



30 ABR. 20

**SOCIAL IMPACT**

# Coronavirus: Exceptional measures applicable to social economy entities

In the context of the Covid-19 legislative process, entities representing the social economy or what is often known as the third sector have already benefited from some consideration by the legislature. Certain legal arrangements have been drawn up to identify the needs and protect against the weaknesses of this charitable / socially supportive economic cluster.

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These include, in particular, the moratorium on loans granted to these entities and the support for social and healthcare projects.

### **Decree-Law 10-J/2020**

This Decree-Law is in force from 27 March until 30 September 2020. Among other things, it establishes exceptional measures to protect credit granted to private social solidarity institutions, non-profit associations and other entities in the social economy. It also establishes special arrangements for personal guarantees of the State due to the economic and financial impacts of the downturn in economic activity resulting from the Covid-19 pandemic.

The beneficiaries of these arrangements are private social solidarity institutions, non-profit associations, and other entities in the social economy, except for entities subject to supervision under the Code of Mutual Associations, provided that:

- i) As at 18 March 2020, they have not been in arrears or in breach of financial obligations for more than 90 days to the Institutions (or, if they are, they do not exceed the materiality thresholds set out in Notice of Banco de Portugal 2/2019 and Regulation (EU) 2018/1845 of the European Central Bank).
- ii) They are not in a situation of insolvency or of suspension or cessation of payments.
- iii) On that date, the credits are not already subject to enforcement;
- iv) They do not have tax or social security debts.
- v) They have their domicile or registered office in Portugal.

### **"Exceptional measures to protect credit granted to private social solidarity institutions, non-profit associations and other entities in the social economy."**

The moratorium provided for in this legislation involves the following main measures:

- i) Prohibition on full or partial revocation of credit lines taken out and loans granted, in the amounts contracted on the date of entry into force of this Decree-Law, during the period this measure remains in force.
- ii) Extension for a period equal to the period of validity of this measure, of all credits with payment of capital at the end of the contract, in force at the date of entry into force of this Decree-Law, together, in the same terms, with all its associated elements, including interest and guarantees, in particular, provided through insurance or in securities.
- iii) In relation to credits with partial reimbursement of capital or staged maturity of other financial instalments, while this measure is in force, the payments of the capital, instalments and interest falling due up to the end of this period are suspended. The contractual plan for payment of the instalments of principal, instalments, interest, fees and other charges is extended automatically for a period identical to the suspension. This is to ensure there are no other charges beyond what may arise from any variation in the reference interest rate underlying the contract. All other elements associated with the contracts covered by this measure, including guarantees, are also extended.

The extension of the period to pay capital, income, interest, fees and other charges referred to in the legislation does not give rise to any:

- i) Breach of contract;
- ii) Activation of early maturity clauses;
- iii) Suspension of the interest falling due during the period of the extension, which will be capitalised in the amount of the loan with reference to the time it falls due at the contractual rate in force; and
- iv) Ineffectiveness or termination of guarantees given by the beneficiaries of the measures or by third parties, specifically, the effectiveness and validity of the insurance, securities and/or guarantees.

**"The extension of the period to pay capital does not give rise to any breach of contract."**

To access the above measures, the beneficiary entities must send to the lender on paper or by email a declaration that they wish to benefit from the application of the moratorium. This declaration must be signed by their legal representatives and accompanied by documentation demonstrating that they have no outstanding taxes or social security contributions. Lenders must apply the protection measures within a maximum of five working days of receipt of the declaration. However, when the applicant for the moratorium does not meet the conditions to qualify for the measures, the lender must inform it of this fact within a maximum of three working days using the same means of communication as used by the applicant to send the declaration.

Any beneficiaries that gain access to the support measures while not meeting the requirements to do so, and anyone who signs the documentation required for this purpose, are liable for any damage that may occur as a result of false declarations. They are also liable for any costs incurred in implementing these exceptional measures, without prejudice to other types of liability for their conduct, including criminal liability. Banco de Portugal is responsible for oversight and supervision of the arrangements for access to the moratorium laid down in this decree-law.

Any breach of the duties set out in this decree-law or the rules adopted by the Banco de Portugal to implement it, is an administrative offence.

Personal guarantees may also be provided by the State and by other legal entities governed by public law by virtue of the national economic emergency caused by the Covid-19 pandemic. Any such guarantees must be within the maximum limits for granting personal guarantees provided for in the State Budget Law.

**Ministerial Order 82-C/2020 -**

This Ministerial Order comes into force on 1 April for a period of three months and it creates a measure of Support to Reinforce Social and Health Equipment. This measure is temporary and exceptional, and its aim is to ensure the response capacity of public institutions and institutions of the solidarity sector that work in the social and health areas during the Covid-19 pandemic. In addition, it introduces special arrangements to increase the monthly grants of the employment-insertion contract (*Contrato emprego-inserção* "CEI") and the employment-insertion contract+ (*Contrato emprego-inserção+* "CEI+") applicable to projects carried out in the above areas.

Public entities and non-profit legal entities governed by private law that operate in the social and health areas, in particular, health services, hospitals, residential establishments or home support services for elderly people and people with a disability or incapacity.



The projects covered by this measure must be related to situations in which institutions are overloaded as a result of the Covid-19 pandemic, in particular, due to an increase in their levels of activity or to the temporary absence of their workers because of illness or preventive isolation, or because they are providing assistance to relatives or dependants.

Furthermore, the projects must fall under the concept of socially useful work and have a duration of one month, which can be renewed monthly up to a maximum of three months, upon an application to the Institute of Employment and Professional Training, I. P. (IEFP, I. P.).

People in one of the following situations could be integrated in the projects covered by this measure, provided they are not more than 60 years old and do not belong to groups subject to a duty of special protection as defined in article 4(1)(b) of [Decree-Law 2-A/2020](#) of 20 March:

- i) Unemployed persons in receipt of unemployment benefit, partial unemployment benefit, or social unemployment benefit, hereinafter referred to as the subsidised unemployed;
- ii) Unemployed persons in receipt of social insertion income;
- iii) Other unemployed persons registered with the IEFP, I. P.;
- iv) Unemployed persons not registered with the IEFP, I. P.;
- v) Workers whose employment contract is suspended or whose working hours are reduced;
- vi) Workers with part-time employment contracts;
- vii) Students, including higher education students, and trainees, preferably in areas related to the projects, provided that are at least 18 years old.

**"Ensure the response capacity of public institutions and institutions of the solidarity sector that work in the social and health areas during the Covid-19 pandemic. In particular, health services, hospitals, residential establishments or home support services for elderly people and people with a disability or incapacity."**

The people identified above can be put forward by the eligible entities by email to the IEFP, I. P., in particular, in the case of unregistered unemployed persons who must submit a declaration for the purposes of registration to the IEFP, I. P. They may then be entitled to the following benefits:

- i) In the case of the subsidised unemployed, a supplementary monthly grant corresponding to the value of the Social Support Index (SSI);
- ii) In the case of other recipients, a monthly grant corresponding to 1.5 times the value of the SSI.

**"The entities organising the projects must pay the grant that recipients working in projects are entitled to. The IEFP, I. P. must then ensure reimbursement of 90 % of the amount."**

In addition, the organising entity must provide the people involved in the projects with: (i) food, (ii) transport between their home and the place of work, or a transport allowance up to a value of 10 % of the SSI (upon proof of the expense), (iii) coverage by the entity's accident insurance policy of the risks that may arise during and due to engaging in the project's activities, and (iv) appropriate personal protective equipment to carry out the activity.

The entities organising the projects must pay the grant that recipients working in projects are entitled to. The IEFP, I. P. must then ensure reimbursement of 90 % of the amount.

The application for the support provided for in this Ministerial Order is made by the eligible entity using the form available on the website [www.iefponline.iefp.pt](http://www.iefponline.iefp.pt) and sent to the IEFP, I.P., by email. The IEFP, I. P. evaluates the application and issues a decision within a maximum of two business days.

After notification of the decision approving the project, the organising entity must return the statement of acceptance of the approval decision of the IEFP, I. P., within five business days.

Besides this, there is also a provision for an extraordinary increase in the monthly CEI/IEC+ grants in projects in the area of healthcare or social support. This increase applies to participants in CEIs and CIS+s regulated by Ministerial Order 128/2009 of 30 January, in its current wording, in projects carried out by the above organising entities.

The IEFP, I. P., will prepare the technical regulations necessary to implement this measure, in particular, the payment system. The measures provided for in this Ministerial Order are subject to regular review by the Standing Committee for Social Consultation. ■