

## LEGAL ALERT

### CORONA-AID PORTUGAL

The following four guarantee schemes are the main<sup>1</sup> liquidity aid measures implemented by the Portuguese Government in the context of COVID-19 so far:

Budget in EUR million	Tourism I (tourism accommodation and car rental)*	Restaurants (restaurants, catering, coffee and pastry shops, bars etc.)*
Total	200	600
Micro and Small	75	270
Medium & Small Mid Cap	120,5	321
Other Mid Cap	4,5	9
Budget in EUR million	Tourism II (travel agencies; event organisation; cultural, sports, leisure, animation)*	Real Economy (almost entire real economy not covered by Tourism and Restaurants)*
Total	900	4,5
Micro and Small	300	1,7
Medium & Mid Cap	600	2,8
* To be verified in each individual case whether the activity of the undertaking is covered by one of the Codes of Economic Activity (CAE) of the guarantee scheme concerned.		

The distribution of the respective total budget across the different types of undertakings can be adjusted by the competent authority at any time. The budget is allocated to applicant undertakings on a “first come, first served” basis.

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<sup>1</sup> Not covered by this note are other (so far only very few) smaller and more specific schemes, for example the EUR 20 million credit line with subsidised interest rates for fishing and aquaculture, [approved by the Commission on 8 April 2020](#).

Apart from the difference in the budget and the economic sectors to which they apply, the characteristics of the four guarantee schemes are essentially identical, see the detailed overview in **Annex I** for more information.

In order to be eligible, applicant undertakings, in addition to having activities in the relevant sector, must:

- be established in Portugal (including Azores and Madeira);
- qualify as [micro, small or medium-sized enterprise \(SME\)](#), as certified by IAPMEI, or a Mid-Cap;<sup>2</sup>
- show a positive net position in the last approved (interim) balance sheet (undertakings active for less than 2 years and individual businessmen without organised accounting are exempted from this requirement);
- not have qualified, as of 31-12-2019, as undertaking in difficulties per Article 2(18) [GBER](#);
- not be in default on obligations or have unresolved issues with banks, the guarantee system, the fiscal administration and social security;
- maintain until 31-12-2020 the number of permanent jobs they had as of 02-02-2020 and not have conducted nor conduct during this period any collective dismissals or based on extinction of job position.<sup>3</sup>

The guarantees are provided through the state's mutual guarantee system. The request is submitted by the undertaking together with the loan application to its bank of choice and is then analysed and decided upon by the bank and the respective guarantee company within up to 10 business days, following which the loan and guarantee agreements must be formalised within 30 business days. Undertakings can apply for more than one guarantee within the same guarantee scheme and for guarantees under more than one guarantee scheme provided the relevant maximum amounts are observed.

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<sup>2</sup> Mid-Caps are defined in Portuguese law as companies that do not qualify as SME and that, individually, without taking into account associate or partner undertakings within the meaning of the SME definition, have a staff headcount of < 3,000 (Small Mid-Caps: < 500).

<sup>3</sup> Temporary lay-off under the simplified layoff regime adopted in response to the COVID-19 crisis does not qualify as dismissal and is not therefore taken into account.

## ANNEX I

	REQUIREMENT		DESCRIPTION		
GUARANTEE	Granting period		Until 31-12-2020		
	Maximum duration		6 years		
	Availability		For lending from participating credit institutions		
	Type		At first request and <i>pari passu</i> (losses are sustained proportionately and under the same conditions, by the bank and the state)		
	Coverage (% of outstanding loan amount)		Micro and Small	Medium and Mid-Cap	
			90	80	
	Premium (% of outstanding guaranteed loan amount)	Y	SME	Mid-Cap	
		1 <sup>st</sup>	0.25	0.30	
		2 <sup>nd</sup> -3 <sup>rd</sup>	0.50	0.80	
		4 <sup>th</sup> -6 <sup>th</sup>	1.00	1.75	
		+ penalty of ≤ 0.75pp in case of breach of contract and/or information obligation			
LOAN	Purpose		Financing of liquidity needs; no restructuring, consolidation or substitution of existing loans and acquisition of certain real estate		
	Maximum duration		6 years		
	Maximum EUR for loans per guarantee scheme per undertaking		Micro	Small	Medium & Mid-Caps*
			50,000	500,000	1,5 million
			*Tourism II & Real Economy: Mid-Caps: € 2m		
	Global maximum € per undertaking for loans > 31/12/2020		25% of 2019 turnover, 200% of 2019 wage bill, or higher self-certified liquidity needs in following 18 (SME) or 12 (Mid-Caps) months		
	Fixed or variable Interest rate (% of outstanding loan amount):	Maturity	Base rate (the higher of Euribor or 0) + spread:		
		≤ 1y	≤ 1.00		
		> 1 ≤3y	≤ 1.25		
		> 3y	≤ 1.50		
			+ penalty of ≤ 1.75pp in case of breach of contract and/or information obligation		
	Annual processing fee (% of outstanding loan amount)		≤ 0.25		
	In case of fixed interest rate		Bank may pass on costs incurred in reversion of interest rate in case of early settlement or change from fixed to variable rate		
Reimbursement		Equal, consecutive, monthly instalments, with optional grace period of ≤ 18 months			

### **Background, comments and outlook**

On 31 March 2020, Portugal made available four guarantee schemes with a total budget of up to EUR 3 billions that were dedicated to SMEs and Mid-Caps with activities in certain economic sectors (Tourism I, Restaurants, Tourism II and Industry), as [approved by EU Commission under EU state aid rules on 22 March 2020](#).

On 4 April 2020, Portugal obtained [Commission approval for an additional EUR 13 billions in guarantees](#) for undertakings of any size and with activities in any sector of the real economy, including a component for the conversion of guaranteed loan amounts into non-repayable grants of up to EUR 800,000 per undertaking.

Based on the second Commission approval, Portugal:

- increased the budget of the Industry scheme (from EUR 1,3 billion to EUR 4,5 billion);
- increased the sectorial scope of the Industry scheme to now cover almost the entire Real Economy except Tourism and Restaurants;
- slightly increased the maximum loan amount for Mid-Caps under Tourism I and Industry schemes from EUR 1,5 million to EUR 2 million;
- increased the maximum duration of guarantees and loans from 4 to 6 years;
- increased the optional grace period from 12 to 18 months.

However, a significant part of the scope of the second Commission approval has not been exhausted by Portugal yet, insofar as, in particular:

- large undertakings other than Mid-Caps continue to be ineligible;
- there continues to be no conversion into non-repayable grants;
- budget and maximum loan amounts are far below the maximum allowed.

Finally, on 17 April 2020 the Commission has [approved](#) a EUR 140 million Portuguese aid scheme to support investment in R&D, testing and production of products related to the coronavirus outbreak, such as vaccines, ventilators and protective equipment, as provided for under the [extended Temporary Framework](#).