Conselho das Finanças Públicas

LOCAL GOVERNMENT BUDGET OUTTURN 2025

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The Portuguese Public Finance Council is an independent fiscal institution established by Article 3 of Law No. 22/2011 of 20 May, which introduced the fifth amendment to the Framework Fiscal Law (Law No. 91/2001 of 20 August, republished by Law No. 37/2013 of 14 June). The final version of the CFP's Statutes was approved by Law No. 54/2011 of 19 October.

The CFP commenced its activities in February 2012, with the mission of conducting an independent assessment of the consistency, compliance and sustainability of fiscal policy, whilst promoting its transparency, in order to contribute to the quality of democracy and economic policy decisions and to strengthen the State's financial credibility.

This Report has been drawn up on the basis of information available up to 15 June 2026, except where otherwise indicated in the Report.

The spreadsheet file containing the figures underlying all the charts and tables in this report is available at www.cfp.pt, in the publications section. The main public finance concepts used in this Report are explained in the CFP Glossary, which is available online. An appendix has been prepared for this Report containing information by municipality on some of the key indicators discussed, with the aim of providing a comparative and concise overview of the performance of municipalities in the 2024/2025 biennium.

Contents

NON-TECHNICAL SUMMARY

Scope of the analysis

- The available data covers 307 of the 308 Portuguese municipalities in terms of fiscal implementation, outstanding expenditure and total debt (with the CFP having filled in reporting gaps) and 299 in terms of average payment times.

Fiscal Balance

- The municipalities' surplus amounted to 492 M€ in 2025, up from 267 M€ in 2024, continuing the trend of positive balances observed in most years of the last decade.
- The increase in revenue (1.8 billion €) exceeded that of expenditure (1.6 billion €).

Revenue

- Actual revenue grew by 14.6%, driven by transfers and tax revenue.
- Transfers from central government and the European Union played a decisive role, including compensation provided by the State for the property transfer tax (IMT) exemption for young people purchasing homes, funds under the Local Finance Act, and investment financing from European funds (notably the RRP).
- Tax revenue grew by 13.0%, with particular growth in property transfer tax (IMT) (+24.2%), against a favourable backdrop in the property market, and an increase in property tax (IMI) (+5.9%).
- Non-tax own revenue grew by 10.6%, with a significant increase in revenue from fees, notably the tourist tax.

Expenditure

- Actual expenditure rose by 13.0%, driven by capital expenditure, in particular investment.
- Municipal investment grew by 31.9%, reaching 3.4 billion €, supported by European funding.
- Primary current expenditure rose by 7.9%, reflecting increases in staff costs (8.9%) and the purchase of goods and services (7.2%), linked to pay rises and the decentralisation process.

Accounts Payable and Average Payment Period (APP)

- Outstanding payments worsened, reversing the improvement recorded in 2024, but there was a near-stabilisation in overdue payments at 19 M€ (17 M€ in 2024) and in the number of local authorities with overdue payments (35 vs. 36 in 2024).
- The average payment period (APP) remained stable at 22 days, below the legal limit of 30 days, although seven local authorities continue to record payment periods exceeding 90 days.

Debt

- Total debt rose again in 2025 (by 204 M€), reaching 3,856 M€, confirming the turn in the downward trend observed between 2014 and 2023.
- Despite the increase in total debt, the majority of the 307 local authorities analysed (300) continue to comply with the statutory debt limits.
- The debt ratio fell from 37.7% in 2024 to 36.3% in 2025, benefiting from growth in the revenue relevant to the calculation of the limits.

Other relevant aspects of local government

- Central government transfers under the FFD amounted to 1,419 M€, concentrated mainly in the field of education (1,170 M€).

- Inter-municipal bodies: revenue of 542 M€, expenditure of 509 M€ and a surplus of 33 M€, reflecting the expansion of their activities, particularly in transport.

EXECUTIVE SUMMARY

This report analyses fiscal and financial developments in local government in 2025, based on information – mostly provisional – reported by the municipalities. Although progress has been made in terms of the coverage and quality of reporting, limitations remain that constrain the analysis. The analysis of fiscal developments is based on fiscal accounting figures from 307 local authorities, representing 99.9% of the actual expenditure in 2024 of the 308 Portuguese local authorities.

In 2025, the municipalities in question increased their fiscal surplus. In that year, the municipalities are estimated to have recorded a positive balance of 492 million euros (M€), 224 M€ more than in 2024. This development resulted from actual revenue growth (14.6%) outpacing that of actual expenditure (13.0%).

Actual municipal revenue (14.4 billion € in 2025) recorded significant growth, driven by transfers from central government and by an increase in tax revenue (contributing 5.8 and 4.2 percentage points, respectively, to the 14.6% change in revenue). Transfers continued to play a decisive role, reflecting the increase in compensation granted to local authorities for the property transfer tax (IMT) exemption on the purchase of owner-occupied homes by young people, as well as the increase in funds allocated under the Financial Regime for Local Authorities and Inter-municipal Entities (RFALEI) and the process of decentralisation of powers. This performance was accompanied by greater use of European funds to finance municipal investment. Tax revenue showed a particularly favourable trend (+13.0%), underpinned by the IMT, against a backdrop of strong activity in the property market, whilst the recurrent municipal property tax (IMI) recorded more moderate growth. Non-tax own revenue continued to make a positive contribution, with the performance of local taxes – notably the tourist tax – being particularly noteworthy.

Actual expenditure by local authorities (13.9 billion €) rose by 13% in 2025, driven mainly by capital expenditure, particularly investment. This growth was significant and benefited from an increase in European funds, including allocations linked to the Recovery and Resilience Plan (RRP). At the same time, primary current expenditure also rose, with particular emphasis on staff costs and the procurement of goods and services, linked to the process of decentralisation of powers, pay rises and higher operating costs. Despite the acceleration in the execution of capital expenditure compared with 2024, municipal budgets continued to overspend on this item, with a difference of 3.3 billion € between the budgeted and actual figures.

Outstanding expenditure worsened in 2025, reversing the improvement observed in the previous year. Non-financial liabilities and accounts payable increased by 114 M€ and 81 M€, respectively, reflecting primarily the dynamics of investment. Arrears almost stabilised, rising by just 2 M€ to 19 M€. Most municipalities continue to show low levels of arrears, with overdue payments concentrated in a limited number of them. The average payment period stabilised at 22 days, remaining broadly below the legal limit, although more than a fifth of local authorities exceed 30 days and there are still isolated cases of significantly longer payment periods.

The total debt of local authorities rose again in 2025, confirming the turn in the downward trend observed up to 2023. Excluding legal exceptions, debt rose by 204 M€, totalling 3,856 M€. This increase resulted from rising debt in approximately half of the local authorities, only partially offset by reductions in the remainder. Nevertheless, the overall situation remains relatively favourable. The vast majority of local authorities (300 out of 307 for which data is available) continue to comply with the statutory debt limits. The decrease in the debt ratio resulted primarily from the denominator effect arising from growth in current revenue, underpinned in part by the dynamism of the property market, which automatically expanded the applicable limits in absolute terms and consequently reduced the aggregate debt ratio.

Despite the generally positive situation, there are signs of strain in some financial sustainability indicators. The narrowing of the debt margin over the course of the year and the slight increase in over-indebtedness reflected situations in which some local authorities exceeded their usable margin. There are still cases of higher risk associated with particularly high levels of debt. Specifically, seven municipalities are above the total debt limit and, within this group, two are in a state of financial distress, revealing more pronounced vulnerabilities.

The fiscal performance of inter-municipal bodies is analysed for the first time. In line with the strengthening of these bodies' role in implementing public policies, particularly in the transport sector, they recorded a significant increase in their financial weight within the sub-sector, with actual revenue of 542 M€ and actual expenditure of 509 M€.

There remains a lack of high-quality information regarding municipal expenditure in the context of the decentralisation of powers. In 2025, central government transfers under the Decentralisation Financing Fund (FFD) totalled 1,419 M€, of which 1,170 M€ was allocated to the education sector.

In summary, local government maintained a favourable fiscal position in 2025, with surpluses and debt levels generally under control. This is an achievement for the country that must be preserved. In this context, it is essential to enhance transparency, improve the quality and timeliness of reporting, as well as to conduct a more in-depth assessment of the impact of decentralisation and to reassess the local financial framework, particularly the mechanisms for borrowing and financial recovery.

As part of the review of the legislative framework, it is essential to simplify the local financial system and explicitly strengthen the role of the CFP in monitoring the fiscal and financial situation of local authorities and inter-municipal bodies, as well as in the early warning of risks. The legislative framework has been characterised by successive amendments to the local financial regime and the extension of exceptional arrangements, which have allowed for greater flexibility – particularly in the financing of investments supported by European funds – but have also introduced greater complexity into the verification of compliance with fiscal rules and the monitoring of financial implementation. Recent experience shows that the CFP's involvement has been crucial in ensuring rigorous monitoring of local finances, contributing to greater transparency and accountability in fiscal management.

1. INTRODUCTION

The CFP's legal mandate and the framework for the report on local government

The CFP's Statutes, approved by Law No. 54/2011 of 19 October, confer upon it the responsibility for assessing compliance with fiscal rules and the financial situation of the autonomous regions and local authorities. In addition, the Fiscal Framework Law (LEO, Law No. 151/2015 of 11 September) stipulates that the CFP must also issue an opinion on compliance with the debt rules applicable to these sub-sectors. Within the scope of these powers, this report continues the CFP's annual publication dedicated to analysing fiscal and financial developments in local government (AL). The analysis is based on information produced in accordance with the Accounting Standards System for General Government (SNC-AP)[1] ; it should be noted that this report focuses on municipalities and does not cover the entire Local Government subsector.

Data limitations persist, despite improvements in the information reported by municipalities

Five years after the start of the implementation of the SNC-AP in this sub-sector[2] , there are still shortcomings in the timeliness and coverage of the information reported by the municipalities. Despite improvements observed compared with previous years, there are still instances of non-reporting.[3] To enhance the coverage of the municipalities analysed, preliminary data for the month of December were taken into account for 11 municipalities, rather than just the data included in the period designated as 'accountability', which were still undergoing validation by the DGAL. In specific cases, financial statements published by the municipalities were also consulted. Thus, in June 2026, in the report for 2025, the following reporting gaps were identified: data was missing from one municipality regarding fiscal execution, from two[4] regarding total debt, and from one regarding accrued expenditure. Consequently, the figures for the year 2025 are still provisional, including with regard to debt, particularly concerning information on contributions from associated entities, since in some cases the reported information does not yet correspond to definitive data and/or data validated by the DGAL. In the case of the average payment period (PMP), no information was available for nine municipalities.

The complexity and insufficiency of information make it difficult to assess the fiscal rules

Successive amendments to the financial regime governing local authorities and inter-municipal bodies (RFALEI), as well as to the legal framework for local business activity, combined with the suspension or temporary modification of rules – particularly in the

[1] Approved by Decree-Law No. 192/2015 of 11 September.

[2] Pursuant to Article 86 of Decree-Law No. 84/2019 of 28 June, which lays down the implementing rules for the State Budget for 2019, the entry into force of the SNC-AP for local government bodies has been postponed to 1 January 2020. The reporting of this information in SNC-AP utilises the Local Government Sub-sector Information System (SISAL) developed by the Directorate-General for Local Authorities (DGAL). The previous system (SIIAL, Integrated Information System for Local Authorities) contains data from 2010 to 2019 and remains in operation for the collection of certain data, notably that relating to current staff and the contribution of affiliated entities to the total municipal debt.

[3] In particular, Penedono. This local authority is in breach of its reporting obligations, as no information is available in SISAL regarding its fiscal implementation since 2020.

[4] Consequently, the CFP has relied on the financial statements published by the Municipality of Torres Vedras to make up for this lack of reporting.

area of municipal debt – have made it difficult to assess the fiscal rules applicable to the sub-sector, which are already complex by nature. Furthermore, the information reported, even when complete, is still insufficient to assess all the applicable fiscal rules. For example, in the case of the budget balance rule (Article 40(2) of the RFALEI), there is no specific information in SISAL, despite many municipalities including this assessment in their annual accounts. As part of the planned review of the Local Finance Act, it will be important to consider the merits and shortcomings of the current system. Nevertheless, a simplification of the rules appears to be a clear necessity.

Limitations in the analysis of the decentralisation of powers

The analysis of the process of decentralisation of powers, which began in 2018, continues to be hampered by limitations in the available data. Although a specific report has been created in the SISAL system relating to the Decentralisation Financing Fund (FFD), weaknesses remain in the coverage and quality of the data. Nevertheless, the resumption of the publication of the DGAL's half-yearly reports monitoring the decentralisation process is a positive development.

Transparency and accountability are essential and required by law

Accountability is a key element in ensuring the principle of transparency, as set out in Article 7(1) of the RFALEI: *"The financial activities of local authorities are subject to the principle of transparency, which entails a duty of mutual information between them and the State, as well as a duty to disclose information on their financial situation to citizens in an accessible and accurate manner."* This principle entails not only the exchange of information between the State and local authorities, but also the clear and accessible disclosure of their financial situation to citizens. Failure to comply with these reporting obligations may result in sanctions, including the withholding of part of the financial transfers from the State.[5] In addition to this reporting, local authorities must ensure the timely and accessible disclosure of their financial information to citizens, including budget estimates and financial statements, as well as decisions of a fiscal nature. Furthermore, the provision of expenditure by functional classification (COFOG) is essential for monitoring the development of public policies.

Structure of the report and sources of information used

The report is structured into four chapters, in addition to this Introduction. The first chapter analyses the fiscal implementation of local authorities using public fiscal accounting. The second chapter addresses outstanding expenditure, focusing on late payments and the average payment period (APP). The third chapter presents an indicative assessment of compliance with municipal debt limits. The fourth and final chapter brings together other aspects relevant to local government, including this year thematic analyses on the FFD and the fiscal performance of inter-municipal bodies. An

[5] Under the terms of Article 78(10) of the RFALEI, as amended by Law No. 82/2023 of 29 December (the State Budget Law for 2024), a percentage of the funds transferred to local authorities in respect of their share of State taxes and the FFD may be withheld. This withholding corresponds to 20% of one-twelfth of current transfers and the FFD, and is applied in the month following the determination of non-compliance, without prejudice to any adjustments defined annually in the decree-law on fiscal implementation. According to information from the DGAL, at the end of 2025, funds totalling €33.4 million relating to 47 municipalities were being withheld and had not been released, due to non-compliance with reporting obligations. These withholdings are recorded as expenditure incurred by the Central Government, but are only recognised as fiscal revenue by the municipalities when they are actually received.

appendix is provided alongside the report, containing information by municipality on the main indicators (MPT, total debt and overall balance). The analysis took into account the limitations of the available data.

The preparation of this report benefited from information and clarifications provided by the DGAL, supplemented by data taken from the financial statements published by the municipalities on their respective websites. The CFP would like to thank all the organisations that collaborated on this report, including the local authorities for the information they provided.

2. FISCAL IMPLEMENTATION (MUNICIPALITIES) ON A CASH BASIS

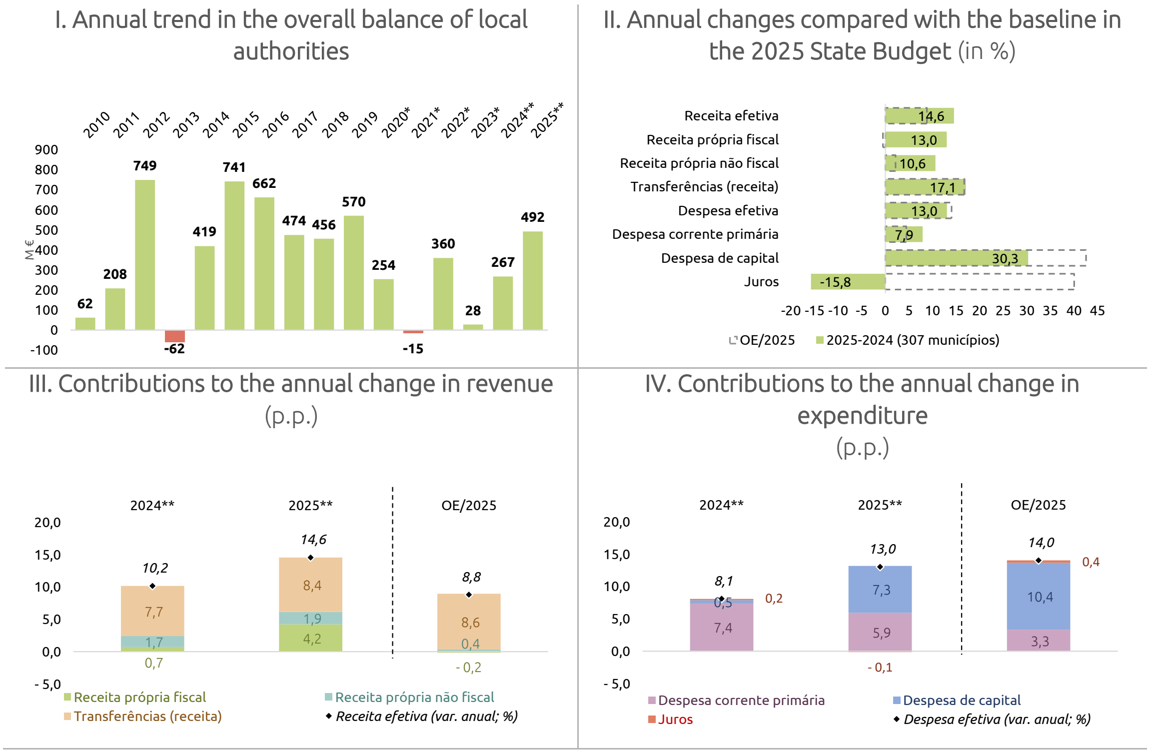
In 2025, from the perspective of fiscal accounting, local authorities once again strengthened their budgetary surplus position. According to the provisional data available for 307 of the 308 municipalities, a positive balance of 492 M€ was recorded. This surplus represents an increase of 224 M€ compared with the 267 M€ recorded for the same group of municipalities in 2024 (Chart 1, Panel I).[6] The balance calculated for 2025 based on DGAL data is slightly higher than the surplus of 452 M€ underlying the 2025 State Budget (OE/2025), published by the Ministry of Finance (MF) in the 2025 General State Account (CGE/2025). This trend confirms a pattern of positive balances since 2010, interrupted only in 2013 and 2021 (Chart 1, Panel I).

The increase in the fiscal balance resulted from revenue growing at a faster rate than expenditure. Actual revenue rose by 1,827 M€ (14.6%), more than offsetting the increase in actual expenditure of 1,602 M€ (13.0%) recorded for 2025 (Table 1). Compared with 2024, there was an acceleration in the growth of both revenue and expenditure (Chart 1, Panels III and IV). The increase in transfers received accounted for more than half of the growth in municipal revenue, to which was added the rise in other revenue categories, notably tax revenue. On the expenditure side, the main driver in 2025 was capital expenditure, particularly investment. Primary current expenditure also increased; however, it accounted for less than half of the change in expenditure.

The provisional assessment of local authorities' fiscal implementation in 2025 reveals some deviations from the forecast underlying the 2025 State Budget, particularly in terms of tax revenue and capital expenditure. The forecast underlying the 2025 State Budget, as set out in the 2025 General Economic Forecast, implied an 8.8% increase in actual revenue, driven by higher transfers. Actual expenditure in this subsector grew by 14.6%, 5.8 percentage points higher than expected, driven by better-than-expected tax revenue performance compared with the 2025 State Budget (Chart 1, Panel II). Actual expenditure grew by 13.0%, i.e. 1.0 percentage points less than implied in the 2025 State Budget (14.0%, Chart 1, Panel IV). This deviation stems mainly from capital expenditure, which recorded a growth rate of 30.3%, below the 42.6% underlying the 2025 State Budget, driven by investment expenditure, in particular the acquisition of capital goods. The trend in interest expenditure had a positive impact on the balance, contrary to what was forecast in the 2025 State Budget. Conversely, primary current expenditure increased more than forecast (7.9% vs. 4.4% in the 2025 State Budget).

[6] This larger fiscal surplus is consistent with the figures published in the 2025 General State Account (CGE/2025) for Local Authorities (strictly speaking, relating only to municipalities), although the latter reported a significantly higher surplus. The CGE/2025, published in May 2025, reports a balance of 1,385 M€ in 2025 and 999 M€ in 2024. The difference is explained, in particular, by transfers received, since the other aggregates, apart from transfers, are in line with each other. From the perspective of the national accounts (which take into account the accrual basis of accounting), and according to the data pu b licated by INE on 26 March 2026, the AL is estimated to have recorded a surplus of 767.2 M€ in 2025 and 333.8 M€ in 2024 (preliminary and provisional figures, respectively).

Chart 1 – Fiscal balance, contributions to changes in the balance, revenue and expenditure of local authorities in 2025



Sources: CGE/EO, SISAL/DGAL and CFP calculations. Notes: State Budget 2025 – Forecast underlying the State Budget 2025 relating to local authorities, as published in CGE/2025. * 308 municipalities for the years 2020 to 2023 (of which one – Penedono – is based on the local authority's financial statements, with the remainder based on data published by the DGAL in October 2025). ** For 307 municipalities. Data missing for Penedono.

The coexistence of a budget surplus with a projected deficit in municipal budgets stems essentially from the systematic over-budgeting of expenditure, particularly capital expenditure. The sum of the (adjusted) forecast figures included in the budgets of the 307 municipalities for which information is available pointed to capital expenditure of 7.1 billion €, which was 3.3 billion € higher than the amount actually spent. In primary current expenditure, the difference between the forecast and the actual expenditure is 1.7 billion €, of which 1.2 billion € relates to the purchase of current goods and services. This situation is largely explained by the need to include in the budgets commitments made in previous financial years, as described in detail in the CFP's Occasional Publication No. 3/2024, entitled 'Municipal fiscal forecasts in public accounting'. The approval of these expenditure appropriations was based on the expectation of a significant increase in capital transfers (+1.2 billion €, Table 1), in particular from European funds (+0.9 billion €, Table 9). In addition, the financing of the projected expenditure would be secured through the use of non-actual revenue, such as borrowing and the use of carry-overs from previous years. This mechanism ensured compliance with the principle of fiscal balance, according to which municipal budgets, presented from this accounting perspective, must forecast the total revenue necessary to cover all expenditure. The use of these sources of funding to cover actual expenditure explains the deficit of 4.4 billion € recorded across all municipal budgets for 2025 (1st column of Table 1).

Table 1 – Fiscal implementation of municipalities in 202 5

(M€, exceto quando indicado)

	Previsão OM/2025 (a)	Previsão municípios OE/2025 (b)	Execução (307 municípios)		Variação (307 municípios)			Var. anual implícita OE/2025 (%)
			2024	2025	Anual	Anual (%)	Contributo var. anual (p.p.)	
Receita corrente	11 575	12 079	10 957	12 297	1 340	12,2	10,7	8,2
Receita Fiscal	4 112	4 053	4 074	4 603	529	13,0	4,2	-0,5
Impostos diretos	4 095	4 033	4 052	4 590	539	13,3	4,3	-0,5
Imposto Municipal sobre Transmissões (IMT)	1 779	1 649	1 728	2 146	418	24,2	3,3	-4,6
Imposto Municipal sobre Imóveis (IMI)	1 530	1 540	1 500	1 589	89	5,9	0,7	2,6
Imposto Único de Circulação (IUC)	335	353	341	357	15	4,5	0,1	3,4
Derrama	449	490	481	496	14	3,0	0,1	1,9
Impostos indiretos[c]	17	20	22	12	-10	-43,6	-0,1	-9,6
Taxas, Multas e Outras Penalidades	623	599	583	761	178	30,6	1,4	2,9
Transferências Correntes	5 025	5 760	4 715	5 270	555	11,8	4,4	17,0
"Outras receitas correntes" [d]	1 815	1 667	1 586	1 664	78	4,9	0,6	-18,8
Receita de capital	2 885	2 170	1 591	2 078	487	30,6	3,9	12,5
Venda de Bens de Investimento	109	49	98	79	-19	-19,2	-0,1	-50,1
Transferências de Capital	2 664	2 095	1 468	1 968	500	34,1	4,0	16,0
Outras receitas de capital	112	26	25	31	5	20,3	0,0	3,7
Receita Efetiva	14 460	14 249	12 549	14 375	1 827	14,6	14,6	8,8
… da qual receita própria [rec. efetiva - transf.]	*6 771*	*6 394*	*6 365*	*7 137*	*772*	*12,1*	*6,2*	*0,4*
… da qual receita própria não fiscal	*2 659*	*2 341*	*2 292*	*2 534*	*243*	*10,6*	*1,9*	*2,1*
… da qual transferências [correntes e de capital]	*7 689*	*7 855*	*6 184*	*7 238*	*1 055*	*17,1*	*8,4*	*16,7*
Despesa Primária	18 788	13 643	12 171	13 791	1 619	13,3	13,2	13,8
Despesa Corrente Primária	11 643	9 443	9 226	9 954	728	7,9	5,9	4,4
Despesas com o pessoal	4 575	4 137	3 983	4 336	353	8,9	2,9	3,8
Aquisição de bens e serviços	4 893	3 669	3 452	3 702	250	7,2	2,0	6,2
Transferências correntes	1 591	1 170	1 342	1 411	69	5,1	0,6	1,5
Subsídios	350	245	274	333	59	21,5	0,5	-10,7
Outras despesas correntes	234	223	175	173	-2	-1,4	0,0	27,1
Despesa de Capital	7 145	4 200	2 945	3 837	891	30,3	7,3	42,6
Aquisição de bens de capital	6 502	3 905	2 579	3 401	822	31,9	6,7	51,3
Transferências de capital	603	294	340	411	71	20,8	0,6	-13,4
Outras despesas de capital	41	1	26	25	-1	-5,4	0,0	-95,3
Juros e outros encargos	115	154	110	92	-17	-15,8	-0,1	40,1
Despesa efetiva	18 903	13 797	12 281	13 883	1 602	13,0	13,0	14,0
Saldo global	-4 443	452	267	492	224			
Por memória								
Transf. da Adm. Central [Receita]	5 748	6 527	5 303	6 029	726	13,7	5,8	11,7
Transferências do OE [Receita]	5 396	4 076	5 085	5 596	511	10,0	4,1	20,9
Lei das Finanças Locais [Receita]	3 743	4 076	3 634	3 994	360	9,9	2,9	20,9
União Europeia [Receita]	1 814	926	805	1 115	311	38,6	2,5	15,0
Transferências [Despesa]	2 194	1 464	1 682	1 822	140	8,3	1,1	-1,9
Transferências para subsectores das AP [Despesa]	1 038	554	802	867	65	8,1	0,5	-8,4
Freguesias [Despesa]	704	n.d.	555	617	62	11,2	0,5	-
Pessoal ao serviço no final do período [e]			172 895	177 104	4 209	2,4		
Afetos à área da educação			*58 054*	*59 045*	*991*	*1,7*		
dos quais pagos pelo Ministério da Educação [f]			*38 282*	*39 316*	*1 034*	*2,7*		
Outros			*114 841*	*118 059*	*3 218*	*2,8*		

Sources: CGE/EO, SISAL/DGAL and own calculations. Notes: n.a.: not available. (a) Sum of the adjusted revenue and expenditure forecasts and appropriations for the 307 municipal budgets (MBs). (b) Forecast underlying the State Budget for 2025 (OE/2025) from the perspective of fiscal budgetary accounting. The amount of the share of PIT provided for in the OE/2025 does not include municipalities in the Autonomous Regions (source: General State Account for 2025 – CGE/2025). (c) With the entry into force of the SNC-AP in 2020, the accounting treatment of specific local authority charges is based exclusively on the nature of the levy (indirect tax or charge) and not on its recipients (legal entities or individuals). (d) Sales of goods and services, property income, non-deductible reimbursements (RNAP) and other current revenue. (e) Number of employees at the end of each year (source: SIIAL, last updated: 19 March 2026). (f) Employees paid by local authorities (OM) for whom the Ministry of Education provides co-funding.

Revenue

The **increase in municipal revenue in 2025 was driven by higher grant payments and growth in tax revenue.** Revenue from transfers accounted for more than half of the change in revenue (8.4 p.p. of the 14.6% increase), with transfers from central government (5.8 p.p.) and transfers from European funds (2.5 p.p.) being particularly significant – (Chart 1, Panel III). Tax revenue accounts for 4.2 p.p. of the growth in revenue, i.e. more than a quarter of the total change. Non-tax own revenue (which includes revenue from fees) contributed 1.9 p.p. to the increase in revenue, a more moderate impact, but still slightly higher than in the previous year.

In 2025, the increase in local authority revenue was due to equivalent contributions from current transfers and capital transfers. Current transfers benefited primarily from increased funding from central government. Of particular note, amongst others, are the transfers made under the LFL, including the 'surplus' amount provided for in Article 35(3) of the RFALEI[7] , the compensation granted to local authorities for lost revenue resulting from the exemption from property transfer tax (IMT) on the purchase of owner-occupied and permanent housing by young people up to the age of 35[8] , and also the compensation for amounts associated with the decentralisation process (see Table 9). As regards capital transfers, more than half of the 500 M€ increase resulted from European funds allocated to finance municipal investment, with the remainder coming from capital transfers under the LFL.

Transfers under the LFL, arising from local authorities' share of central government taxes—both current and capital—rose by 9.9% (or 360 M€) in 2025, to 3,994 M€ (Table 1). This trend was driven primarily by the increase in funds transferred under the aforementioned 'surplus'.[9] This amount corresponds to the difference between the total revenue to be distributed amongst municipalities, as defined under Article 25 of the RFALEI, and the figure resulting from the application of the distribution rules set out in Articles 26 to 34 to all municipalities.[10]

EU transfers rose by 38.6% (311 M€) to 1,115 M€, showing a significant acceleration compared with 2024. This performance was mainly driven by the increase in capital transfers intended to co-finance municipal investment, which rose by 298 M€, reflecting greater use of European funds to finance investment projects (Table 9, attached).

Municipal tax revenue increased by 13.0% (529 M€) in 2025 to 4,603 M€, driven mainly by the favourable performance of the IMT. This development represents an acceleration in tax revenue growth compared with 2024, when it grew by 2.1%. This rate contrasts with the slight decrease of 0.5% underlying the 2025 State Budget, which had implicitly assumed a decline in IMT revenue. On the contrary, revenue from this tax grew by 24.2% in 2025, accounting for almost four-fifths of the increase in tax

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[7] The RFALEI stipulates that each municipality's share of State taxes must not result in an increase of more than 5% on the previous year's figure (Article 35(1)). Whenever this limit is exceeded, the compensation mechanism provided for in paragraph 2 shall first be applied to ensure the minimum amounts set out in paragraph 1(a). Any remaining amount resulting from the application of the provisions of paragraphs 1 and 2, if any, constitutes the so-called 'surplus', which is distributed as follows: 50% proportionally amongst the municipalities whose share has decreased compared with the previous year; 50% proportionally amongst the municipalities which, for three consecutive years, have not maintained a per capita municipal tax revenue higher than the national average. Under the terms of the RFALEI, this sum would be treated as a capital transfer. Exceptionally, paragraph 11 of Article 52 of Law No. 82/2023 of 29 December, which approved the 2024 State Budget, stipulated that only 50% would be classified as such in 2024, meaning that the remaining 50% would be recorded as a current transfer. This provision was replicated in Law No. 45-A/2024 of 31 December, which approved the 2025 State Budget.

[8] Pursuant to Decree-Law No. 48-A/2024 of 25 July. It should be noted that in the calculation carried out by the CFP (and in line with that presented by the Ministry of Finance in the CGE/2025), this compensation, totalling 158.7 M€ in 2025, was accounted for as a transfer from the State, contrary to what was initially considered, which classified it as tax revenue. Please refer, in this regard, to the CCDRLVT's note on this matter.

[9] Increases of 141 M€ in current expenditure and 149 M€ in capital expenditure (Table 9).

[10] See, in this regard, the DGAL's explanatory note on the allocation of public resources between the State and local authorities, dated June 2022.

revenue. The performance of the IMT, which resulted in a revenue increase of 418 M€, is closely linked to trends in the property market.[11] The Municipal Property Tax (IMI), the second most significant local tax, also performed well, with an increase of 5.9%, likewise exceeding initial forecasts.[12]

Non-tax own revenue saw an acceleration in growth in 2025. This aggregate grew by 10.6% to 2,534 M€, exceeding the rate observed in 2024 (9.2%). This trend is driven by revenue from fees, fines and other penalties, which recorded a year-on-year increase of 30.6% (Table 1). Almost half of this increase was attributable to the tourist tax, revenue from which almost doubled, rising from 94 M€ in 2024 to 174 M€ in 2025.[13] Fees applicable to land subdivisions and construction works, which remain the largest category (262 M€ in revenue in 2025), also saw an increase of 42 M€. Meanwhile, revenue from the sale of goods and services grew by 5.9 % in 2025 (Table 9), reflecting mainly the increase in the provision of services, particularly in the field of solid waste treatment.

Expenditure

In 2025, capital expenditure (3,837 M€) was the component that drove the increase in expenditure the most. This expenditure category rose by 30.3% (891 M€), compared with 2.1% in 2024, accounting for more than half of the increase in expenditure in 2025. Primary current expenditure, with a growth rate of 7.9%, slowed compared with the 10% recorded a year earlier, contributing 5.9 p.p. to the 13.0% growth rate in expenditure in 2025 (Chart 1, Panel IV and Table 1). Interest charges fell by 15.8%, contributing (-0.1 percentage points) to curbing the growth of local government expenditure.

The increase in primary current expenditure in 2025 to 9,954 M€ was driven primarily by expenditure on staff and on the procurement of goods and services. Staff costs rose by 8.9% (353 M€), driving the growth in municipal expenditure by 2.9 p.p.. This trend reflects the pay rises that took place in 2025, affecting all public administration employees – including increases to the basic monthly salary and the guaranteed minimum monthly wage, as well as pay increments and promotions – and also the rise in staff numbers. In fact, the number of employees working for the 307 municipalities for which data is available rose by 2.4% in 2025 (an increase of 4,209 people), against a backdrop still marked by the effects of the decentralisation process.[14] Expenditure on

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[11] According to INE (Housing Price Index, 23 June 2026), the number of transactions involving family homes rose by 8.6% in 2025. The value stood at 41.2 billion € (33.8 billion € in 2024), representing an increase of 21.7%.

[12] As for the IMI (Property Tax), the 2025 State Budget forecast an increase of 2.6%, whilst the aggregate of municipal budgets implies a growth of 2.0%.

[13] Lisbon, Porto and Funchal account for almost three-quarters of this revenue (73%), totalling 127 M€.

[14] The increase in staff costs resulting from the decentralisation process is, to a large extent, financed by transfers from central government, with staff in the education sector being of particular significance. Excluding these workers, the increase in volume would be slightly higher (2.8%, or 3,218 more jobs), a figure comparable to the provisional data published by the DGAEP (since the latter counts workers paid by the central government in this sub-sector rather than within local government). It should be noted that, based on data from the DGAL, almost 29,000 workers were transferred to local authorities in the education sector between 2020 and 2022, of whom 17,000 were transferred in 2022,

the procurement of goods and services rose by 7.2% (250 M€), in line with the underlying change in the 2025 State Budget for municipalities (6.2%), although below the allocations set out in the municipal budgets, reflecting an average implementation rate of 76%. This trend was driven primarily by increases in expenditure on specialised works and other services, and on cleaning and hygiene, which together accounted for almost two-thirds of the rise in expenditure on the procurement of services. In the goods procurement component, the largest increases were recorded in expenditure on water, goods for sale and prepared meals.

The strong growth in local authorities' capital expenditure in 2025 was driven primarily by investment, financed largely by European funds. Municipal investment grew by 31.9% (822 M€), reaching approximately 3.4 billion in 2025. This growth was fuelled by an increase in funding from EU funds, notably the RRP. Revenue associated with the co-financing of investment projects rose by 40.8% (almost 300 M€). Among the main areas of investment, increases in expenditure on buildings and housing stand out, rising by 291 M€ and 270 M€ respectively, as well as on schools, which saw an increase of 185 M€. This trend is linked to funding from the RRP, which is directed towards programmes supporting housing, the refurbishment of educational establishments and the promotion of energy efficiency in buildings. In other capital expenditure, transfers increased by 20.8% (71 M€) in 2025, with more than half of this increase allocated to parishes (Table 9).

The available information continues to prove insufficient to quantify, in a robust and rigorous manner, the expenditure by local authorities directly associated with the process of decentralisation of powers. This limitation is largely due to constraints regarding the availability, coverage and quality of the data, as already highlighted in previous reports. Despite some recent progress, notably in the increase in the number of local authorities reporting information, significant weaknesses remain that affect the reliability of the analysis. Indeed, according to the DGAL, the current level of participation and data quality remains insufficient to support sound conclusions. Notwithstanding the above, section 5.1 of this Report addresses the implementation of the FFD in 2025, based on the transfers made by the State in the various areas covered. It should be noted, in this regard, that the decentralisation process should also help to strengthen the fiscal autonomy of local authorities. A greater share of revenue allocated at local level tends to promote greater accountability in spending decisions, thereby encouraging efficiency in the use of funds.

the year in which this process was completed. In the health sector, almost 2,000 workers have been transferred since the start of the process. Furthermore, the exercise of decentralised powers may entail adjustments to the number of workers at municipal level, notably through increases in staffing levels in the transferred areas.

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3. EXPENDITURE PAYABLE

3.1 Non-financial liabilities, accounts payable and payments in arrears

In 2025, improvements were noted in the information available for analysing outstanding expenditure, although limitations remain, notably because the data is still incomplete and provisional in nature. Only the municipality of Penedono failed to submit any information for 2024 and 2025 (table 'Debts to Third Parties by Age of Balances' – DTAS), with the last report dating from November 2020. Consequently, for December 2024 and 2025, data were available for 307 of the 308 municipalities, an improvement on previous reports. The CFP's access to SISAL helps to mitigate some of these limitations, as it provides data simultaneously by municipality and by economic classification. To ensure comparability throughout the analysis period, the *stock figure* from the previous month was used for each variable where no monthly report was available. Where data for the 'Accounts' period were unavailable, the December figures were used. These limitations must be borne in mind when interpreting the data; they also make it difficult to obtain comparable data from local government bodies other than municipalities.

The information obtained by the CFP points to an increase in non-financial liabilities, accounts payable and arrears in 2025. Excluding flows between general government entities, non-financial liabilities and accounts payable – which correspond to debt that is due or falling due – are projected to have increased by 114 M€ and 81 M€ respectively, reaching 1,115 M€ and 566 M€ (Table 2 and the left-hand panel of Chart 2).[15] This development is largely explained by the acquisition of capital goods, which contributed to increases of 94 M€ in liabilities and 72 M€ in accounts payable, more than offsetting the decrease in interest charges of 20 M€ and 12 M€, respectively. Also noteworthy is the 21 M€ increase in non-financial liabilities and accounts payable associated with expenditure on the purchase of goods and services. With regard to non-cash expenditure relating to the repayment of financial liabilities (which includes the amortisation of medium- and long-term loans), the available information points to an increase of 65 M€ in both liabilities and accounts payable; however, there were no late payments recorded in respect of this expenditure.

Overdue payments rose slightly in 2025 compared with 2024. These payments, which correspond to the overdue portion of accounts payable where the payment delay exceeds 90 days,[16] reached 19 M€ at the end of 2025, an increase of 14.1% (2.4 M€). The acquisition of capital goods contributed 1.8 M€ to this increase, whilst interest charges and the purchase of goods and services each contributed 0.4 M€. It should be noted that, since December 2024, the Municipality of Vila Real de Santo António (VRSA) has been taking into account debt due to fall due rather than overdue debt, in the

[15] Taking into account the data available in CGE/2025, by the end of 2025, the municipalities' non-financial liabilities as calculated by the CFP represent approximately 98% of the total recorded by the Fiscal Authority for Local Government (90% for arrears).

[16] Taking into account the legislation applicable at the time. See section 3.2 of this Report.

context of delays in repaying loans granted to the Municipality by the State under the Local Economy Support Programme (PAEL).[17]

Table 2 – Municipalities' outstanding expenditure

DESPESA POR PAGAR DOS MUNICÍPIOS												
	PASSIVOS NÃO FINANCEIROS				CONTAS A PAGAR				PAGAMENTOS EM ATRASO			
Unidade: milhões de euros, exceto quando indicado	Stock (acumulado)		Variação anual:		Stock (acumulado)		Variação anual:		Stock (acumulado)		Variação anual:	
	jan-dez/24	jan-dez/25	M€	% (t.v.h.)	jan-dez/24	jan-dez/25	M€	% (t.v.h.)	jan-dez/24	jan-dez/25	M€	% (t.v.h.)
Despesa primária	981	1 113	133	13,5%	447	532	85	19,0%	19	21	2	11,1%
Despesa corrente Primária	741	778	37	5,0%	288	303	15	5,4%	14	14	0	2,9%
Despesa com Pessoal	207	222	14	7,0%	57	59	2	2,7%	0	0	0	-27,9%
Rem. Certas e Perm.	155	167	12	8,0%	34	37	3	8,0%	0	0	0	-61,6%
Abonos variáveis e eventuais	3	3	1	19,2%	2	2	0	0,5%	0	0	0	24,2%
Seg. Social *das quais*:	48	49	2	3,5%	20	19	-1	-4,3%	0	0	0	-21,1%
Encargos com Saúde	*4*	*2*	*-2*	*-44,8%*	*2*	*0*	*-1*	*-79,2%*	*0*	*0*	*0*	*-100,0%*
Contrib. de Seg. Social	*44*	*47*	*3*	*7,5%*	*18*	*18*	*1*	*2,6%*	*0*	*0*	*0*	*5101,4%*
Outras desp. c/ pessoal	20	21	1	2,5%	8	8	0	-2,7%	0	0	0 -	
Aq. de Bens e Serviços	335	356	21	6,2%	197	218	21	10,8%	11	12	0	3,1%
Transf. Correntes	39	38	-1	-2,7%	24	18	-6	-26,1%	2	2	0	0,9%
Para Adm. Públicas	18	15	-3	-17,3%	13	8	-5	-41,4%	2	2	0	13,3%
Para fora das Adm. Públicas	21	23	2	10,4%	11	10	-1	-8,5%	1	0	0	-38,1%
Outra despesa Corr. primária	159	163	3	2,0%	9	8	-1	-12,0%	0	0	0	13,9%
Despesa de Capital	240	335	95	39,7%	159	229	70	43,8%	5	7	2	33,5%
Aq. de Bens de Capital	174	268	94	54,1%	126	198	72	57,2%	5	6	2	38,6%
Transf. Capital	41	40	-1	-1,5%	33	31	-3	-8,1%	0	0	0	-37,5%
Para Adm. Públicas	8	9	1	5,8%	7	6	-1	-18,0%	0	0	0	-37,1%
Para fora das Adm. Públicas	32	31	-1	-3,4%	26	24	-1	-5,3%	0	0	0	-39,9%
Outra despesa de capital	25	27	2	7,7%	0	1	0	178,4%	0	0	0	-
Juros	93	73	-20	-21,2%	78	66	-12	-15,1%	0	1	0	155,2%
Despesa Efetiva	1 074	1 187	113	10,5%	525	598	73	13,9%	19	22	3	13,2%
Despesa Efetiva (consolidada)*	1 001	1 115	114	11,4%	485	566	81	16,6%	17	19	2	14,1%
Por memória	*PASSIVOS*				*CONTAS A PAGAR*				*PAGAMENTOS EM ATRASO*			
Aquisição de ativos financeiros	*0*	*0*	*0*	*-10,0%*	*0*	*0*	*0*	*-71,2%*	*0*	*0*	*0*	*0,0%*
Reembolsos de passivos financeiros	*788*	*853*	*65*	*8,3%*	*796*	*861*	*65*	*8,2%*	*0*	*0*	*0*	*-*
Despesa Não Efetiva	*789*	*854*	*65*	*8,3%*	*796*	*861*	*65*	*8,2%*	*0*	*0*	*0*	*0,0%*
Despesa Total	*1 863*	*2 041*	*178*	*9,6%*	*1 321*	*1 460*	*138*	*10,5%*	*19*	*22*	*3*	*13,2%*

**Excluindo transferências e outros fluxos (parte dos encargos com saúde e contribuições de segurança social) dirigidos a entidades das Administrações Públicas.*

Source: SISAL. CFP calculations. | Note: The table was compiled using the previous month's *stock* for each variable where the report for that month was not available for the municipality in question, in order to address gaps in the reporting of underlying data.

Between the end of 2024 and 2025, the number of local authorities with outstanding payments (OP) will have fallen from 36 to 35, following a reduction of 11 local authorities in the 2023/24 biennium. According to the available data, 272 of the 307[18] municipalities had no outstanding payments at the end of 2025. There were 18 municipalities where this *stock* increased by 8.5 M€, of which the municipality of Setúbal accounted for more than half (4.7 M€), having already recorded an increase of 2.0 M€ in 2024 (Table 10). Évora, which had no arrears in 2023, recorded an increase of 2.5 M€ compared with 2024, bringing the total to 5.0 M€ by the end of 2025.[19] Conversely, 26 municipalities recorded reductions in their *stock* of arrears, totalling 6.0 M€. Notable within this group are Tábua (-1.8 M€), Ribeira de Pena (-0.9 M€) and Tarouca (-0.9 M€). Of those 26 municipalities, nine no longer had outstanding payments during 2025, with the aforementioned decrease in Ribeira de Pena standing out.[20]

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[17] In November 2024, VRSA recorded arrears under this heading of 9.2 M€. In December 2025, the amount recorded as debt due was 11 M€.

[18] The municipality of Penedono is not included in the figures due to a lack of information. In the 2024 financial statements, the municipality did not record any outstanding payments for that year.

[19] In 2025, eight municipalities began reporting arrears compared with 2024: Alfândega da Fé (0.2 M€), Golegã and Sabrosa (both 0.1 M€), and Castanheira de Pêra, Gouveia, Ponta do Sol, Santa Cruz and Terras de Bouro (all below 0.1 M€).

[20] The remaining municipalities that no longer had PA were: Freixo de Espada à Cinta (0.3 M€), Nelas (0.1 M€), whilst the following six municipalities recorded PA in 2024 below 0.1 M€, i.e. with residual amounts (Idanha-a-Nova, Lousada, Mação, Montemor-o-Velho, Resende and Tomar).

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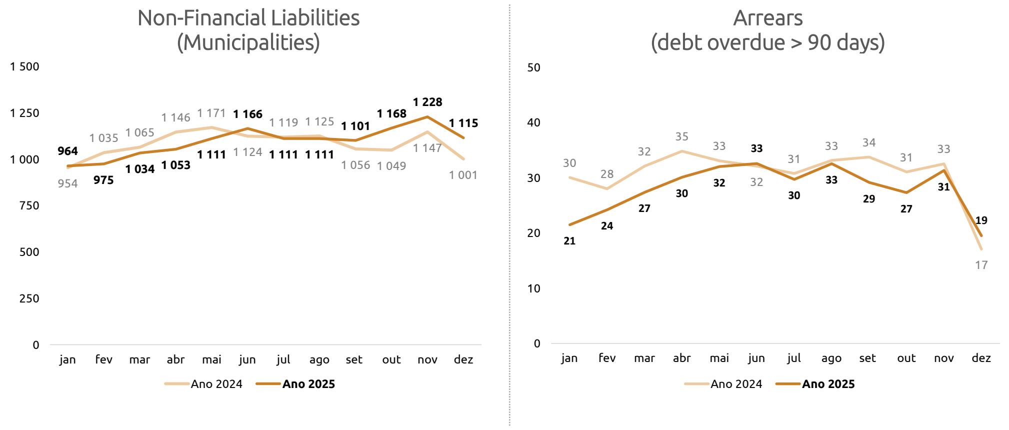
Chart 2 – Trend in the Stock of Non-Financial Liabilities and Arrears (M€)



Source: SISAL and CFP calculations. | Note: The data relate to actual expenditure excluding transfers and other flows to general government entities (the 'Actual Expenditure (consolidated)' line in Table 2).

Of the 14 municipalities that received financial assistance from the Municipal Support Fund (FAM), only three still had outstanding payments at the end of 2025. Of these municipalities (Alfândega da Fé, Vila Nova de Poiares and Vila Real de Santo António), all recorded increases, albeit with amounts of less than 0.2 M€ at the end of the year. Freixo de Espada à Cinta, which joined the list of FAM beneficiaries in 2024, no longer had any arrears, representing a reduction of 0.3 M€. In 2023, prior to receiving financial assistance from the FAM, this municipality had 3.5 M€ in arrears. Consequently, in 2025, these 14 municipalities collectively saw a slight increase in arrears of 0.1 M€, reaching a total of 0.5 M€.

A small number of local authorities account for the bulk of arrears, although these remain at relatively manageable levels relative to revenue. By the end of 2025, only four local authorities had arrears exceeding 1 M€. Table 3 lists these local authorities, as well as the proportion of arrears relative to actual net revenue collected. It can be inferred that, at the end of 2025, these four municipalities – one fewer than in December 2024[21] –, collectively accounted for 81% of the debt that was overdue and had remained unpaid for more than 90 days. In none of these municipalities do arrears account for more than 10% of actual revenue collected in 2025, reflecting a clear improvement in this indicator compared with 2024, when three municipalities exceeded that threshold.

[21] The municipality of Tarouca fell below the one-million-euro threshold (0.9 M€ at the end of 2025).

Table 3 – Municipalities with arrears exceeding 1 M€ at the end of 2025

MUNICÍPIO	Pagamentos em atraso (PA)						Receita efetiva (RE) 2025	$PA_{31.12.2025} \div RE_{2025}$
	31.12.2023	30.06.2024	31.12.2024	30.06.2025	31.12.2025	Variação em 2025		
ÉVORA		3,9	2,5	7,4	5,0	2,5	64,5	7,7%
SANTA COMBA DÃO	1,4	1,9	1,7	1,7	1,1	-0,6	12,9	8,6%
SETÚBAL	3,0	13,0	5,0	9,9	9,7	4,7	129,4	7,5%
TÁBUA	4,4	4,9	3,4	3,1	1,7	-1,8	19,1	8,7%
SUBTOTAL (municípios com PA>1M€ em 31.12.2025)	8,8	23,7	12,6	22,0	17,4	4,8	225,9	7,7%
RESTANTES MUNICÍPIOS	28,1	20,6	6,4	14,1	4,1	-2,3	14 149,4	0,0%
TOTAL	36,9	44,3	19,0	36,1	21,6	2,5	14 375,3 *	0,1%
Peso municípios com PA>1M€ em 31.12.2025 (% do total)	23,9%	53,4%	66,3%	60,9%	80,9%	-	1,6%	-

Source: SISAL and CFP calculations. | Note: Table 10 contains data for all municipalities with recorded arrears during the period shown. The figures do not include consolidated arrears for other general government entities. * Relating to 307 municipalities.

3.2 Average payment period (APP)

The average time taken by an entity to settle its obligations to suppliers is an indicator commonly used to measure payment difficulties. For Portuguese municipalities, a formula for calculating the MPT is laid down by law (see the explanatory note available on the CFP website).

The provisional nature of the data relating to the PMP affects how it should be interpreted. The DGAL provided the CFP with the data on which the information published on 27 April 2026 was based. According to that Directorate-General, the municipalities are responsible for the data provided, with the PMP being calculated on the basis of the information submitted by them via SISAL; work is currently underway to validate the reported information, which may lead to revisions of the published data. As regards 2025, information from nine local authorities was still missing, an improvement on the 17 in 2024 and the 34 in 2023. For the years 2020 to 2024, only the municipality of Penedono has yet to report the necessary data. In the remaining municipalities with missing information, the simple arithmetic mean of the PMP in 2024 was 32 days, with the municipality of Évora recording a PMP of over 90 days (114) in that year.[22] Within this group of municipalities with no reported data, Aljustrel and Moimenta da Beira also stand out, as they had PMPs exceeding 30 days at the end of 2024.

In accordance with Decree-Law No. 62/2013 of 10 May, which transposes Directive 2011/7/EU into national law, payments in commercial transactions must, as a general rule, be made within a maximum of 30 days and may under no circumstances exceed 60 days. To bring the law into line with these provisions, Law No. 24/2026 of 1 June amended Law No. 8/2012 of 21 February (the Law on Obligations and Late Payments – LCPA),[23] , establishing that public entities automatically fall into default 30 days after the contractual deadline. From that point onwards, suppliers are entitled to interest on late payments, subject to expressly provided exceptions – notably due to the specific

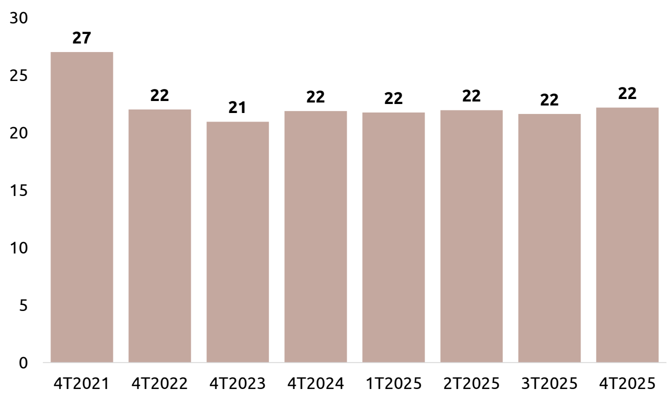
[22] In Évora's 2025 Financial Statement, the average payment period (PMP) in 2024 was 104 days, rising to 137 days by the end of 2025.

[23] Legislation approving the rules governing the entering into of commitments and late payments by public bodies.

nature or characteristics of the contract and in the health sector, where payment terms may differ but must never exceed 60 days. This amendment reinforces discipline in meeting payment deadlines, implying stricter monitoring of municipalities' cash flow management.

Up to the end of 2025, and according to the available data, the simple average of the PMP remained at 22 days, in line with 2024 and just one day above the figure recorded in 2023.[24] Taking into account the new data series available and excluding the year 2020, this indicator has stabilised over the last three years, with quarterly variations ranging between 20 and 23 days. It should be noted that, since the second quarter of 2021, the PMP has remained, on average, below the 30-day threshold established as a benchmark for the payment of commercial transactions. In 2025, this situation persists, showing a margin relative to this threshold (Chart 3). The average, however, reflects varying circumstances across municipalities.

Figure 3 – Trend in the simple average PMP for municipalities, by quarter, 2021 to 2025 (number of days)



Source: DGAL, based on data reported by municipalities via SISAL (data extracted by DGAL on 27 April 2026).

By the end of 2025, more than a fifth of the municipalities for which data was available had a PMP exceeding 30 days. In absolute terms, 64 municipalities were above this threshold. Of these, only seven of the 299 municipalities with reported data had a PMP exceeding 90 days, one more municipality than the six recorded at the end of 2024 (Table 4). It is worth noting, however, that no municipality had a PMP exceeding 180 days (there were two at the end of 2024). Despite the stabilisation in the trend of the indicator, by the end of 2025 there were 21 municipalities with a PMP above 60 days, one more than at the end of 2024 (final section of Table 4).

[24] When analysing the weighted average PMP, the trend is more pronounced: 17 days in 2023, 19 days in 2024 and 22 days in 2025.

Table 4 – Number of municipalities by PMP brackets, 2023–20 2 5

PMP	2.º semestre 2023	1.º semestre 2024	2.º semestre 2024	1.º semestre 2025	2.º semestre 2025
> 1 ano	0	0	0	0	0
> 6 meses mas < 1 ano	2	0	2	1	0
> 90 dias mas < 6 meses	10	9	4	6	7
Subtotal > 90 dias	12	9	6	7	7
< 90 dias	295	298	301	299	292
< 60 dias	287	285	287	290	278
< 30 dias	249	247	244	237	235
TOTAL	307	307	307	306	299
Subtotal > 30 dias	58	60	63	69	64

Lista dos municípios com PMP ≤ 2 dias no final de 2025 (n.º dias, valores arredondados)

12 Municípios:
Azambuja, Vimioso (0);
Barrancos, Corvo, Lagoa (Algarve), Miranda do Douro, Nordeste, Ribeira Brava, Santana (1);
Alandroal, Calheta (São Jorge), Penalva do Castelo (2).

Lista dos municípios com PMP > 2 meses no final de 2025 (n.º dias, valores arredondados)

> 90 dias mas < 6 meses	7 Municípios: Setúbal (174), Melgaço (115), Caminha (110), Esposende (110), Tábua (110), Tarouca (105) e Santa Comba Dão (104)
> 60 dias mas < 90 dias	14 Municípios: Gondomar (88), Belmonte (85), Fundão (82), Vila Real de Santo António (76), Barreiro (76), Sesimbra (73), Tabuaço (71), Vagos (71), São Vicente (69), Viana do Castelo (68), Moita (67), Castanheira de Pêra (64), Nelas (63) e Sever do Vouga (62).

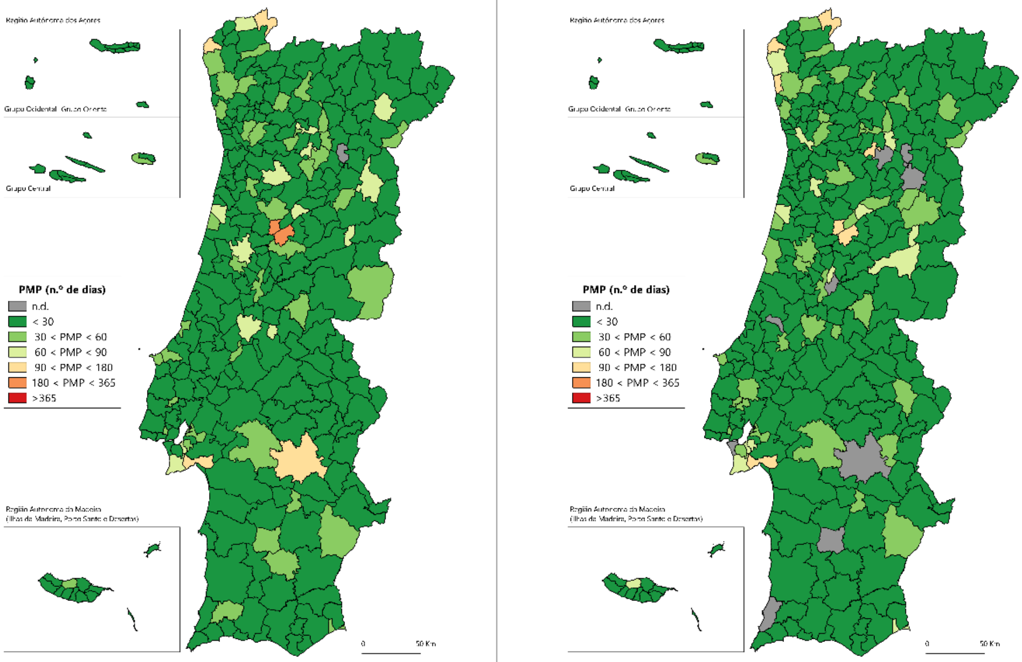
Source: DGAL, based on data reported by the municipalities via SISAL (date of extraction by DGAL: 27 April 2026).

In **the 2024/25 biennium, some municipalities significantly reduced their PMP**. Of particular note are the municipalities of Tábua and Santa Comba Dão, which recorded reductions of more than 90 days – 134 and 107 days, respectively. Despite this sharp reduction, both municipalities continue to have an average processing time of more than three months (110 and 104 days, respectively), having recorded an average processing time of more than six months in 2024. Also noteworthy is the municipality of Melgaço, which, although it recorded a 38-day reduction in the PMP, remains, as in the previous year, in the bracket of more than 90 days but less than six months. The maps shown in Figure 1 have been produced to illustrate the evolution of the PMP by municipality over the two-year period.

More **than half of the municipalities saw their PMP worsen, with some of them exceeding the 90-day limit.** Of the group mentioned above, comprising seven municipalities with a PMP of more than 90 days but less than six months, Esposende stands out, recording a PMP of 110 days, compared with just 29 days at the end of 2024 and 14 days at the end of 2023. This increase of 81 days is the largest recorded in 2025, followed by Gondomar and Fundão (61 and 60 days respectively). Despite the sharp deterioration in PMP figures, both municipalities still remain in the bracket of less than 90 days but more than 60.

Figure 1 – Territorial distribution of the PMP, 2024 and 2025

December 2024 | December 2025



Source: DGAL, based on data reported by the municipalities via SISAL (data extraction date: 27 April 26). | Calculations and cartographic processing by the CFP. The cartographic base corresponds to the Official Administrative Map of Portugal (CAOP.v2018), provided by the Directorate-General for the Territory. n.a. – Information not available. Municipalities with no data for 2025: Aljezur, Aljustrel, Almada, Batalha, Évora, Moimenta da Beira, Pedrogão Grande, Penedono and Trancoso.

Despite the relevance of the PMP as an indicator and the progress made in the transition from POCAL to SNC-AP, weaknesses remain that make it difficult to interpret and compare. These limitations are exacerbated by the existence of missing data or data that has yet to be validated. On the one hand, the method used to calculate the PMP is not uniform across the various public administration subsectors. In local authorities, the calculation is based on information from asset-based accounting, whilst in central government the PMP is based on information from fiscal accounting. On the other hand, the indicator proves to be sensitive to certain accounting movements, notably changes in fixed asset accounts taken into account in its calculation, particularly at the end of each year.[25] This effect can distort the value of the PMP, as was particularly evident in 2020, in the context of the transition to the SNC-AP.

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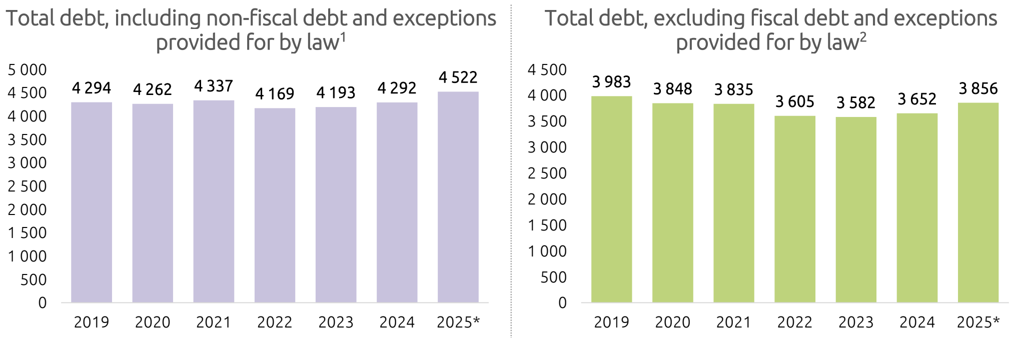
[25] In particular, at the end of each financial year, transfers from accounts for tangible assets in progress (fixed assets in the POCAL) to definitive accounts for tangible assets do not correspond to actual acquisitions. This procedure has the effect of skewing the PMP, reducing it artificially. For a more detailed analysis of this issue, see Baleiras, Rui N., Dias, Rui and Almeida, Miguel (2018), Local Finance: Economic principles, institutions and the Portuguese experience since 1987, Lisbon: Portuguese Public Finance Council, pp. 198–199, which remains applicable despite the switch to the SNC-AP.

4. MUNICIPAL DEBT LIMIT AND STATUS IN RELATION TO THE LIMIT

The information presented in this report is intended to monitor developments in the sub-sector and the outcome of the application of fiscal rules. The analysis of each municipality can only be assessed on the basis of the financial statements prepared in accordance with the RFALEI and other relevant legislation. For 2025, it was possible to gather information for 307 municipalities, which corresponds to almost 100% of the total debt recorded in 2024. The interpretation of the results is also influenced by successive legislative amendments to the local financial regime, the main ones being highlighted in Box 1.

According to the available data, the total municipal debt taken into account for the purposes of compliance with the legal limit is expected to have increased in 2025; if confirmed, this would consolidate the change in trend that began in 2024. From the entry into force of the RFALEI in 2014 until 2023, total municipal debt declined, as illustrated in Chart 4.[26]

Chart 4 – Trend in total municipal debt, 2019–2025 (M€)



Source: SISAL and CFP calculations. | * Preliminary data for 307 municipalities. Missing data in SISAL for 2020 to 2024 were estimated by the CFP based on information extracted from the annual financial statements (Penedono) and inter-year linkages (e.g. total debt as at 31 December of year n = total debt as at 1 January of the immediately following year, and vice versa). Notes: Notes 1 and 2 of Table 5 apply.

In 2025, the sum of the total debt limits for the municipalities reached 15.9 billion €, almost 1.4 billion € more than the figure calculated for 2024. The statutory debt limit for each municipality, under the terms of the RFALEI, corresponds to 1.5 times the average net current revenue collected over the three preceding financial years.[27] Thus, the revenue figures for the years 2022, 2023 and 2024 are taken into account when calculating the limit applicable in 2025. As this limit is a moving average, it arithmetically reflects the variation in current revenue collected by the municipality between the most recent year considered (in this case, 2024) and 2021 (the first year considered for the calculation of the 2024 limit and which is no longer included in the calculation of the 2025 limit). Any margin available relative to the statutory limit is subject to restrictions and cannot be utilised in full in a single year.

[26] This trend is evident in the CFP reports on local government since 2017, the year in which their publication began. Total debt as at 1 January 2014 stood at 7.3 billion €. In 2017, it stood at approximately 4.6 billion €, according to data published by the DGAL in November 2022.

[27] Including that collected by the respective municipalised services, where applicable.

In 2025, excluding fiscal debt and the exceptions provided for by law for the purposes of the relevant limit[28] , total debt will have increased by 204 M€ (5.6%), totalling 3,856 M€ at the end of the year for those municipalities for which information is available (columns (7) and (8) of Table 5). This unfavourable trend in non-exempt debt occurred despite a 34 M€ reduction in the contribution to debt made by entities in which the local authorities hold a stake.

In the same year, 143 municipalities recorded an increase in their debt, which, taken together, amounted to an increase of 393 M€. This increase was partially offset by a reduction in debt in the remaining 164 municipalities, which saw a decrease of 189 M€.

Taking all liabilities into account, including those that are legally exempt, would indicate a more pronounced increase in debt by 2025. As can be seen in columns (5) and (6) of Table 5, the inclusion of debts that the legislator chose to exempt would have resulted in a total increase of 231 M€. This trend is essentially explained by the 44 M€ increase in non-fiscal debt, given that the debt exempted under the RFALEI fell by 17 M€ (last part of Table 5).

In 2025, the increase in debt was concentrated in the category of local authorities whose total debt ratio (TDR) is below 100%.[29] The majority of local authorities fall into this category: at the end of 2025, there were 290 (Table 5), whilst at the start of the same year, for the comparable group, there were 289. The absolute debt margin for these 289 municipalities stood at 12,251 M€ at the start of the year (the difference between columns (4) and (7)). By the end of the year, this margin had fallen to 12,083 M€ (the difference between columns (4) and (8)). This decrease reflects an increase in total debt in this category of 169 M€. Similarly, in the other category – comprising municipalities still below the legal limit but with a debt-to-revenue ratio (RDT) of over 100% and under 150% – there was also an increase in debt of 37 M€. Only the municipalities above the total debt limit showed a slight reduction.

Of the seven municipalities that exceeded the limit at the start of 2025, all reduced their debt, but almost all remained in excess of the limit, except for the municipality of Praia da Vitória, which returned to a compliant position. Taken together, these municipalities reduced their debt by 18.9 M€, with the municipality of Praia da Vitória standing out with a reduction of 13 M€, thereby falling below the debt limit and thus having a debt margin at the end of the year. This development resulted mainly from the internalisation of debts within the municipality's direct sphere of control, which increased its direct debt but reduced the contribution from its subsidiaries.

Of the remaining 300 municipalities which, on 1 January 2025, were below the statutory debt limit, only one will have moved above that limit. Fundão, which had a

[28] Transactions which, in legal terms, are not taken into account for the purposes of the total debt limit include, in addition to the municipal contribution to the FAM's capital, loans intended to finance the restoration of municipal infrastructure affected by public disasters, loans (and the debt incurred) relating to the financing of the national contribution to projects supported by European funds and, from 2019 onwards, the debt resulting from the process of decentralisation and the transfer of powers to local authorities. In 2023, it is also worth noting the exception relating to expenditure (current and capital expenditure) arising from contracts entered into in connection with World Youth Day 2023 (by the municipalities of Lisbon, Loures and Oeiras).

[29] Total debt ratio = (Total municipal debt / average net current revenue collected over the previous three financial years) × 100.

debt margin at the start of the year, saw its total debt increase by 4.7 M€, causing it to exceed the relevant limit by the end of the year. According to the local authority's financial statements for 2025, this increase resulted from the realisation of contingent liabilities, following court rulings that had become final. This group of municipalities accounted for 92.7% of the total municipal debt recorded at the end of 2025 for the 307 municipalities for which information was available. Taken together, the total debt of these municipalities is estimated to have risen by 6.1%, corresponding to an additional 205 M€.

Table 5 – Distribution of municipalities by categories, taking into account the total debt ratio as at 31 December 202 e 5

(M€, exceto quando indicado)

Rácio da dívida total (RDT)	N.º de municípios em 31.12.2025	População residente[4] (n.º hab.)	Limite da dívida total 2025 (M€)	Dívida total: Dívida total, incluindo dívidas não orçamentais e exceções previstas na lei[1]		Dívida total: Dívida total, excluindo dívidas não orçamentais e exceções previstas na lei[2]		Dívida total: *... da qual respeitante a entidades participadas*[3]	
				01.01.2025	31.12.2025	01.01.2025	31.12.2025	01.01.2025	31.12.2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$RDT_{31.12.2025}$ >3,00	2	26 508	60	136	135	135	134	*60*	*54*
2,25 ≤ $RDT_{31.12.2025}$ ≤ 3,00	1	10 181	16	30	28	30	28	*0*	-
1,50 < $RDT_{31.12.2025}$ < 2,25	4	60 529	97	118	120	117	118	*0*	*0*
SITUAÇÕES ACIMA DO LIMITE DA DÍVIDA TOTAL ($RDT_{31.12.2025}$>1,50)	7	97 218	173	285	284	282	281	*61*	*54*
1,00 ≤ $RDT_{31.12.2025}$ ≤ 1,50	10	264 866	376	278	310	264	301	*33*	*64*
Restantes municípios: $RDT_{31.12.2025}$ < 1,00	290	11 059 441	15 357	3 728	3 929	3 105	3 274	*200*	*142*
SITUAÇÕES NO LIMITE OU ABAIXO DO LIMITE DA DÍVIDA TOTAL ($RDT_{31.12.2025}$ ≤1,50)	300	11 324 307	15 733	4 006	4 238	3 370	3 575	*233*	*206*
SUBTOTAL (UNIVERSO DISPONÍVEL)	307	11 421 525	15 906	4 291	4 522	3 651	3 856	*294*	*259*
SUBTOTAL (% TOTAL MUNICÍPIOS)	99,68%	99,98%	99,95%	99,99%	-	99,99%	-	-	-
TOTAL MUNICÍPIOS	308	11 424 031	15 915	4 292	n.d.	3 652	n.d.	n.d.	*n.d.*

Identificação das situações acima do limite da dívida total. Municípios com excesso de endividamento no final de 2025:

$RDT_{31.12.2025}$ > 3,00	Fornos de Algodres, Vila Real de Santo António
2,25 ≤ $RDT_{31.12.2025}$ ≤ 3,00	Vila Franca do Campo
1,50 < $RDT_{31.12.2025}$< 2,25	Cartaxo, Freixo de Espada à Cinta, Fundão, Nordeste

For the record:

Fiscal debts and exceptions provided for by law			Non-fiscal debts			FAM			RFALEI exceptions		
01.01.25	*31.12.25*	*Change*	*01/01/25*	*31 December 25*	*Change*	*1 January 25*	*31 December 25*	*Change*	*1 January 25*	*31 December 25*	*Change*
640	*667*	*27*	*362*	*405*	*44*	*0*	*0*	*0*	*278*	*261*	*-17*

Sources: SISAL/DGAL (data extracted on 15 June 2026 relating to the 'Financial Statement' (PC) or '4th quarter' period). CFP calculations. For Torres Vedras, where data was missing from SISAL at the time of extraction, the figures contained in the management report forming part of the municipality's 2025 financial statements were taken into account, supplemented by information reported to the DGAL from the loan schedule and cash flow statement (for the principal of exempted loans and non-fiscal debts, respectively). For Vila Real de Santo António (VRSA), the figures contained in the 2025 financial statements were taken into account. Accordingly, the amount of the debt settlement agreement (ARD) with Águas do Algarve was deducted from the municipality's debt to third parties as at 1 January 2025, as reported via SISAL. This liability was subject to an accounting reclassification and, as at 31 December of the same year, was reflected solely in the balance sheet of the municipal company VRSA SGU, thereby eliminating the duplication that had previously existed. Notes: 1 – Sum of all liabilities of municipalities and affiliated entities that count towards the calculation of total debt; 2 – Sum of the fiscal debts of municipalities and affiliated entities that count towards the total debt rule, less the applicable legal exceptions – corresponds to the numerator of the 'total debt ratio'; 3 – See Article 54 of the RFALEI; 4 – Estimate of the resident population as at 31 December 2025 (INE, data published on 22 June 2026). Provisional data. The data on revenue used to calculate the limit correspond to the information published in August 2025 by the DGAL.

Taking into account the trend in total debt across the sample, the number of municipalities forced to resort to financial recovery or restructuring measures fell from 10 in 2024 to 7 in 2025. This group, which comprises all municipalities in a situation of excessive indebtedness, presents varying circumstances depending on the level of the total debt ratio (Figure 2 and Table 6). Under the terms of the RFALEI, municipalities with a total debt ratio exceeding 300% are in a situation of ‘financial collapse’. At the end of 2025, two municipalities (Fornos de Algodres and Vila Real de Santo António) remained in this situation, one fewer (Vila Franca do Campo) than at the end of 2024 – Table 5. All these municipalities were already covered by Municipal Adjustment Programmes (PAM) under the FAM scheme. In 2025, these municipalities recorded a reduction in debt of 0.9 M€. The municipality of Vila Franca do Campo no longer fell into the category of financial distress, with its ratio falling from 304% at the end of 2024 to 262% at the end of 2025. This development resulted from a reduction in excessive indebtedness of 2.0 M€, leading to its reclassification to the immediately lower bracket (RDT between 225% and 300%), where it was the only municipality at the end of the year. It should also be noted that, even if the debt had remained unchanged, the increase in the statutory debt limit by 1.3 M€ compared with 2024 would have been sufficient to reduce the ratio below 300 %. In fact, by early 2025 the municipality already had a ratio of 280%, below that threshold.

Table 6 – Distribution of municipalities taking into account the mechanisms provided for based on the total debt ratio, 2020 to 20 25

Nível do"rácio da dívida total" (RDT)		Mecanismo(s) previstos	N.º de municípios[1]					
			Universo disponível e comparável (307)					
			31.12.2025	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024
RDT_t >1,50	>3,00	Adesão obrigatória à Recuperação Financeira (FAM)[2]	2	4	4	4	4	3
	2,25 ≤ RDT_t ≤ 3,00	Adesão obrigatória ao Saneamento Financeiro ou à Recuperação Financeira (FAM); opção cabe ao município	1	2	1	1	1	1
	1,50 < RDT_t < 2,25	Adesão obrigatória ao Saneamento Financeiro[3,4]	4	14	13	10	7	6
		Subtotal municípios com recurso obrigatório a mecanismos de recuperação ou saneamento	*7*	*20*	*18*	*15*	*12*	*10*
1,00 ≤ RDT_t≤ 1,50		Adesão facultativa ao Saneamento Financeiro	10	22	16	17	20	12
RDT_t< 1,00		Nenhum. Município em equilíbrio nos termos do RFALEI	290	265	273	275	275	285

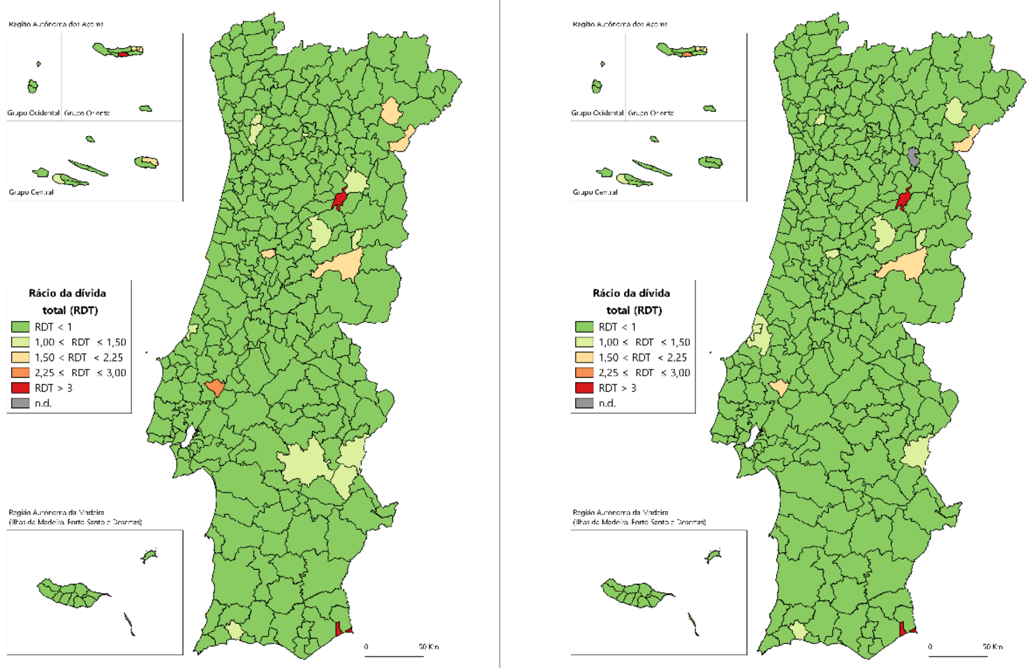
Sources: Compiled by the CFP on the basis of Law No. 73/2013 of 3 September, as currently in force, and data from SISAL. | Notes: 1 – The number of municipalities shown in the table was calculated with reference solely to the total debt ratio. The figures are provisional and refer to those municipalities that fall within the total debt ratio ranges used to identify the mechanism they may or must resort to. 2 – Municipal Support Fund (FAM), established by Law No. 53/2014 of 25 August. 3 - The 2018 State Budget Act allowed municipalities with a total debt ratio (RDT) of ≥ 2.00 as at 31 December 2016 to also make optional use of the FAM. 4 – The amendments to the RFALEI introduced by Law No. 29/2023 of 4 July enabled municipalities whose total debt was between 2 and 2.25 times the average net current revenue collected over the previous three financial years to join the FAM in 2023, on an exceptional basis and subject to authorisation by the Government minister responsible for finance.

At the end of 2025, there were four local authorities with total debt ratios of between 150% and 225%, two fewer than in December 2024 (Table 6). This reduction stems, on the one hand, from the removal of three municipalities from this category – Alfândega da Fé, Praia da Vitória and Vila Nova de Poiares – which eliminated their excessive indebtedness in 2025, thereby complying with the legal limit and showing a debt margin at the end of the year. Together, they contributed to a reduction in total debt of 14.1 M€, of which 13 M€ related to Praia da Vitória. As a result of this development, these municipalities are no longer subject to the obligation to resort to recovery or financial restructuring mechanisms. Nevertheless, the respective Municipal y Adjustment Programmes (PAMs) remain in force, with the exception of that for Praia da

Vitória.[30] It should be noted that, in the cases of Alfândega da Fé and Vila Nova de Poiares, the ratio was already below 150% at the start of 2025. This situation reflected not only a reduction in debt of 0.7 M€ and 0.5 M€, respectively, but also an annual increase in the debt limit of 1.2 M€ and 2.0 M€, in the same order. On the other hand, the Municipality of Cartaxo moved into this bracket from the bracket immediately above it. Although it remains above the legal limit, this local authority recorded a reduction in its debt ratio, standing at the end of 2025 close to, though below (224.5%), the 225% threshold. This development was driven by both the increase in the limit (5.7 M€) and the reduction in debt (2.0 M€).

Figure 2 – Regional distribution of the total debt ratio, 2024 and 2025

December 2024 | December 2025



Sources: SISAL/DGAL (data extracted on 15 June 2026 relating to the 'Accountability' (PC) or '4th quarter' period). The notes in Table 5 apply. | Calculations and cartographic processing by the CFP. The cartographic base corresponds to the Official Administrative Map of Portugal (CAOP.v2018), provided by the Directorate-General for Territorial Planning. n.a. Information not available.

[30] As this local authority did not actually access the FAM. Notwithstanding the above, in 2024 the municipality entered into three loan agreements, approved by the Court of Auditors in July of that year, totalling 5.3 M€, for the internalisation of the debts of the Praia Cultural Cooperative. The transfer of these liabilities to the municipality led to an increase in the municipality's direct debt, offset by a reduction in that entity's contribution to the total debt. Once compliance with the legal limit on total debt has been confirmed, local authorities may initiate procedures for the transfer of their respective PAMs under the provisions of Article 23(4) of Law No. 53/2014 of 25 August. Alandroal, which came into compliance with this limit in 2024, as noted in the CFP Report for that year, signed the contract to terminate the PAM on 4 September 2025, thereby ceasing to be subject to the fiscal rebalancing measures aimed at the municipality's financial recovery. The financial assistance loan agreement remains in force until its maturity date (2036) (of which 16.1 M€ had been utilised, with 11.6 M€ outstanding at the end of 2025).

Based on the available data, three of the local authorities that were in the bracket with a total debt ratio of between 150% and 225% at the end of the year reduced their excessive indebtedness in 2025, whilst one saw a deterioration. Overall, this development resulted in an increase of 1.7 M€. Although the municipalities of Cartaxo, Freixo de Espada à Cinta and Nordeste reduced their excessive indebtedness by almost 3.0 M€, this reduction was more than offset by the 4.7 M€ increase in Fundão's total debt.

All municipalities that are above the debt limit are undergoing financial recovery under the FAM. Of the 14 municipalities that have resorted to the FAM to date, 11 still have a PAM in force. These plans aim to structurally eliminate excessive indebtedness by promoting a sustained path of debt reduction. In this context, it is expected that, following recourse to this mechanism, there will be a reduction in the debt ratio, enabling the municipalities to cease being classified as being in a situation of financial distress under the terms defined by the RFALEI. Nevertheless, even after emerging from this situation, the municipalities may remain subject to compliance with their respective PAMs until their completion.

In 2025, the total amount of non-fiscal debt and debt covered by exceptions under the law reported by local authorities will have increased once again.[31] For the 307 local authorities included in the analysis, the increase was 27 M€ in 2025, compared with increases of 47 M€ and 29 M€ in 2023 and 2024, respectively. If these debts were included in the calculation, they would represent 14.7% of total debt at the end of 2025. This trend was driven by the increase in non-fiscal debt (44 M€), as the amounts exempted under the RFALEI decreased slightly (17 M€), as shown in the final section of Table 5. Even so, the inclusion of these debts would not alter the number of municipalities exceeding the legal limit on total debt, which would remain at seven. However, the exemptions provided for by law reduce the legal debt ratio: including the exempted debt for all 307 municipalities, the total debt ratio would be approximately 42.6%. Without these debts – that is, following the legal criteria currently in force – the calculated ratio stands at 36.3% at the end of 2025.

As a result of these developments, the available municipal borrowing margin at the end of 2025 is lower than that observed at the start of the year. At the start of 2025, the usable margin set out in the RFALEI (Box 1) for those municipalities for which data could be obtained stood at 4,947 M€.[32] This figure corresponds to 40% of the absolute margin of 12,367 M€. During 2025, the usable margin fell by 193 M€ to 4,754 M€. This change resulted from a 373 M€ reduction in borrowing capacity across 143 municipalities, only partially offset by an 180 M€ increase in the margin achieved by 158 municipalities.[33]

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[31] Non-fiscal debts correspond to liabilities arising from transactions not reflected in the fiscal budget. Such situations typically include treasury operations and suspense accounts.

[32] The absolute margin corresponds to the difference between the total debt limit (TDL) and the stock of this debt (SD). A margin exists if and only if SD < TDL. The usable margin generally corresponds to 40% of the absolute margin.

[33] The six municipalities with excessive debt at the start and end of the year obviously have no available or usable margin, respectively. The Municipality of Fundão had a margin at the start of the year, due to an increase in the debt limit, but, given the aforementioned rise in total debt, it exceeded this limit by the end of 2025.

By 2025, three municipalities will have exceeded their usable debt margin at the start of the year. These were the municipalities of Fundão, Alcanena and Alcobaça. In the first case, the municipality had a margin of 1.4 M€ at the start of the year, of which only 40% was available for use, i.e. 0.6 M€. This situation resulted from an increase in the total debt limit of 4.5 M€. It should be noted that, as at 31 December 2024, Fundão was already in excess of its debt limit by 3.1 M€. However, by the end of 2025, and due to the increase in total debt, this excess had worsened to 4.1 M€. As for Alcanena and Alcobaça, although both had total debt ratios below the legal debt limit (<150%), the use of the available margin at the start of 2025 (equivalent to 40% of the absolute margin) led to an excess of debt at the end of the year. Whilst in Alcanena this increase stemmed from a change in the municipality's direct debt, in Alcobaça this development resulted from the contribution of debt held by subsidiaries – which is relevant for the calculation of total debt – which almost doubled.[34]

It should be noted, however, that these figures are preliminary in nature, particularly with regard to the contribution from associated entities, as not all of them had finalised their accounts by the date these municipalities' financial statements were submitted. This limitation is illustrated in the management reports for Alcobaça and Alcanena, which refer to incomplete information from those entities, a situation that applies to most municipalities. Furthermore, in cases where the debt margin is utilised, it is important to assess whether such use falls within the exceptions permitted by law. Among these, particular note should be taken of the possibility of utilising up to 100% of the margin to cover the national contribution to co-financed projects – Box 1).

In view of the developments described, the overall increase in excess debt in 2025 is estimated at 11.5 M€ (or 10.2%). On 1 January 2025, the excess stood at 112.5 M€, having risen to 124.1 M€ by the end of the year. This calculation takes into account the situations mentioned above, namely those concerning Alcobaça and Alcanena, which are estimated to have shown an excess as at 31 December: 15.4 M€ and 0.4 M€, respectively. Excluding these cases, there would have been a reduction in the debt overrun of 4.2 M€. It should also be noted that, under Article 52(4) of the RFALEI, for the purposes of financial liability, this failure to comply with the obligation to reduce debt is treated as equivalent to exceeding the total debt limit, in accordance with and for the purposes of the Law on the Organisation and Procedure of the Court of Auditors, approved by Law No. 98/97 of 26 August.

Notwithstanding the provisional nature of the data, should this trend be confirmed, it would indicate an increase in total debt for the second consecutive year. Despite this increase in absolute terms, the total debt ratio – taking into account all local authorities for which data is available – fell by 1.3 percentage points, from 37.7% at the end of 2024 to 36.3% a year later. A key factor in this result was the increase in current revenue, which is included in the calculation of municipalities' total debt limits, leading to a rise in the sum of those limits by 1.4 billion € compared with 2024. In this regard, it should also be noted that the usable margin at the end of 2025 corresponds to 96% of

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[34] According to clarification from the DGAL, the situation of the Municipality of Alcobaça stems from the process of bringing CISTER – Equipamentos Educativos, S.A. in-house, which began in January 2024 and was completed in 2026. Of the 60.8 M€ reported as the contribution of subsidiaries to municipal debt at the end of 2025, 59.5 M€ relates to CISTER, based on accounts that are still provisional. Furthermore, the data reported by municipalities in SISAL relating to the 2025 Accounts are provisional and are currently being validated.

that calculated at the start of the same year, showing that, overall, local authorities continue to have the margin provided for in the RFALEI.

Notwithstanding the limitations noted, namely the preliminary nature of the data – albeit an improvement on previous years – the available information suggests that the local government sector in Portugal recorded a favourable fiscal position in 2025, with downside risks broadly under control. Against the backdrop of a review of the Fiscal Framework Law, aimed at bringing it into line with European economic governance rules, it is important to reassess the framework applicable to the various sub-sectors of general government, so as to ensure consistency between them. With regard to local government, this consideration is particularly relevant not only because of the numerous changes that have been introduced to the local finance regime and related legislation, but also because of the effects arising from the process of decentralisation of powers. In the context of the ongoing legislative review (whether of the Local Government Finance Act or the Local Government Financial Management Act), it is important to reiterate the importance of the role of the CFP in monitoring the fiscal and financial situation of local authorities and inter-municipal bodies, as well as in the early identification of financial risks. The CFP's involvement, notably through the publication of this regular report, has contributed to the monitoring and assessment of developments in local finances, thereby enhancing transparency and accountability in fiscal management. In this context, the fiscal adjustment process undertaken by local authorities, particularly municipalities, in recent years – especially their debt reduction – represents a gain for the country that must be preserved.

As part of the review of the RFALEI – a process that began with the establishment of a dedicated working group,[35] – it is important to ensure an appropriate framework for financial reorganisation and recovery mechanisms, clarifying, in particular, the role of the FAM.[36] At the same time, it is necessary to strengthen preventive measures that enable action to be taken at the early stages of financial instability, particularly in situations not covered by formal mechanisms but which show signs of pressure in terms of arrears and/or average payment times. In this context, it is also important to assess, within the framework of the allocation of public resources between central government and local authorities, how the Decentralisation Financing Fund might be integrated and streamlined within the local financing system, including a possible merger with the Municipal Social Fund. Finally, it is pertinent to consider other risk scenarios outside the municipal sphere, particularly those associated with the exercise of new powers by parishes, inter-municipal communities and metropolitan areas.

[35] Order No. 4749/2026, of 13 April.

[36] In this regard, it is worth mentioning the article, currently in press, *"Fiscal Distress and Municipal Recovery in Portugal: A Multidimensional Analysis of Municipalities Participating in the FAM (2016–2024)"* by Miguel Almeida and Rita Silva, which analyses the impact of the Municipal Support Fund and the challenges of financial consolidation in the municipalities receiving support, and which was presented at the 5th International Congress on Public Accounting, held in Mirandela in March 2026 (book of abstracts available here). According to the authors, the results show a trend towards financial consolidation among the municipalities receiving support, albeit with significant structural differences in their individual trajectories. Population size emerges as a constraining factor, but not the sole determinant, of municipal financial adjustment, confirming its multidimensional and heterogeneous nature.

Box 1 – Legislative amendments to the local financial regime with an impact on the assessment of municipal debt rules

The assessment of local debt rules has been affected by successive legislative amendments to the local financial regime, notably:

- In 2020 and 2021, in the context of the COVID-19 pandemic, exceptional measures were adopted that allowed local authorities to exceed the municipal debt limit as a result of expenditure associated with the response to the crisis. These expenditure items were not taken into account for the purposes of reducing excessive debt or for the use of the debt margin. The application of the 20% annual limit on the use of the debt margin was also suspended during these years.
- In 2022, these exceptional measures ceased, and the application of the annual 20% limit on the debt margin was reinstated.
- Subsequently, in 2023, Law No. 29/2023 of 4 July, in addition to other amendments,[37] doubled this limit (to 40%). The 2024 State Budget Law reiterated this increase and raised the use of this margin to 100%, solely to ensure national funding for projects co-financed under the ineligible investment component.
- In 2024 and 2025, this exceptional scheme was successively extended, maintaining both the increased debt margin (40%) and the possibility of utilising it up to 100% for co-financed projects.
- The possibility of exceptionally exceeding the total municipal debt limit for specific purposes—namely, costs arising from court or arbitration rulings and the buy-out of concession contracts for essential public services—remains in place, subject to the debt margin being restored by the end of the financial year, with this provision being further clarified in successive fiscal laws.
- Furthermore, it has been reaffirmed that certain forms of financing are not taken into account for the purposes of calculating total municipal debt. These include loans intended to finance investments in affordable public housing or municipal programmes supporting urban rental accommodation.
- Finally, there have been further amendments to related legislation, in particular to the legal framework governing local business activity (Law No. 50/2012 of 31 August), two of which were adopted in 2022, one in 2023 via the 2024 State Budget Act and another in 2024 via the 2025 State Budget Act), which relate to criteria for balancing accounts and influence the calculation of these entities' contribution to total municipal debt.

[37] Specifically: (i) a longer period of capital utilisation for medium- and long-term loans taken out by municipalities up to 31 December 2022 for investment purposes; (ii) an exemption from municipal debt limits for loans contracted under the provisions of Council of Ministers Resolution No. 12-B/2023 of 6 February (flooding in December 2022 and January 2023), (iii) an exceptional scheme in 2023 for access to the financial recovery mechanism, allowing municipalities whose total debt is between 2 and 2.25 times the average net current revenue collected over the previous three financial years to join, if they so wish, the Municipal Support Fund (FAM).

5. OTHER RELEVANT ASPECTS OF LOCAL GOVERNMENT IN 2025

5.1 Decentralisation Financing Fund

Law No. 50/2018 of 16 August establishes the framework for transfers to local authorities and inter-municipal bodies on the mainland. The implementation of the transfer of new powers is regulated by various sectoral legislation relating to the areas to be decentralised, as set out in Chapter II of that law. The set of municipalities varies depending on the area, reflecting the nature of the powers, although in most cases it covers all 278 municipalities on the mainland. Although the acceptance of new powers is, as a general rule, tacit, their effective exercise has, in many areas, depended on the conclusion of memoranda, protocols and agreements.[38]

The funding for the new powers assigned under Law No. 50/2018 is provided for in the RFALEI. In their current wording, Articles 30-A and 80-B stipulate that such funding is provided through transfers from the State Budget, channelled via the Decentralisation Financing Fund (FFD). When determining the amounts to be transferred, account must be taken of the increase in expenditure and revenue associated with the exercise of the new powers. The allocation of FFD funds follows the criteria set out in the sector-specific legislation applicable to each area of intervention.

The FFD is intended exclusively for the funding of decentralised powers in the areas of education, health, social welfare and culture. In addition to these transfers, sector-specific legislation provides for other sources of revenue associated with decentralisation, notably from fees, charges, rents, fines and prices, as well as other sources of national and European funding. However, there is currently no standardised classification of this revenue that would allow for its separate identification in the accounts.

In 2025, the final allocation for the FFD totalled 1,419 M€, 42 M€ more than in 2024, corresponding to a 3.1% increase. This amount is transferred monthly in twelfths, in accordance with the distribution for this fund set out in the table annexed to Law No. 45-A/2024 of 31 December, which approved the State Budget for 2025 (SB/2025), including the additional allocations made during the year. In 2025, the health sector received an additional 13.6 M€ , on top of the FFD's initial allocation of 1,405.4 M€. In both years, the FFD's implementation rate for the State sub-sector was 100%.[39]

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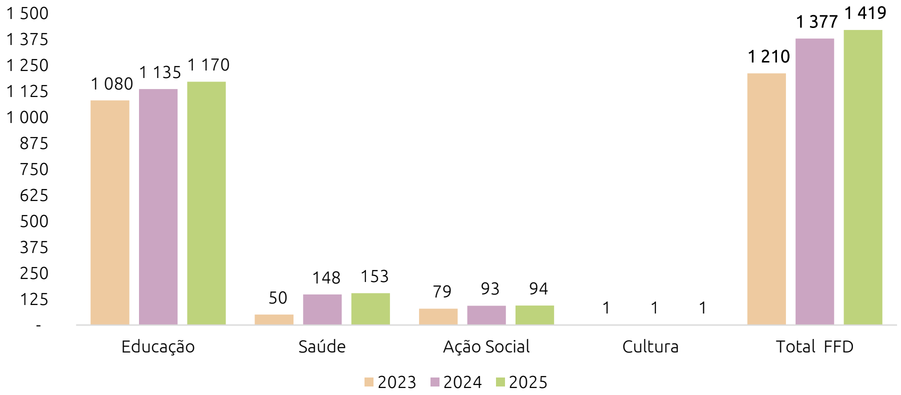
[38] The transfer of powers from municipalities to parishes is effected through the signing of formal agreements. Decree-Law No. 57/2019 of 30 April sets this out in detail. The necessary financial resources are drawn from municipal budgets, with the DGAL ensuring the transfer of funds to the parishes in twelfths, through a proportional deduction from the municipal funds provided for in the State Budget. In 2025, the funds transferred to parishes under this scheme amounted to 175.5 M€, according to the list published by the DGAL, excluding the twelfths for November and December for those parishes to be disaggregated under Law No. 25-A/2025 of 13 March, as the agreements signed between the municipalities and these parishes will need to be updated. In the case of inter-municipal bodies, the exercise of powers is subject to the prior agreement of the member municipalities.

[39] FFD funds are, like the twelfths of municipal funds, subject to a 20% withholding for failure to comply with reporting obligations to the DGAL. This situation partly explains the slight differences

Education accounts for more than four-fifths of the funds transferred by the State under the FFD. In 2025, 1,170 M€ was allocated to the education sector, with the remaining amounts distributed across the health (153 M€), social welfare (94 M€) and culture (1.3 M€) sectors – Chart 5. Health was the sector with the largest relative increase (3.9%).

Chart 5 – Fiscal implementation of the Decentralisation Financing Fund (in M€)



Source: Fiscal Information and Management System (SIGO) of the Fiscal Authority (EO). Compiled by the CFP.

Most of the FFD funds staff costs, particularly in education, with significant increases compared with 2024. A breakdown of the FFD's implementation in 2025 shows that 865 M€ was allocated to funding staff costs across the various areas of decentralisation, representing a 3.0% increase compared with 2024. Of that amount, 803 M€ relates to non-teaching staff in schools. In addition to this component, the FFD funded other current expenditure, namely costs relating to the maintenance and upkeep of premises and other logistical costs (267 M€), support measures for families to ensure full-time schooling (99 M€) and food support (86 M€). In terms of trends, the largest increases compared with 2024 occurred in the funding of staff costs (26 M€) and in logistics and facility maintenance costs (11 M€). This level of detail provides an indication of the impact of decentralisation on municipal expenditure, albeit indirectly and incompletely.

Unlike revenue, where transfers – notably those from the FFD – are clearly identifiable, the economic classification of expenditure does not allow for a direct distinction to be made between the items financed by these funds. To address this limitation, Regulatory Decree No. 1/2023 of 29 May introduced a requirement for local authorities to report, on a monthly basis, the revenue and expenditure associated with the decentralisation process via the DGAL's electronic platform. To this end, a specific reporting module dedicated to the FFD was created within SISAL. The purpose of this reporting is to enable the reconciliation, by area and component of decentralisation, of the revenue collected and the expenditure relating to the exercise of the transferred powers, including, but not limited to, transfers from the Central Government. However, as highlighted by the DGAL itself, the data resulting from this report still has significant limitations in terms of quality, coverage and consistency, which restricts its use for analytical purposes.

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compared with the revenue figures calculated for the 307 municipalities for which data is available (Table 9), to which must be added possible isolated errors in the economic classification of these funds by the local authorities, as well as the still provisional nature of the data.

Weaknesses therefore persist in the reporting on decentralisation, affecting the quality and reliability of the available data. Data collection began in 2023 with a number of limitations, particularly regarding the quality of the reported data. The DGAL has, however, resumed the publication of half-yearly reports monitoring the decentralisation process. These reports highlight progress in reporting, notably greater participation by local authorities and improvements in the timeliness of responses. Nevertheless, they continue to identify significant constraints that affect the consistency, completeness and comparability of the information.[40] Among the main problems are, in particular: omissions in reporting, especially regarding own revenue associated with decentralised powers; discrepancies between the figures reported and the transfers made by the Central Government; and the recording of expenditure that does not fall within the categories eligible for funding by the FFD or that exceeds the defined limits. There is also a risk of overlap with other funding instruments, such as the Municipal Social Fund (FSM).

At the same time, structural limitations remain in the decentralisation accounting model itself. In particular, the lack of a sufficiently standardised accounting framework, as well as the absence of cost-accounting mechanisms by area of competence and of uniform criteria for identifying and allocating revenue and expenditure, constitutes a structural limitation of the system, making it difficult to identify these transactions in the financial statements, and undermining the accurate measurement of costs and revenue associated with decentralised powers.

In this context, the consolidation of the reporting provided for in Regulatory Decree No. 1/2023 is of particular importance. The provision of complete, consistent and comparable information is an essential prerequisite for accurately assessing the correspondence between the resources transferred and the expenditure actually incurred by local authorities within the scope of decentralised powers. The creation of a technical team dedicated to decentralisation, as well as other suggestions for improvement highlighted in the DGAL report – notably regarding the capacity-building of those involved in the process – also point in this direction. Furthermore, in the context of the forthcoming review of the RFALEI, it is important to consider how the funding model might be integrated and simplified, notably through the possible integration of the FSM with the FFD.

5.2 Fiscal performance of metropolitan areas and inter-municipal communities

Intermunicipal entities (EIMs) constitute a key category in the territorial organisation of local government in Portugal. They comprise two distinct types: the Metropolitan Areas (AMs) of Lisbon and Porto, and the 21 Intermunicipal Communities (CIMs), which cover the remainder of the mainland (Figure 3, attached). In legal terms, the EIMs are voluntary, general-purpose associations of municipalities that give rise to a supra-municipal body. Within this entity, the member municipalities delegate part of the functions conferred upon them by law, enabling a more coordinated management of matters of common interest. Together with parish and municipal associations

[40] Directorate-General for Local Authorities (2026), *Monitoring the decentralisation process – progress report – second half of 2025*.

established for specific purposes, the EIMs constitute the full spectrum of local government associations, taking the form of public associations of local authorities.

The framework of powers for Portuguese inter-municipal bodies is the result of a gradual legislative development over recent decades:

- Law No. 45/2008 of 27 August established the legal framework for municipal associations, formally creating the CIMs as legal persons under public law aligned with the territorial units for statistical purposes (NUTS), and defining their core responsibilities: the promotion of the planning and management of the territory's economic, social and environmental development strategy, and participation in the management of programmes supporting regional development.
- This model was consolidated and further developed by Law No. 75/2013 of 12 September, which established the legal framework for local authorities, approved the statutes of inter-municipal bodies and defined the legal framework for the transfer of powers from the State to these bodies, reinforcing the principles of administrative decentralisation and subsidiarity as key guiding principles.
- The next step was taken by Law No. 50/2018 of 16 August (the Framework Law on the Transfer of Powers), which gave this process a universal and gradual character, establishing a public administration framework in which intermunicipal bodies play an increasingly central role in the provision of local public services.

Intermunicipal Communities and Metropolitan Areas share the mission of promoting the planning and management of the territory's economic, social and environmental development on a scale that exceeds the individual capacity of each municipality. To this end, they coordinate investments of supra-municipal and inter-municipal interest, participate in the management of regional development programmes, and ensure coordination between municipalities and central government in critical areas such as basic sanitation and water supply infrastructure, health and education networks, spatial planning, civil protection, mobility and transport, and cultural, sporting and leisure facilities. In addition to these inherent powers, they have responsibilities transferred by central government and powers delegated by the municipalities that form part of them, as well as representing local authorities in public and corporate bodies at the supra-municipal level.

Inter-municipal bodies play an essential role in the governance of public passenger transport. Law No. 52/2015 of 9 June, which approved the Legal Framework for the Public Passenger Transport Service (RJSPTP), transferred powers previously concentrated in the Institute for Mobility and Transport to the inter-municipal level. Within this framework, the CIMs
have become the competent transport authorities for inter-municipal public passenger transport services, and may also assume municipal powers delegated by the municipalities of which they are composed. The Lisbon and Porto Metropolitan Authorities (AM), in turn, succeeded the now-defunct Metropolitan Transport Authorities, exercising metropolitan powers in the field of mobility. This expanded responsibility covers the planning and organisation of transport provision, contracting with operators, setting fares and monitoring the service. This situation has resulted in a growing financial burden on the accounts of the EIMs, particularly

since the introduction of programmes to encourage the provision and promote the use of public transport, including fare reduction measures.

More recently, this was further developed with the creation of the Incentive Programme for Public Passenger Transport (Incentiva +TP), under Decree-Law No. 21/2024 of 19 March, which replaced and incorporated previous programmes (PART and PROTransP). Incentiva +TP funds measures to reduce fares, increase service provision and modernise infrastructure, the implementation of which is the responsibility of each Metropolitan Area (AM) and Intermunicipal Community (CIM) in their capacity as transport authorities. In addition, there is a measure providing free travel passes for young people up to the age of 23.[41] Incentiva +TP is funded through the allocation of part of the additional ISP levy on CO_2 emissions to the Environmental Fund (439.2 M€ according to CGE/2025). The provision of free travel passes is funded by the Treasury and Finance Authority, in the form of compensatory payments to local authorities and/or inter-municipal bodies (261.9 M€ in 2025, as per CGE/2025). The Incentiva+TP programme has established itself as the initiative with the greatest financial impact on the accounts of the Metropolitan Areas (AMs) and Inter-municipal Communities (CIMs). However, the figures recorded by the EIMs represent only a portion of the resources associated with the programme, as part of the funding does not pass through their accounts. For example, where Metropolitan Areas have set up corporate entities to exercise their powers as transport authorities, these entities may receive funding directly from the Environmental Fund (as is the case with the AML and Transportes Metropolitanos de Lisboa (TML)). The growing scale of mobility responsibilities within the EIMs' budgets highlights the need for access to information broken down by programme, in order to enable more detailed analysis and monitoring.

In 2025, against the backdrop of further decentralisation of powers and increased responsibilities in the transport sector, inter-municipal bodies recorded significant growth in actual revenue and expenditure. On the revenue side, transfers play a dominant role, accounting for 97% of the total (526 M€), of which 359 M€ comes from central government, largely in the form of current transfers intended for the exercise of the AMs' and CIMs' own and delegated powers.[42] In terms of trends, transfers received (current and capital) increased by 109 M€ compared with 2024, driven by increases of 63 M€ and 57 M€ in transfers from the EU and the Central Government respectively, which more than offset the 11 M€ decrease in transfers from the Regional Government. On the expenditure side, growth was slightly higher than that of revenue (122 M€ vs. 103 M€). Transfers constituted the main

[41] Ministerial Order No. 307-A/2024/1 of 28 November amended Ministerial Order No. 7-A/2024 of 5 January (which sets out the conditions for the allocation of free travel passes to young students), extending the eligibility criteria to all young people up to and including the age of 23.

[42] These transfers include: (i) those from the State Budget pursuant to Article 69 of the RFALEI (1% and 0.5% of the FEF of the municipalities that make up the respective AM or CIM), totalling 11.1 M€ in 2025; (ii) transfers from the Environmental Fund under the Incentiva+TP scheme; (iii) the transfer from the DGTF associated with free travel passes for young people up to the age of 23. It is important to emphasise that, in the case of transfers associated with the financing of the public transport system – in particular those from Incentiva+TP and fare policy measures – the EIMs act primarily as transport authorities and managing bodies, with a significant portion of these resources being channelled to public transport operators. The Public Transport Service Fund (FSPT, recently renamed (Decree-Law No. 82/2026 of 7 April) as the Mobility and Transport Fund) constitutes another source of funding for transport authorities. In 2025, payments made from this fund totalled 11.5 M€, as shown in the relevant activity report.

item of expenditure (240 M€, or 47%), recording an increase of 103 M€ compared with the previous year. The second largest component of expenditure was subsidies (118 M€), followed by purchases of goods and services (84 M€) and capital goods (38 M€), with investment rising by 24 M€. Consequently, there was a deterioration of 19 M€ in the overall balance of inter-municipal bodies from the perspective of fiscal accounting. Nevertheless, the balance remained positive at 33 M€.

Table 7 – Fiscal implementation of inter-municipal bodies in 2024 and 2025 (M€)

	Execução		Var. Anual
	2024	2025	M€
Receita corrente	425	470	45
Transferências Correntes	403	454	51
Administração Central	*301*	*333*	*32*
Administração Local	*60*	*47*	*-12*
União Europeia	*42*	*73*	*31*
Outras receitas correntes	22	16	-6
das quais: Vendas de bens e serviços	*14*	*9*	*-5*
Receita de capital	14	72	58
Venda de Bens de Investimento	0	0	0
Transferências de Capital	14	72	58
Administração Central	*1*	*26*	*25*
Administração Local	*5*	*7*	*2*
União Europeia	*8*	*40*	*32*
Receita Efetiva	439	542	103
... da qual receita própria [rec. efetiva - transf.]	*22*	*16*	*-6*
... da qual transferências [correntes e de capital]	*417*	*526*	*109*
...... das quais:			
Administração Central	*302*	*359*	*57*
Administração Local	*65*	*54*	*-11*
União Europeia	*50*	*113*	*63*
Despesa Primária	386	509	122
Despesa Corrente Primária	370	447	77
Despesas com o pessoal	25	28	3
Aquisição de bens e serviços	86	84	-2
Transferências correntes	135	216	81
Subsídios	124	118	-6
Outras despesas correntes	1	1	0
Despesa de Capital	16	61	45
Aquisição de bens de capital	14	38	24
Transferências de capital	2	24	22
Outras despesas de capital	0	0	0
Juros e outros encargos	0	0	0
Despesa efetiva	386	509	122
Saldo global	53	33	-19
Por memória			
Pessoal ao serviço no final do período	824	918	94

Sources: SISAL, SIIAL (staff in post) / DGAL and the 2025 Fiscal Statements of CIM Oeste. Compiled by the CFP. Note: This corresponds to the sum of the individual fiscal statements of the 23 inter-municipal bodies listed in Figure 3.

An analysis of fiscal implementation in 2025 reveals significant structural disparities between inter-municipal bodies, both in terms of size and expenditure profile. In aggregate terms, the two Metropolitan Areas, Porto (145 M€) and Lisbon (102 M€), recorded combined actual expenditure comparable to that of all 21 CIMs (261 M€). This situation reflects the population and operational scale of the metropolitan areas. The two Metropolitan Areas (AMs) together serve 4.7 million inhabitants – almost half the resident population of mainland Portugal – within an area of just 5,057 km². The 21 CIMs cover the remaining 84,046 km² of the mainland, serving a similar population, but one dispersed across very distinct demographic contexts. Urban and industrial CIMs, such as those of Aveiro, Ave or Tâmega e Sousa, are home to approximately 400,000 inhabitants with population densities exceeding 200 inhabitants per km² and expenditure in the region of 23 M€; in contrast, inland CIMs such as Terras de Trás-os-Montes, Baixo Alentejo or Beira Baixa serve areas with densities of less than 20 inhabitants per km² and budgets not exceeding 6 M€ (Table 8). This diversity underscores the importance of tailored monitoring of the EIMs and of funding criteria that take account of the specific territorial and demographic characteristics of each entity, particularly with regard to the provision of local public services in low-density areas.

With regard to the funding structure, the trends observed in 2025 highlight the growing dependence of EIMs on external transfers, alongside their important role in mobilising European funds for investment. Own revenue fell from 22 M€ to 16 M€, and current transfers from member municipalities dropped by 12 M€. Taken together, these sources account for just 12% of total actual revenue, highlighting these authorities' limited financial autonomy and their greater exposure to changes in public funding policies and EU financial frameworks. Conversely, there was a significant increase in capital revenue, from 14 M€ to 72 M€. This trend was driven mainly by the growth in transfers from abroad, particularly from the EU, from 8 M€ to 40 M€, and, to a lesser extent, by capital transfers from the AC (from 1 M€ to 26 M€). This trend signals a growing mobilisation of European funds, under the RRP and the PT2030, for inter-municipal investment. This is illustrated by the Alto Alentejo Intermunicipal Community (CIM), which in 2025 reported a capital transfer of 28 M€ relating to the project 'Multi-purpose water management – Construction of the Pisão Dam'. This project was subsequently withdrawn from the RRP funding envelope as it could not be completed by 2026, and is now financed exclusively from other sources. The fact that this revenue was not utilised in full contributes to an increase in this CIM's balance (22 M€) and, consequently, in the balance of the EIMs. On the other hand, the dynamism in investment, evidenced by the fourfold increase in capital expenditure from 16 M€ to 61 M€, demonstrates the EIMs' capacity to co-finance structural projects within their territories. However, this development also reinforces the need for robust reporting systems to monitor the implementation of these funds, an essential condition for assessing the effectiveness of public expenditure.

6. APPENDICES

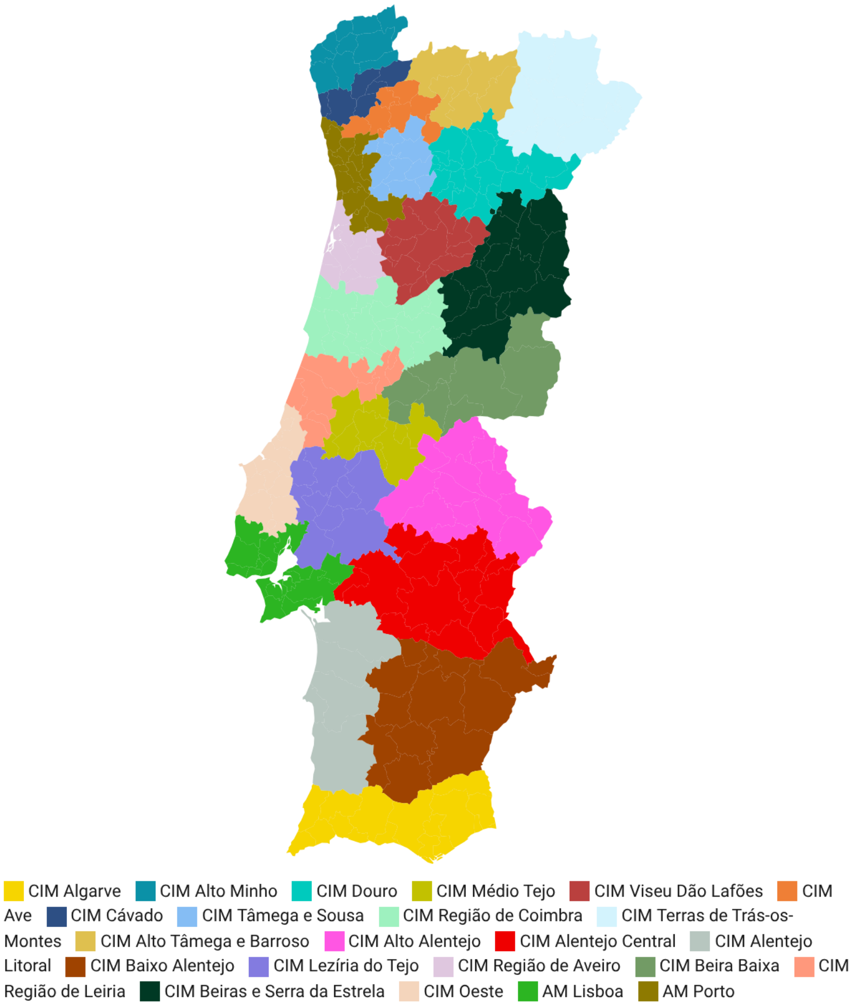
Table 8 – List of inter-municipal bodies

Entidade Intermunicipal	Designação	N.º de municípios	Área (km^2)	População residente (n.º hab.)	Densidade populacional (hab./km^2)	Receita efetiva (M€)	Despesa efetiva (M€)	Saldo global (M€)
AM Porto	Área Metropolitana do Porto	17	2 041	1 783 152	874	132	145	-13
AM Lisboa	Área Metropolitana de Lisboa	18	3 015	2 921 564	969	103	102	1
CIM Alto Minho	Comunidade Intermunicipal do Alto Minho	10	2 219	232 674	105	10	7	3
CIM Cávado	Comunidade Intermunicipal do Cávado	6	1 246	424 505	341	10	10	0
CIM Ave	Comunidade Intermunicipal do Ave	8	1 451	420 418	290	26	23	3
CIM Alto Tâmega e Barroso	Comunidade Intermunicipal do Alto Tâmega e Barroso	6	2 922	83 510	29	7	6	1
CIM Tâmega e Sousa	Comunidade Intermunicipal do Tâmega e Sousa	11	1 832	408 425	223	25	23	2
CIM Douro	Comunidade Intermunicipal do Douro	19	4 032	183 705	46	9	8	2
CIM Terras de Trás-os-Montes	Comunidade Intermunicipal das Terras de Trás-os-Montes	9	5 544	107 063	19	7	6	1
CIM Região de Aveiro	Comunidade Intermunicipal da Região de Aveiro	11	1 693	376 760	223	24	22	3
CIM Região de Coimbra	Comunidade Intermunicipal da Região de Coimbra	19	4 336	441 446	102	16	14	2
CIM Região de Leira	Comunidade Intermunicipal da Região de Leiria	10	2 449	292 204	119	18	17	1
CIM Viseu Dão Lafões	Comunidade Intermunicipal da Região de Viseu Dão Lafões	14	3 238	253 638	78	15	17	-1
CIM Beiras e Serra da Estrela	Comunidade Intermunicipal das Beiras e Serra da Estrela	15	6 305	208 913	33	10	11	-1
CIM Beira Baixa	Comunidade Intermunicipal da Beira Baixa	8	5 253	99 371	19	5	5	0
CIM Oeste	Comunidade Intermunicipal do Oeste	12	2 220	379 085	171	23	18	5
CIM Lezíria do Tejo	Comunidade Intermunicipal da Lezíria do Tejo	11	4 275	244 259	57	15	16	-2
CIM Médio Tejo	Comunidade Intermunicipal do Médio Tejo	11	2 706	213 604	79	17	17	0
CIM Alentejo Litoral	Comunidade Intermunicipal do Alentejo Litoral	5	5 309	99 763	19	6	4	1
CIM Alto Alentejo	Comunidade Intermunicipal do Alto Alentejo	15	6 084	104 304	17	32	9	22
CIM Alentejo Central	Comunidade Intermunicipal do Alentejo Central	14	7 393	153 155	21	11	8	3
CIM Baixo Alentejo	Comunidade Intermunicipal do Baixo Alentejo	13	8 543	115 513	14	6	5	1
CIM Algarve	Comunidade Intermunicipal do Algarve	16	4 997	482 660	97	14	15	-1
TOTAL		278	89 102	10 029 691	113	542	509	33

Source: Compiled by the CFP based on information from the DGAL, SISAL and INE. The totals may not necessarily correspond to the sum of the individual figures due to rounding.

This is an automatic translation that has not yet been reviewed. Only the Portuguese version is authentic.

Figure 3 – Geographical distribution of inter-municipal bodies



Source: Compiled by the CFP based on information from the DGAL.

Table 9 – Breakdown of municipal fiscal implementation in 2025

(M€, exceto quando indicado)

	Previsão OM/2025[a]	Previsão municípios OE/2025 [b]	Execução (307 municípios) 2024	Execução (307 municípios) 2025	Variação (307 municípios) Anual	Variação (307 municípios) Anual (%)	Variação (307 municípios) Contributo var. anual (p.p.)	Var. anual implícita OE/2025 (%)
Receita corrente	**11 575**	**12 079**	**10 957**	**12 297**	**1 340**	**12,2**	**10,7**	**8,2**
Receita Fiscal	4 112	4 053	4 074	4 603	529	13,0	4,2	-0,5
Impostos diretos	4 095	4 033	4 052	4 590	539	13,3	4,3	-0,5
Imposto Municipal sobre Transmissões (IMT)	1 779	1 649	1 728	2 146	418	24,2	3,3	-4,6
Imposto Municipal sobre Imóveis (IMI)	1 530	1 540	1 500	1 589	89	5,9	0,7	2,6
Imposto Único de Circulação (IUC)	335	353	341	357	15	4,5	0,1	3,4
Derrama	449	490	481	496	14	3,0	0,1	1,9
Outros	2	0	1	3	2	444,7	0,0	-36,7
Impostos indiretos[c]	17	20	22	12	-10	-43,6	-0,1	-9,6
Taxas, Multas e Outras Penalidades	623	599	583	761	178	30,6	1,4	2,9
Rendimentos da Propriedade	356	390	344	351	7	1,9	0,1	13,4
Transferências Correntes	5 025	5 760	4 715	5 270	555	11,8	4,4	17,0
Administração Central, das quais:	4 726	5 286	4 589	5 120	531	11,6	4,2	10,3
Lei das Finanças Locais	3 183	3 760	3 117	3 324	206	6,6	1,6	32,7
Fundo de Equilíbrio Financeiro	1 937	2 841	1 908	1 963	55	2,9	0,4	47,6
Fundo Social Municipal	262	287	257	287	30	11,7	0,2	12,7
Participação IRS	568	546	561	561	-1	-0,1	0,0	-0,5
Participação IVA	95	85	108	88	-19	-17,7	-0,2	-19,7
Artigo 35.º da Lei das Finanças Locais	321	n.d.	284	425	141	49,6	1,1	n.d.
Outras transferências da Adm. Central	1 543	1 526	1 472	1 797	324	22,0	2,6	-22,0
Outros subsectores das AP	51	122	30	46	15	49,7	0,1	216,9
União Europeia	220	97	74	86	12	16,6	0,1	31,2
Outras transferências	29	256	22	18	-3	-16,1	0,0	1 089,2
Venda de bens e serviços correntes	1 170	1 175	1 117	1 183	66	5,9	0,5	5,2
Reposições não abatidas nos pagamentos	28	n.d.	43	52	9	21,5	0,1	-
Outras receitas correntes	262	n.d.	82	78	-4	-4,8	0,0	-
"Outras receitas correntes" [d]	289	101	125	130	5	4,2	0,0	-18,8
Receita de capital	**2 885**	**2 170**	**1 591**	**2 078**	**487**	**30,6**	**3,9**	**12,5**
Venda de Bens de Investimento	109	49	98	79	-19	-19,2	-0,1	-50,1
Transferências de Capital	2 664	2 095	1 468	1 968	500	34,1	4,0	16,0
Administração Central, das quais:	1 023	1 242	714	909	195	27,4	1,6	18,1
Lei das Finanças Locais	561	316	517	670	154	29,8	1,2	-41,1
Fundo de Equilíbrio Financeiro	216	316	214	219	5	2,4	0,0	47,5
Artigo 35.º da Lei das Finanças Locais	345	0	302	451	149	49,1	1,2	-100,0
Outras transferências da Adm. Central	462	926	197	239	42	21,1	0,3	79,7
Outros subsectores das AP	26	9	9	21	12	125,4	0,1	-1,5
União Europeia	1 595	829	731	1 029	298	40,8	2,4	13,4
Outras transferências	21	15	15	9	-5	-35,1	0,0	6,1
Outras receitas de capital	112	26	25	31	5	20,3	0,0	3,7
Receita Efetiva	**14 460**	**14 249**	**12 549**	**14 375**	**1 827**	**14,6**	**14,6**	**8,8**
… da qual receita própria [receita efetiva - transferências]	*6 771*	*6 394*	*6 365*	*7 137*	*772*	*12,1*	*6,2*	*0,4*
… da qual receita própria não fiscal	*2 659*	*2 341*	*2 292*	*2 534*	*243*	*10,6*	*1,9*	*2,1*
… da qual transferências [correntes e de capital]	*7 689*	*7 855*	*6 184*	*7 238*	*1 055*	*17,1*	*8,4*	*16,7*
Despesa Primária	**18 788**	**13 643**	**12 171**	**13 791**	**1 619**	**13,3**	**13,2**	**13,8**
Despesa Corrente Primária	**11 643**	**9 443**	**9 226**	**9 954**	**728**	**7,9**	**5,9**	**4,4**
Despesas com o pessoal	4 575	4 137	3 983	4 336	353	8,9	2,9	3,8
Remunerações Certas e Permanentes	3 471	n.d.	3 034	3 310	275	9,1	2,2	-
Abonos Variáveis ou Eventuais	225	n.d.	185	209	24	13,1	0,2	-
Segurança social	878	n.d.	764	817	53	7,0	0,4	-
Aquisição de bens e serviços	4 893	3 669	3 452	3 702	250	7,2	2,0	6,2
Transferências correntes	1 591	1 170	1 342	1 411	69	5,1	0,6	1,5
Subsectores das AP	696	422	611	634	23	3,7	0,2	0,3
Freguesias	429	n.d.	388	410	22	5,7	0,2	-
Outros subsectores das AP	268	n.d.	223	224	1	0,3	0,0	-
Outras transferências	894	748	731	777	46	6,3	0,4	2,2
Subsídios	350	245	274	333	59	21,5	0,5	-10,7
Outras despesas correntes	234	223	175	173	-2	-1,4	0,0	27,1
Despesa de Capital	**7 145**	**4 200**	**2 945**	**3 837**	**891**	**30,3**	**7,3**	**42,6**
Aquisição de bens de capital	6 502	3 905	2 579	3 401	822	31,9	6,7	51,3
Transferências de capital	603	294	340	411	71	20,8	0,6	-13,4
Subsectores das AP	342	131	191	234	42	22,0	0,3	-28,3
Freguesias	275	n.d.	167	207	40	24,1	0,3	-
Outros subsectores das AP	66	n.d.	24	26	2	7,8	0,0	-
Outras transferências	262	162	149	177	28	19,1	0,2	4,0
Outras despesas de capital	41	1	26	25	-1	-5,4	0,0	-95,3
Juros e outros encargos	**115**	**154**	**110**	**92**	**-17**	**-15,8**	**-0,1**	**40,1**
Despesa efetiva	**18 903**	**13 797**	**12 281**	**13 883**	**1 602**	**13,0**	**13,0**	**14,0**
Saldo global	**-4 443**	**452**	**267**	**492**	**224**			
Saldo primário	-4 328	606	377	584	207			
Despesa corrente	11 758	9 597	9 336	10 047	711	7,6	5,8	4,9
Saldo corrente	-183	2 482	1 621	2 251	629			
Saldo de capital	-4 260	-2 030	-1 354	-1 759	-405			
Ativos financeiros líquidos de reembolsos, dos quais:	5		-6	28	34			
Reembolsos (receita)	*215*		*196*	*174*	*-23*			
Ativos financeiros (despesa)	*220*		*191*	*202*	*11*			
Passivos financeiros líquidos de amortizações, dos quais:	191		11	43	32			
Receita de passivos financeiros	*598*		*373*	*415*	*42*			
Amortizações	*408*		*362*	*372*	*10*			
Poupança (+) / Utilização (-) de saldo da gerência anterior	-4 258		284	507	223			
Por memória								
Transf. da Adm. Central [Receita]	5 748	6 527	5 303	6 029	726	13,7	5,8	11,7
Transferências do OE [Receita]	5 396	4 076	5 085	5 596	511	10,0	4,1	20,9
Lei das Finanças Locais [Receita]	3 743	4 076	3 634	3 994	360	9,9	2,9	20,9
Trf. Competências / Descentralização (Lei n.º 50/2018)	1 371	n.d.	1 334	1 417	83	6,2	0,7	-
União Europeia [Receita]	1 814	926	805	1 115	311	38,6	2,5	15,0
Transferências [Despesa]	2 194	1 464	1 682	1 822	140	8,3	1,1	-1,9
Transferências para subsectores das AP [Despesa]	1 038	554	802	867	65	8,1	0,5	-8,4
Freguesias [Despesa]	704	n.d.	555	617	62	11,2	0,5	-
Pessoal ao serviço no final do período [e]			172 895	177 104	4 209	2,4		
Afetos à área da educação			*58 054*	*59 045*	*991*	*1,7*		
dos quais pagos pelo Ministério da Educação [f]			*38 282*	*39 316*	*1 034*	*2,7*		
Outros			*114 841*	*118 059*	*3 218*	*2,8*		

Sources: CGE/EO, SISAL/DGAL and CFP calculations. Notes: n.a.: not available. (a) Sum of the forecasts and adjusted allocations for revenue and expenditure in the 307 municipal budgets. (b) Forecast underlying the State Budget for 2025 (OE/2025) from the perspective of fiscal budgetary accounting. The amount of the share of PIT provided for in the OE/2025 does not include municipalities in the Autonomous Regions (source: General State Account for 2025 – CGE/2025). (c) With the entry into force of the SNC-AP, the accounting treatment of specific local authority charges is based exclusively on the nature of the levy (indirect tax or charge) and not on its recipients (legal entities or individuals). (d) Replenishments not deducted from payments (RNAP) and other current revenue. (e) Number of employees at the end of each year (source: SIIAL, last updated: 19 March 2026). (f) Employees paid from municipal budgets subject to co-funding by the Ministry of Education.

This is an automatic translation that has not yet been reviewed. Only the Portuguese version is authentic.

Table 10 – Arrears in local authorities in 2025 (thousands of €, unless otherwise stated)

MUNICÍPIO	Pagamentos em atraso (PA)			Receita efetiva (RE) 2025	$PA_{31.12.2025} \div RE_{2025}$
	31.12.2024	31.12.2025	Variação em 2025		
ÁGUEDA	135,9	67,6	-68,3	48 896	0,1%
AGUIAR DA BEIRA	0,5	0,3	-0,2	14 425	0,0%
ALENQUER	69,4	67,1	-2,3	44 380	0,2%
ALFÂNDEGA DA FÉ		195,1	195,1	14 142	1,4%
BELMONTE	15,2	326,6	311,4	12 553	2,6%
CAMINHA	6,3	10,4	4,1	24 706	0,0%
CASTANHEIRA DE PÊRA		2,0	2,0	10 613	0,0%
CUBA	511,7	296,8	-214,9	9 314	3,2%
ÉVORA	2 521,9	4 976,2	2 454,3	64 507	7,7%
FIGUEIRÓ DOS VINHOS	7,6	82,1	74,4	11 460	0,7%
FREIXO DE ESPADA À CINTA	281,5		-281,5	11 194	
GOLEGÃ		115,6	115,6	12 947	0,9%
GOUVEIA		0,2	0,2	18 563	0,0%
IDANHA-A-NOVA	23,6		-23,6	28 830	
LOUSADA	0,1		-0,1	57 021	
MAÇÃO	11,2		-11,2	15 984	
MACHICO	11,6	31,7	20,1	21 774	0,1%
MARVÃO	8,0	0,3	-7,7	10 126	0,0%
MELGAÇO	105,3	101,2	-4,2	20 269	0,5%
MOIMENTA DA BEIRA	52,6	25,9	-26,7	19 769	0,1%
MONTEMOR-O-VELHO	9,6		-9,6	30 902	
NELAS	129,4		-129,4	20 058	
OURIQUE	482,1	147,5	-334,5	15 141	1,0%
PENAFIEL	42,0	367,6	325,7	76 174	0,5%
PESO DA RÉGUA	651,5	255,8	-395,7	28 156	0,9%
PONTA DO SOL		4,7	4,7	13 097	0,0%
PORTALEGRE	13,3	11,3	-2,1	32 905	0,0%
PORTEL	0,1	0,4	0,3	15 580	0,0%
RESENDE	38,0		-38,0	21 056	
RIBEIRA DE PENA	928,4		-928,4	21 615	
SABROSA		101,3	101,3	14 319	0,7%
SANTA COMBA DÃO	1 686,1	1 115,7	-570,5	12 925	8,6%
SANTA CRUZ		0,5	0,5	38 239	0,0%
SETÚBAL	4 980,2	9 699,3	4 719,1	129 450	7,5%
TÁBUA	3 427,9	1 656,0	-1 771,9	19 057	8,7%
TABUAÇO	142,7	22,9	-119,8	11 925	0,2%
TAROUCA	1 810,8	941,6	-869,2	14 414	6,5%
TERRAS DE BOURO		0,2	0,2	16 391	0,0%
TOMAR	14,4		-14,4	43 842	
TROFA	23,8	17,6	-6,2	47 315	0,0%
VAGOS	742,7	648,1	-94,5	24 273	2,7%
VILA DO BISPO	33,1	2,3	-30,8	18 958	0,0%
VILA NOVA DE POIARES	47,3	80,9	33,6	11 707	0,7%
VILA REAL DE SANTO ANTÓNIO	72,2	181,9	109,7	46 699	0,4%
TOTAL MUNICÍPIOS	19 038,2	21 554,8	2 516,6	14 375 315 *	0,1%
Por memória					
Municípios sem pagamentos em atraso	31.12.2024	31.12.2025	Variação em 2025		
Número de municípios	*271*	*272*	*1*		
Em % do número total de municípios	*88%*	*88%*	*-*		

Variação dos PA superior a 50 mil €: Diminuição Aumento

Source: SISAL and CFP calculations. | Notes: 1. The absence of figures indicates that there were no arrears on the date to which the information refers. 2. This table only lists municipalities with a record of arrears on any of the dates considered. * For 307 municipalities. n.a. Information not available.

6.1 List of Abbreviations

Abbreviations	Meaning
%	Percentage
AC	Central Administration
LA	Local Government
AP	Public Administrations
CCF	Financial Coordination Council
CFP	Portuguese Public Finance Council
Ctvh	Contribution to the year-on-year rate of change
CGE	General State Account
DGAL	Directorate-General for Local Authorities
DGO	Directorate-General for the Budget (now the Fiscal Authority)
DL	Decree-Law
DTAS	Debts to Third Parties Arising from Accumulated Balances
EO	Fiscal Entity
FAM	Municipal Support Fund
FEF	Financial Equalisation Fund
FFD	Decentralisation Financing Fund
FSM	Municipal Social Fund
IMI	Municipal Property Tax
IMT	Municipal Tax on the Transfer of Property for Consideration
INE	National Statistics Institute
PIT	Personal Income Tax
IUC	Single Vehicle Tax
VAT	Value Added Tax
LEO	Fiscal Framework Act
LOE	State Budget Act
M€	Millions of euros
MF	Ministry of Finance
OE	State Budget
p.p.	Percentage points
PA	Arrears
PAEL	Local Economy Support Programme
PAM	Municipal Adjustment Programme
PIE	Share of State tax revenue
PMP	Average payment period
RRP	Recovery and Resilience Plan
RDT	Total Debt Ratio
RE	Actual Revenue
RFALEI	Financial Regime for Local Authorities and Inter-municipal Bodies
RNAP	Replacements not deducted from payments
SIIAL	Integrated Information System for Local Authorities
SISAL	Information System for the Local Government Sub-sector
SNC-AP	Accounting Standards System – Public Administration
Tvh	Year-on-year rate of change
EU	European Union
VH	Year-on-year change

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6.2 List of Charts and Figures

6.3 List of Tables

6.4 Boxes Index