting information.** Insufficient systems' integration, delays in revenue classification and accounting, unclear assignment of responsibilities in the accounting process, hinder revenue reporting reliability and the implementation of the Budgetary Framework Law. This is particularly relevant concerning projects related to the State Accounting Entity and treasury management. However, improvements were seen in the reporting of the Revenue Management System with the recording of schools' income (€443 million). (See C.2.2.)

15. **Earmarked tax revenues amounted €4 985 million (8.4% of total tax revenue), an increase of €597 million, a trend seen since 2019.** Earmarking revenue impacts overall financial management and does not comply with the non-assignment accounting principle, which dictates that revenue should not be reserved for a specific expenditure. Therefore, earmarked revenue should be scrutinized annually during budget process. (See C.2.2.1.)

16. **The uncollectible debt in the portfolio of the Tax and Customs Authority, (€10 419 million) has more than tripled since 2016, despite the State´s implementation of taxpayer support schemes allowing installment payments and credit offsets.** By 2023, it represented 38.9% of the total debt (€26 758 million). The increase was due to financial crisis, the pandemic and the energy crisis, as well as the change in the case-law regarding the calculation of the period until the debt is time-barred and consequently extinguished. Growth in 2023 stemmed from two exceptionally valuable tax enforcement cases (€1 003 million), which remain unresolved. (See C.2.2.3.)

17. **Central government expenditure (€81 308 million) increased by €2 393 million (3.0%), including structural components, such as personnel expenses and the acquisition of goods and services (plus €1 267 million and €765 million respectively).** Key factors include civil servants' wages increases, and, at the sectoral level, rising health and education expenditures, despite the ongoing transfer of competencies to municipalities that helped moderate this effect. The growth in capital transfers to private companies and local authorities explains the higher increase of this expenditure. (See C.2.3.)

18. **Expenditure on housing has been rising since 2019. Conditions for assessing State intervention in this domain are not yet in place.** From 2019 to 2023, housing expenditures grew by 188.6%, reaching €303 million in 2023, primarily due to rising house prices and rent costs, which intensified State housing support. Around one-fifth of this expenditure is funded outside the Infrastructure and Housing Program by other programs, complicating the comprehensive assessment of the State's financial effort in housing. This underscores the need for progress on program budgeting in order to better evaluate public policies. (See C.2.3.3.)

19. **The pension funds integrated into the CGA put pressure on government expenditure.** Of the 19 special reserve funds established following the transfer of pension liabilities to the Civil Servants Pension Scheme, only 13 still have reserves at the end of 2023, with only 4 generating sufficient income to cover their expenses and add value to the reserve. The evolution of reserves, pressured by the disparity between the potentially increasing liabilities and the downward trend on the resources obtained to

meet them (either by reducing the contributing beneficiaries or by the difficulty in generating value), suggests an increase in the liabilities to be assumed by the State. The pension liabilities of the 6 funds that have already exhausted their reserves represented a financial cost of €183 million for the CGA/State in 2023, and a cumulative cost of €2 021 million since 2011. **(See C.4.1.)**

20. **At the end of 2023, arrears amounted to €228 million, the highest figure since 2020, reversing the downward trend of the last five years.** Throughout the year, payments maintained a monthly average of €510 million, peaking in November (€1 054 million). The reduction at the end of the year reflects the effect of the capital allocations to cover losses in public health enterprises, which, however, were insufficient to meet the payment of all the overdue costs of these entities (€444 million at the end of the year), indicating the need to revise their financing model. **(See C.2.3.4.)**

21. **Central systems of the Ministry of Finance still do not include the recording of materially relevant off-budget operations, which undermines transparency and accounting control.** This situation arises from the inadequacy of the information systems, reporting failures by the entities, and the lack of formal identification of the entity responsible for authorizing the expenditure and ensuring its accounting records (such as in the case of tax collection by the Tax and Customs Authority on behalf of the autonomous regions and municipalities, €5 959 million in 2023). **(See C.2.4)**

22. **Reporting on Public Debt remains incomplete.** The Account omits the debt stock of autonomous services and funds, which stood at €27 150 million, €2 639 million less than in 2022. This was mainly due to the write-off of *CP – Comboios de Portugal's* debt to the State (€1 864 million). This omission affects the verification of compliance with the debt limits established by the Budget Law. Additionally, the Account improperly reports €55 million of overdue debt as paid, which the Public Debt Agency was unable to settle. **(See C.2.5.)**

23. **Information regarding financial assets reported in the Account is incomplete. The available information does not replace the lack of financial statements.** The value of financial assets reached €134 948 million, €680 million more than in 2022, with 63.8% of the portfolio consisting of assets owned by entities within the scope of the Account, resulting in consolidated financial assets of €45 204. The State portfolio continued to include assets with no prospect of generating value or with management costs exceeding potential recoveries or relating to entities already extinct or in liquidation. By the end of 2023, public debt securities represented more than half (59.4%) of the services and autonomous fund's portfolio. **(See C.2.6.)**

24. **In 2023, the State's portfolio in companies' capital amounted to €39 389 million.** Around 90% of these share holdings are managed by the General Directorate of Treasury and Finance (DGTF) with the remaining shares managed by other two public entities (*Parpública* and the Resolution Fund). Investments managed by DGTF include shares in the *European Stability Mechanism* and *Infraestruturas de Portugal*. *Parpública* manages holdings in the real estate sector (namely *Estamo* and *Fundiestamo*), as well as in the water sector. Added to these are those intended for privatisation. The Resolution Fund portfolio includes the shares held in the capital of financial institutions *in result of resolution measures* (*Novo Banco* and *Oitante)*. **(see Box 7)**

25. **Expenditure on financial assets remains overvalued.** In 2023, €562 million (2022: €1 052 million) of capital inflows to state-owned enterprises to cover losses were recorded as financial assets. **(See point C.2.6.1.1.)**

26. **The transfer of public real estate assets management from the *General Directorate of Treasury and Finance* to *Estamo*,** which took place in 2023, was done without ensuring its operationalization. This led to constraints, namely in the migration of information and the collection and accounting of

compensation paid by public entities for the use of State properties. (see Box 8)

27. **There is still a lack of inventory and proper valuation of State property.** The information on real estate operations provided by the Account Report omits 94.5% of revenue from disposals and 55.5% of expenditure on real estate acquisitions. Additionally, the report on rents due to the use of real estate is incomplete. Between 2014 and 2023, about 23% of rent obligations remained unpaid. (See C.2.7.)

28. **The information on the treasury balance of the entities within the perimeter of the Account remains incomplete.** The Account only contains cash transactions in the State treasury, not including transactions in commercial bank accounts held by these entities. The balance of the State's treasury at the end of 2023 amounted to €8 103 million (€4 719 million less than in 2022). (See C.2.8.1.)

29. **Compliance with the State treasury unity principle remains compromised by the absence of a comprehensive and consistent regulatory framework, including sanctions for non-compliant entities.** In 2023, at least €91 million of holdings outside the Treasury (€48 million in 2022) were identified as in default. (See C.2.8.2.)

30. **Tax benefits are mainly concentrated on support for the economy and households and, more recently, also on housing support. There are still weaknesses in its assessment and control.** The reporting of tax expenditure in this Account covered about two thirds of the tax benefits (202 out of 303) amounting to €15 056 million, €1 385 million (-8.4%) less than in 2022. The "non-habitual residents" benefit (€1 297 million) represented 62.8% of the tax expenditure in IRS. For these taxpayers, the Tax Authority does not verify the existence of tax debts, a fact which would result in the suspension of the benefit. As a result, at the end of 2023, 93 taxpayers, out of 39 909, profited from this benefit, despite having tax debts (€17 million). (See C.4.4.)

31. **In the context of public-private partnerships, there are still inadequacies in identifying the universe, validating data provided by public and private partners, in the monitoring by the competent bodies and in budgetary reporting.** The Account Report only includes information on partnerships reported by the Technical Project Monitoring Unit and does not include data on other concessions, including sub-concessions. The Account reports €1 255 million of net public charges with partnership contracts (€1 356 million in 2022), relating to 36 contracts, but their completeness remains to be certified. (See C.4.6.)

SOCIAL SECURITY ACCOUNT

32. **The 2023 Social Security Account was prepared using preliminary information.** This year marked the first-time adoption of the SNC-AP by all entities of the social security subsector, coinciding with the implementation of a new financial information system. This transition proved complex, resulting in delays in the closing of individual accounts and subsequently compromising the deadlines for the General State Account production. (See A.1 and C.3.2.)

33. **The first-year adoption of *SNC-AP* was incomplete, and its application was non-homogeneous among entities.** Despite progress, particularly in accrual accounting with the specialization of the income from the revenue billed in January related to the remunerations of December of the previous year, several issues raised by the Court with respect to errors and omissions remain unresolved and uncorrected. (see Box 2)

34. **In 2023, the social security budget balance reached a historic high with an actual balance of €5 477 million. The funding structure remains anchored in revenue from employer and employee contributions, constituting 65.5% of total revenue.** The balance increase of 34.6% (€1 409 million)

compared to 2022, reflects a significant rise in actual revenue (7.9%), higher than the rise of 4.4% in actual expenditure. Notably, employer and employee contributions revenue rose by 12.5%) supported by positive labor market dynamics (more jobs and higher wages), and tax revenue allocated to social security grew by 13.9%.

On the expenditure side, there was an increase in current transfers (4.8%), including €863 million of support to mitigate the effect of the geopolitical shock. Social benefits, mainly pensions and allowances, comprising 93.8% of actual expenditure (€30 818 million, +€1 431 million) rose by 4.2%, driven by policy measures and an increase in the number of beneficiaries (plus 30 950). **(See C.3.2.)**

The expenditure includes a transfer of €34 million to *Santa Casa da Misericórdia de Lisboa* to pay for extraordinary expenses with residential structures for elderly people during the pandemic, which were not contemplated in the cooperation protocol signed with social security, and regarding which it was not possible to confirm: i) whether the values have been validated; ii) whether they arose from social security needs and demands; and iii) the reasons why such commitments were not fulfilled in a timely manner, but only after more than three years. **(See C.3.2.)**

35. **The new extraordinary rent support program highlights risks that may affect the reliability of its** allocation**, the accuracy of its calculation and consequently the correction of its payment.** The measure entailed a total of 258 661 beneficiaries in 2023 with a public expenditure of €350 million, averaging €1 351.87 per beneficiary. One quarter of the support allocations, however, reached the maximum monthly amount of €200 per beneficiary. Non-compliance and other situations were identified in its implementation, namely: i) 35 229 beneficiaries for whom the grant had not been paid; ii) missed payments for December; iii) payments to 32 beneficiaries that resided outside the country; iv) underage beneficiaries; and v) payments to 2 867 non-habitual residents. **(see Box 9)**

36. **The value of the Social Security Financial Stabilization Fund was closer to its legal target of two years' worth of contributive pension payments by the end of 2023 (20.7 months).** The portfolio grew (€6 838 million; 29.7%) primarily due to inflows from the annual balance of the pension-distribution system (€2 434 million), a portion of employee contributions (€1 500 million), earmarked tax revenue (€623m) and positive portfolio management results (€2 281 million). **(See C.3.4.)**

37. **For the first time in a long period, the 2023 General State Account was not accompanied by consolidated financial statements of Social Security and their annexes.** Analysis of individual accounts of the entities that comprise the Social Security Account perimeter showed that:

- **No statutory certifications of accounts and opinions in individual accounts (Institute for Financial Management of Social Security and the Institute of Social Security of Madeira), a disclaimer of opinion for the Institute of Social Security and other qualified opinions with reservations and emphasis of matter on others.** In addition, there are reservations and emphasis that reveal weaknesses in financial statements, some already noted by the Court in its Opinions. **(See C.3.)**
- **Persistence of errors and omissions:** **(See C.3.3.)**
  - **Undervaluation of liabilities** as it does not reflect the existence of liabilities for the awarding of the social benefits that are being paid. The omission of these liabilities undermines obtaining a true and fair view of the financial situation of social security and affects the support and transparency of the decisions taken and their impacts.
  - **Undervaluation of taxpayers' debt,** since, in breach of the accrual principle, for 41.4% of debts amounting to €5 702 million, no accrued interest is calculated and due to the existence of €21 million of credit balances (*contra nature*) in interest on late payments accounts.

- **Overvaluation of customer debt**, due to failure to record its non-collectability, maintaining accounted in the financial statement debt without possibility of recovery.
- **Overestimation of repayable social benefits debt**, with a balance amount, in the balance sheets of the entities, €91 million higher than that shown in the beneficiaries' current accounts.
- **Weaknesses in real estate accounting and control,** with real estate not disclosed in the accounts or valued at zero, improvement works not accounted in the respective asset records, non-segregation of the value of the land from the value of the building and non-compliance with the useful lives defined in the Complementary Classifier 2 of the SNC-AP. Accounting policies that are not in line with the provisions of the SNC-AP have been adopted in terms of recognition and measurement. The existence of 516 vacant buildings indicates difficulties in its management and translates into unused capital.
- **Weaknesses in movable assets accounting and controls,** due to incorrect classification, as well as lack of uniformity and errors in the accounting of useful life, with an impact on depreciation.

38. **A number of legal acts and standards impacting social security entities remain pending revision, and 2023 saw no progress.** In this context, it should be noted that: i) the non-creation of the Wage Guarantee Fund's own assets and the absence of national regulations for part of its financing; ii) the absence of legislation regulating the single social security treasury and the setting of limits on capital investments made by the Institute for the Financial Management of Social Security; iii) the existence of discrepancies in the legal framework for funding, in particular of the capitalization component of the welfare system; and (iv) the non-revision of the regulation governing the *Social Security Financial Stabilization Fund* investment policy and of the rule determining the allocation of part of the IRC revenue (the formulation of which is unfeasible). **(See C.3.)**

39. **The application of the onerousness principle since 2019 has resulted in very low revenues and an accumulation of unpaid debts.** Social security raised only €8 thousand from this principle in 2023, (rents paid by public entities for the occupation of real estate), bringing the total to be collected to €27 million. **(See C.3.3.8.)**

CONSOLIDATED ACCOUNT

40. **The consolidation process remains incomplete, inflating revenue and expenditure, although not affecting the overall balance.** Not all material flows between entities within the Account perimeter were eliminated, resulting in at least €250 million in overstated revenue and expenditure from goods and services sales/acquisitions and €322 million related to interest in direct public debt. **(See C.1.2.)**

41. **An outdated economic classifier has led to incorrect and insufficient specification of revenue and expenditure.** Budgetary perimeter and revenue/expenditure composition changes resulted in the use of residual items for significant amounts, due to the lack of an appropriate heading. The use of a simplified classifier by reclassified public entities further limits operations' specification. **(See C.1.2.)**

OTHER FINANCIAL FLOWS

42. **Financial flows between Portugal and the European Union showed a positive balance of €6 043 million in 2023, 72.2% higher than in the previous year.** This growth was primarily driven by a significant rise in transfers to Portugal, largely due to the financial flows from the Recovery and Resilience Facility (RRF). In 2023, €3 757 million were transferred from the Facility grant installment (€3 586 million for the 2nd and most of the 3rd and 4th payment requests to the European Commission and €171 million for REPowerEU pre-financing). **(See C.4.2.)**

43. **Following the Court's findings in previous opinions, there is still a need to accelerate the pace of implementation of European funds** to avoid the loss of funds and to ensure that they contribute effectively to the recovery and economic and financial growth of the country. In this context, in view of the implementation at the end of 2023, it is necessary to:

- **Ensure the closure of Portugal 2020** as €761 remained unimplemented/ to be certified.
- **Accelerate the implementation of the Recovery and Resilience Plan (RRP)** as a large amount (€18 579 million) remained unimplemented/ to be certified.
- **Boost the implementation of 2021-2027 Multiannual Financial Framework (Portugal 2030)**, since, at the end of the third year of the programming period, it remained at an incipient level, with more than 98% (€22 582 million) of the programmed amount still to be implemented/certified. **(See C.4.2.)**

44. **Under the RRP, weaknesses in accounting records as well as different accounting practices for the receipt and use of these funds continue to be identified.** As a result, the accounting records in the 2023 GSA do not adequately reflect the amounts received by the beneficiaries of the RRP, which affects the reliability of the information and hinders the monitoring of the budget implementation.

    The implementation of the RRP remains low considering the already elapsed implementation period. The cumulative budget execution of the RRP expenditure by the end of 2023, recorded in the GSA (consolidated expenditure) was €2 793 million, compared to €1 751 million recorded in 2023. Although referred only to the entities included in the perimeter of the GSA, these figures reflect a level of budget execution of only 18.6% of the value of the funds contracted between the *Recuperar Portugal* Mission Structure and the direct beneficiaries and intermediaries of the same perimeter. The level of implementation, although increasing by 10.6 percentage points compared to 2022, is considered low, as at the end of the year, three years of the implementation period, ending by August 2026, had already elapsed.

    At the end of 2023, only 16% of the total value programmed for the RRP had reached those responsible for the implementation of projects. Considering the overall implementation of the RRP (including entities outside the scope of consolidation of the GSA), only €3 637 million of the €7 772 million received from the European Commission, had reached the direct and final beneficiaries, which represents 47% of the transfers received and 16% of the total amount programmed for the RRP (€22 216 million). **(See C.4.2.)**

45. **Financial flows to the autonomous regions and local authorities grew in 2023.** These flows amounted €1 055 million and €6 253 million (plus 19.2% and 12.9% respectively) and include participation in taxes and funds earmarked for specific purposes, namely loans and European funds. In the autonomous regions, the increase was due to the higher volume of transfers of European funds, while in local authorities it resulted from the process of decentralization of competences (in 2023, transfers from the Decentralization Fund amounted to €1 210 million). **(See C.1.4.)**

46. **The unit cost of the Social Mobility Allowance (per beneficiary) paid by the State to the autonomous regions has more than doubled over the past 9 years.** The current legal framework needs to be revised as it does not encourage demand for cheaper travels or prevent commercial practices that inflate travel prices. This allowance, which reimburses part of the flight costs to residents of the autonomous regions and to students travelling between the regions and mainland Portugal, amounted €126 million in 2023 (€89 million in 2022). The unit cost between 2015 and 2023 increased from €98 to €194 for Madeira and from €163 to €376, for Azores beneficiaries. **(see Box 10)**

47. **Information on state-owned business sector financing in the Account Report is incomplete.** The limitations of the Report derive from the information being restricted to the operations carried out by the General Directorate of the Treasury and Finance and going beyond the scope of the sector by including flows with regional and local government companies and some funds with administrative and financial autonomy, which reveals the importance of correctly identifying the companies that in the scope of this sector. Net financing totaled €4 418 million (€13 million less than in 2022), mainly (63.0%) to public transport, road and rail infrastructure companies. **(See C.4.3.1.)**

48. **Information regarding public subsidies, particularly grants and transfers to non-governmental entities, is not clearly and comprehensively reported in the GSA.** In 2023, it amounted to €4 664 million, 21.6% less than in 2022. Its material impact and the non-reimbursable nature requires a rigorous scrutiny, involving transparent information that should include, in particularly the purposes they aim to achieve. Although it is mandatory to disclose support granted outside public administrations, the quality of information is hindered by different approaches, different scopes and different criteria used in their classification. **(See C.4.3.2.)**

49. **Financial sector support reached €21 million in 2023, with €20 million related to *BPN's* privatization.** Despite a negative cumulative balance (-€21 590 million), in 2023, the overall balance between revenue and expenditure was favorable to the State (€294 million, compared to €165 million in 2022). Revenues, totaling €315 million, were largely derived from loan repayments and receipts of dividends. The nominal value of the assets at the end of the year (€11 063 million) represents about half of the net charges incurred. **(See C.4.3.3.)**