



**Conselho das
Finanças
Públicas**

**POSITION AND
EVOLUTION OF
CONTINGENT
LIABILITIES OF
GENERAL
GOVERNMENT
EXECUTIVE
SUMMARY**

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EXECUTIVE SUMMARY

This report presents the first systematic analysis by the Portuguese Public Finance Council (CFP) devoted exclusively to the contingent liabilities of the general government. The purpose of this document is to provide a quantified and comprehensive overview of contingent liabilities, based on the classification and harmonised reporting defined by Eurostat. The analysis focuses on the evolution of these liabilities, their composition, and the potential risks they pose to public finances. Liabilities associated with the banking system and pensions are not included in this report, as they do not fall within the concept of contingent liabilities adopted.

Position and recent developments in contingent liabilities

Since the pandemic crisis, the contingent liabilities of the general government have shown a gradual decline. In 2020, liabilities associated with contingent liabilities reached a maximum equivalent to 12.6% of GDP, in the context of exceptional measures in response to the pandemic, with a decrease to 6.7% of GDP in 2024. This reduction essentially reflects: i) the gradual closure of publicly guaranteed credit lines associated with COVID-19; ii) the reduction in the indebtedness of non-reclassified public entities (EPNR); and iii) the decline in net charges and liabilities associated with Public-Private Partnerships (PPP). Despite the continued reduction in these liabilities, material risks remain associated with public guarantees, PPPs and the liabilities of entities outside the fiscal perimeter. In addition, there are the new InvestEU guarantees, which are expanding rapidly, together with other lines implemented by Banco Português de Fomento. These liabilities require continuous monitoring in order to avoid unexpected fiscal impacts and ensure a sustainable path for public finances.

Liabilities associated with guarantees

Guarantees granted by the State and other public entities constitute the largest share of contingent liabilities. These liabilities totalled 3.1% of GDP in 2024, well below the 6.4% recorded in 2020. This decrease is mainly due to the reduction in standardised guarantees associated with COVID-19 lines issued during the pandemic, whose portfolio has decreased significantly.

Despite the lower amount of liabilities, there remains a significant amount of risk associated with these guarantees. At the end of 2024, the Mutual Counter-Guarantee Fund (FCGM) held €1.887 billion in outstanding liabilities related to COVID-19 lines and €1.651 billion related to other lines. In addition to these, the State also has significant liabilities in relation to the financing of the Autonomous

Region of Madeira (€2.9 billion), the National Mutual Guarantee System (guaranteeing its solvency by providing guarantees to the FCGM of €1.2 billion) and economic policy instruments, such as official export support. It should be noted that guarantees are presented on an unconsolidated basis. However, guarantees granted to other PA entities do not constitute an increased risk, given that their eventual materialisation will have a neutral effect, in consolidated terms, on the balance and/or debt (in the case of the FCGM, the risk lies with this entity, since it grants guarantees to private entities).

Liabilities associated with PPPs

In 2024, contingent liabilities associated with PPPs continued to decline. These liabilities, concentrated predominantly in the road sector, represented 1.2% of GDP in 2024. This ratio in 2023 (1.4% of GDP) placed Portugal as the European Union (EU) country with the highest weight of PPPs as a percentage of GDP, 1.2 p.p. above the EU average (0.2% of GDP).

In the most recent projection by the Ministry of Finance (MF), net overall costs are expected to increase temporarily in 2026, with a return to positive figures only expected in the early 2050s.

Contributing to this increase are new railway PPPs, such as the Porto–Oiã section of the future high-speed line (LAV), as well as the base effect of extraordinary PPP revenues from the road sector received in 2025, which will not be repeated in the following year. A downward trend is anticipated for the following years. From 2053 onwards, net charges are expected to become positive, mainly reflecting the net revenue generated by the airport concession awarded to ANA. Despite this favourable long-term outlook, there remain significant risks associated with litigation and requests for financial rebalancing in PPPs, totalling €1.754 billion, mainly concentrated in the road sector.

Liabilities of entities controlled by public authorities outside the fiscal perimeter

The indebtedness of non-reclassified non-financial public entities (EPNR) fell significantly, accompanied by changes in their financing.

In 2024, the indebtedness of these entities represented 2.2% of GDP, considerably below the maximum of 9.8% observed in 2009. The composition of these entities' debt has changed substantially over the last decade, with less recourse to bank and external financing, reflecting greater financial discipline and a gradual process of restructuring public companies.

Comparison within the European Union (EU)

In 2023, Portugal had the fourth lowest level of contingent liabilities in the EU. As a ratio of GDP, these liabilities amounted to 7.6%,

significantly below the EU average (19.7%). Despite this favourable position, Portugal stands out for having the highest relative weight of PPPs among EU Member States, with a downward trend.

Other contingent liabilities

Other contingent liabilities with potential fiscal impact remain. These include those associated with the Autonomous Region of the Azores, in the form of comfort letters and protocols, which amounted to €99.5 million in 2024, mainly related to the SATA Group and private entities. Despite contractual heterogeneity, these instruments represent real risks if they are triggered. In addition, the recent revision of Directive 2011/85/EU reinforces the need for scrutiny of climate risks and natural disasters. Although there is still no systematic data in the national report, these risks constitute a growing vector of potential exposure for public finances, requiring continuous monitoring and future integration into the reporting of contingent liabilities.