



29 APR. 20

CORPORATE M&A AND TECHNOLOGY, MOBILITY AND COMMUNICATIONS

Coronavirus: Startups relief measures

Startups relief measures and measures to strengthen the position of Portugal as a leading international technological hub

On 21 April, the Ministry of Economy and Digital Transition announced a set of relief measures specifically addressed to Portugal's more than 2500 startups, to mitigate the impact of Covid-19 on the national entrepreneurial ecosystem.

Jorge Silva
Martins

Carolina
Meireles

Alexandre Norinho
de Oliveira

Pedro
Rosa

The package of relief measures, with a total of amount of €25 million, includes five new measures and two pre-existing measures (relaunched and adapted to the current situation). It is estimated that, on average, each startup could potentially benefit from support in the amount of €10,000.

On the same date, Council of Ministers Resolution 29/2020 was published to set out the general principles for the creation and regulation of Technology Free Zones. These principles make it possible to establish a legislative framework that promotes and facilitates the activities of research, demonstration and testing in a real-life environment, of technologies, products, services, processes and innovative models in Portugal.

"The package of relief measures, with a total of amount of €25 million, includes five new measures and two pre-existing measures. It is estimated that, on average, each startup could potentially benefit from support in the amount of €10,000."

1. New relief measures for startups

- o **Startup RH Covid-19:** relief measure for startups incorporated less than 5 years ago, amounting to an incentive of €635,00 per employee (up to a maximum of 10), paid once only (i.e., not extended as is the case, for example, with the simplified lay-off support).

This incentive can be claimed jointly with other incentives such as the "Incubation Voucher" ("Vale Incubação"), but it may not be claimed by companies that have applied for the lay-off. Companies that resort to this incentive cannot dismiss employees during 2020. If they do, they will have to return any amounts received.

To be eligible, companies must meet one of the following conditions: (i) be registered at the Startup Hub; (ii) have been incubated in one of the incubators belonging to the Nacional Network of Incubators; (iii) be receiving or have received investment from one of the BAs or VCs accredited by IAPMEI or by the Financial Institution of Development (*Instituição Financeira de Desenvolvimento* - IFD); (iv) be recognised by ANI – Agência Nacional de Inovação, S.A.. Besides this, the companies must not have any tax or social security debts.

- o **StartUp Voucher Extension:** extension for 3 months (expected duration of the pandemic) of the vouchers awarded under the "StartUp Portugal - National Strategy for Entrepreneurship" (*StartUp Portugal - Estratégia Nacional para o Empreendedorismo*) programme, which aims to boost the development of innovative projects by young entrepreneurs under the age of 35. This benefit, in the monthly amount of €691.70, is now extended for a period of three months. Therefore, it amounts to a total benefit of €2,075 per entrepreneur. It is meant for startups with startup vouchers previously awarded.

This measure is intended to reduce the mortality of startups with innovative business models, and to contribute to maintaining jobs.

- o **Incubation Voucher - Covid19:** non-refundable immediate payment voucher for €1,500 to acquire incubation services (rent, telecommunications, etc.). Startups incorporated less than 5 years ago and incubators registered with the Nacional Network of Incubators (*Rede Nacional de Incubadoras*) are eligible (including startups that already benefited from this voucher under the previous scheme).

The above services will be provided by accredited incubators belonging to the National Network of Incubators. Startups benefiting from this incentive cannot dismiss employees throughout 2020 (otherwise they will have to reimburse the amounts received) and must be registered at the Startup Hub.

"Startups benefiting from this incentive cannot dismiss employees throughout 2020 (otherwise they will have to reimburse the amounts received) and must be registered at the Startup Hub."

- o **Mezzanine Funding for Startups:** loan with average tickets between €50,000 and €100,000 per startup, convertible into share capital after a period of 12 months, in which a discount rate is applied to avoid dilution of promoters.

Startups benefiting from this incentive cannot dismiss employees during 2020. They are also required to be registered on the Startup Hub website, present a statement explaining the negative impacts of Covid-19 outbreak on the company's activity, and the operationalisation of the financing line must be carried-out through Portugal Ventures, among others.

To be eligible, startups must be innovative and have high potential, have benefited from previous investments (whether from business angels, venture capital investors, strategic partners, founders or incentive schemes), have been incorporated more than 1 year and less than 8 years ago. They must also be (i) registered in the mapping of the Startup Hub; or (ii) be incubated in one of the incubators of the National Incubator Network; or (iii) be receiving or have received investment from one of the BAs or VCs accredited by IAPMEI or IFD; or (iv) be recognised by the ANI. Besides this, the companies must not have any tax or social security debts.

- o **Launch of Covid-19 Portugal Ventures instrument:** launch of a call for investments starting from €50,000 per startup, in startups of all sectors and technologies. The initiative is funded by the IFD, Portugal Ventures and the National Mint (*Imprensa Nacional-Casa da Moeda*), and the eligibility criteria are those defined under the Venture Capital Fund Facility managed by the IFD.

Co-investments with the 200M Fund are limited to the component financed by existing private shareholders or private investors.

2. Pre-existing measures adapted for startups

Startups can also use the following existing forms of support and the conditions for them to be granted will be adjusted in order to expand the number of potential beneficiaries:

- o **Fundo 200M (the "Fund"):** managed by PME Investimentos, this acts as a matching fund to promote co-investment in technology startups based in Portugal, in the digital, life sciences and biotech sectors, through Portuguese and international co-investors. The Fund's co-investment corresponds to 100% of the financial commitment of the private investors, with a minimum of €500,000 and a maximum of €5 million.

The Government has introduced more flexible conditions for granting investment through the Fund in new rounds of investment. Therefore, at least until December 2020, it will no longer be necessary for 20% of the capital in new rounds to be obtained from new investors. This makes it possible for existing investors to increase their investments.

For more information, we recommend consulting the [website](#).

- o Co-investment Fund for Social Innovation ("FIS"): The FIS invests alongside private companies, and targets innovative and social impact projects, with an investment per company ranging between €50,000 and €2,500,000.

While, in contrast to the first five measures above, FIS was already constituted pre-COVID, the key update here results from the simplification of the access conditions, together with an increase in the overall allocation amount.

For more information, we recommend consulting the official [website](#).

3. Other General Measures

In addition to the measures mentioned above, startups can also access the general measures previously adopted, provided they meet the eligibility criteria. These measures are: (i) the simplified lay-off; (ii) support for the members of the governing bodies; and (iii) the credit lines for businesses. These measures are described in detail in the newsletters available on our website, more specifically in [Coronavirus: Update on the simplified layoff](#) and [Coronavirus: Credit lines for businesses](#).

"The Government has said it intends to go further than simply creating disparate "regulatory sandboxes". Instead, it will focus on an integrated, transverse and multi-sector approach."

4. Technology Free Zones

As previously mentioned, in addition to the measures set out above, by Resolution of the Council of Ministers 29/2020 of 21 April, the Government has established the general principles governing the creation and regulation of Technology Free Zones (ZLT).

In general terms, ZLTs are (physically delimited) spaces where new technologies and solutions will be tested in a real-life environment without the legal and regulatory constraints normally in force. The technologies in question include artificial intelligence, autonomous blockchain, self-driving cars, and 5G. In this respect, however, the Government has said it intends to go further than simply creating disparate "regulatory sandboxes". Instead, it will focus on an integrated, transverse and multi-sector approach.

We must now wait for the definition of the ZLTs and the approval of their legal and regulatory frameworks. ■