



EMN Legislative Mapping Report PORTUGAL



December 2019

This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

- 1 Regulation of lending activity
- 2 Supervisory framework for non-bank lending
- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development

1

Regulation of Lending Activity

The legislative decree 12/2010 and Ordinance no. 1315/2010 created the legal framework for microcredit financial corporations (sociedades financeiras de microcrédito). These are non-bank MFIs, which are able to grant loans up to EUR 25.000 to small businesses or professional projects capable of maintaining sustainable jobs (in particular self-employment) for borrowers facing difficulties in obtaining traditional credit due to their risk profile.

The minimum equity base for microcredit financial corporations is EUR 1 million, and the regulatory rules of banks and other financial institutions are applicable on a subsidiary basis.¹ Despite this specific regulation, there are currently no microcredit financial corporations operating in the country. Therefore, no institutions are dedicated exclusively to microcredit in Portugal, and only banks offer small loans as part of their social responsibility policies.

In the current scenario, banks issue microloans in partnership with organisations (such as NGOs, cooperatives and other private companies) that oversee the screening and monitoring of clients as well as the provision of the non-financial services. For instance, in the autonomous region of the Azores, the regional government has established a partnership framework with the banking sector to support the disbursement of microloans (up to EUR 20.000) by providing a guarantee and subsidising the interest rates.²

2

Supervisory Framework for Non-Bank Lending

The lending activities of banks are overseen by the Central Bank, which is also responsible, in principle, for the supervision of microcredit financial corporations. The Central Bank and the Portuguese Securities Market Commission are the only institutions obliged to share client data with the credit bureaus, and only banks have access to the credit bureau.

1. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe

2. This partnership framework is implemented in the Azores among the regional government, an NGO (Cresaçor) and partner banks: http://www.european-microfinance.org/docs/emn_publications/emn_overview/Overview2012-2013_Nov2014.pdf

3

Products

Microcredit financial corporations are only allowed to disburse business microloans. According to the law, these are loans for unemployed people and micro-entrepreneurs to promote self-employment. According to the law, microcredit financial corporations would be obliged to monitor their loan portfolio and verify if the microloan was used for its stated purpose. The maximum loan amount offered by a microcredit financial corporation is EUR 25.000 with no interest rate limitation.

4

Incentives and Support

The Institute for Employment and Professional Training (Instituto de Emprego e Formação Profissional) grants financial support through other entities and projects to create self-employment, which are viewed as measures to support microcredit.

At present, microcredit financial corporations do not benefit from a specific tax regime, and there are no particular tax exemptions applicable to such institutions. The same can be said for individuals or enterprises that invest in microcredit activities or provide grants.³

5

Development of the Existing Framework for Non-Bank Microcredit Provision

Advocacy, seminars and forums have been developed to improve the current framework. Microcredit is regulated, but this regulation is not comprehensive at various levels (e.g. compliance aspects). Nonetheless, microcredit agencies have seen an evolution at the regional level (Azores) given changes in the regional decree that governs microcredit. Some challenges include low public support (also from a fiscal point of view) and the creation of funds to support microfinance in the country.

6

Inclusive Entrepreneurship and Microenterprise Development

In the Portuguese context, there are no simplified administrative procedures for entrepreneurs and the government is not publicly subsidising BDS for micro-entrepreneurs. However, there is a welfare bridge to support unemployed people in the transition towards self-employment under the "Self-employment Program" (CPE) that consists of unemployment benefits and a lump sum payment in the total amount of the unemployment allowance that may be awarded when a person presents a project to create self-employment. The secondary education curricula includes entrepreneurial education and the national government is actively running awareness initiatives for inclusive entrepreneurship, such as trainings and the promotion of specific actions.

3. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe



EUROPEAN
MICROFINANCE
NETWORK

European Microfinance Network (EMN) aisbl
Avenue des Arts 7-8, 1210 Brussels - Belgium
emn@european-microfinance.org
www.european-microfinance.org



European
Commission

This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>
The information contained in this publication does not necessarily reflect the official position of the European Commission.