EEPO Review: Start-up incentives, September 2014

Portugal

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DINÂMIA
September 2014
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1 Introduction: start-up incentives as an active labour market measure in Portugal

In 2012, Statistics Portugal (INE, 2014) registered 1.06 million non-financial companies on the national territory, with 3.5 million employees (average: 3.3 persons in each company, including the respective entrepreneur). Of these companies, 354 000 were societies and employed 2.7 million people (average: 7.6 employees for each society), the other 709 000 were companies owned by single persons and employed 816 000 people (average: 1.2 employees). This means that at least 60 % of non-financial companies in Portugal are run by one single person. These micro-companies are considered particularly vulnerable to negative trends in the business cycle (INE, 2010).

Policies aiming at self-employment need to find an adequate response to this vulnerability of very small businesses, particularly in the present context of economic crisis. The overall average survival rate of newly created companies (two years after their establishment) decreased from 58.8 % in 2006 to 28.5 % in 2012, and the average survival rate of single person companies is much lower (42 % after two years; 23 % after four years) than the average survival rate of societies (80 % and 59 %, respectively).

Approximately 20 % of self-employed people are own-account workers. There are indications that a considerable proportion of these workers are in fact bogus or dependent self-employed, but it is not possible to estimate their share.

In the present economic and political situation, it seems that the major barriers to business survival and growth are the continuing economic crisis and the enormous increase of the financial and administrative burden imposed on companies in the course of the implementation of the Memorandum of Understanding (2011-2014). This is a particularly grave problem for small businesses.

Start-up incentives in Portugal

Start-up incentives for unemployed persons already existed during the 1980s under the programme for the so-called Local Employment Initiatives (Iniciativas Locais de Emprego / ILE)\(^1\). An evaluation of the programme highlighted its decentralised authorisation mechanism for applications as one of its major advantages. On the other hand, the evaluation revealed weaknesses of some operational aspects, in particular in relation to the training and counselling offered to the projects. The revision of the ILE programme in 1996 (Decree-Law 189/96\(^2\)) aimed at eliminating these weaknesses. The ILE (Articles 1 and 2) supported unemployed persons (including young people searching for their first job) or workers whose jobs were at risk\(^3\) to create jobs for themselves and possibly for others (global investment per project was up to 12 million Escudos, corresponding to approximately EUR 60 000, with a maximum of five jobs per project). The ILE-programme was delivered by the national public employment service (Instituto de Emprego e Formação Profissional / IEPF). The support consisted of a financial subsidy for each job created (50 % subsidy, 50 % loan) and training and counselling for the entrepreneurs. Projects with a single entrepreneur had to be presented by an unemployed person or a young person searching for his/her first job. Projects with more than one entrepreneur involved had to consist of at least half unemployed people.

\(^1\) Despacho Normativo no. 46/86, cited in the Decree-Law 189/96.
\(^3\) This referred to certain sectors or companies that had been qualified by the government as ‘in difficult economic situation’ or that were passing through a process of reconversion.
In March 2001, the Ministry of Employment4 passed the Act 196-A/20015 that regulated the component of job creation in the Stimulus Programme for Job Offers (Programa de Estímulo à Oferta de Emprego / PEOE). This programme had three lines of support, namely: a) hiring incentives; b) support to Local Employment Initiatives (ILEs; see above); and c) support to employment projects promoted by people who receive unemployment benefit. This new regulation:

- introduced a general increase of incentives for projects that promoted gender equality and/or benefitted disabled persons;
- strengthened the incentives in the form of loans in order to reduce the relative weight of non-reimbursable subsidies;
- created the possibility to convert unemployment benefits into start-up grants.

In September 2009, the Portuguese government created the Support Programme for Entrepreneurship and Self-Employment (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego / PAECPE), which is executed by the IEFP6. The PAECPE has two major purposes: firstly, to support the creation of small companies or cooperatives that create jobs and contribute to the revitalisation of local economies, and secondly to support self-employment for unemployed workers. The support consists of:

a. guaranteed loans with beneficial interest rates;

b. technical support for the creation and consolidation of projects;

c. conversion of unemployment benefits into start-up grants;

d. a complementary financial subsidy added to c).

From a long-term perspective we may consider the ILEs introduced in the 1980s and revised in 1996 as the first measure of major relevance that gave relevant support to entrepreneurial initiatives of the unemployed. In 2001, the PEOE created the possibility to convert unemployment benefits into start-up grants. The PAECPE created in 2009 substituted the PEOE and is at present the central instrument for activating job-seekers through entrepreneurship.

Most recently (30 July 2014), the Portuguese government decided to create the measure, Youth Invest (Investe Jovem)7 for young people of 18-29 years of age who create their own business. The programme will be delivered by the IEFP and will provide projects with loans, subsidies, and training and counselling. The specific regulation for the programme has not yet been published.8

2 Start-up incentives today: detailed description

The most relevant measure including start-up incentives is at present the Support Programme for Entrepreneurship and Self-Employment (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego / PAECPE). This programme was created in 2009 and has two main aims: firstly, to support the creation of small companies

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4 During the past 20 years, the domain and the name of the Ministry of Employment has been changed several times. In order to simplify the use of the term and to avoid misunderstandings this text uses the term Ministry of Employment for the whole period of observation.
8 See presentation of Investe Jovem on the site of the IEFP. Internet: https://www.iefp.pt/documents/10181/1395322/Ficha+Sintese+-+Programa+Investe+Jovem+%28vf+2014-08-01%29.pdf/df9d5609-3ab6-4ca2-b48b-bc4f14d2f8d8
or cooperatives that create jobs and contribute to the revitalisation of local economies, and secondly to support self-employment by unemployed workers.

The PAECPE has **four target groups:**

a. involuntary unemployed people registered for up to nine months at a job centre or unemployed people registered for more than nine months irrespective of reason for registration;

b. young people seeking a first job (18 to 35 years of age) with secondary school or occupational training at level three completed, or in a qualification process that aims at obtaining a qualification at one of these levels, and not having had an open ended work contract before;

c. people who never exerted any occupational activity as salaried workers or as self-employed;

d. independent workers whose average monthly income has been below the national minimum wage (since 2011: EUR 485).

The PAECPE offers **temporary incentives of four types:**

a. Guaranteed loans with beneficial interest rates in two modalities: (1) MICROINVEST with loans up to EUR 20 000 for credit operations and for financing of investment projects up to EUR 20 000; and 2) INVEST+ with loans between EUR 20 000 and EUR 100 000 for credit operations, and between EUR 20 000 and EUR 200 000 for financing investment projects (these latter are limited to 95 % of total investment and EUR 50 000 for each job created);

b. Training and counselling for the consolidation of projects over a maximum period of two years: job centres accompany approved projects and provide consultancy in areas of major fragility of management or of operation (the maximum payment is EUR 3 353 to accredited institutions);

c. Conversion of unemployment benefits into start-up grants, where the company and the jobs created must be maintained for at least three years;

d. Complementary financial subsidy added to c: if the project financed by the conversion of unemployment benefits is not co-financed by a benefited loan (see a) it may benefit from an extra-subsidy of EUR 5 030.

The **companies supported by the PAECPE** may be newly created or acquired by the entrepreneurs. In the case of single-person companies the entrepreneur must belong to the target group as defined above. In the case of companies with more than one person, at least 50 % of the entrepreneurs must belong to the target group and create a full-time job for themselves in the project, and own together at least 50 % of the company. The projects have a maximum limit of 10 jobs created and a total investment of EUR 200 000. The projects must be economically and financially feasible (according to the evaluation of the bank that gives the loan). The investment and the creation of jobs must be concluded within one year after the concession of the loan.

The PAECPE does not impose **conditionalities** on recipients (as for instance previous work experience in the economic sector) and does not target specific sectors.

**Complementary services** such as counselling and follow-up by employment services are part of the PAECPE (see above).

The **procedures** for approval and effective provision are as follows:

- **All newly created companies** must prove that they did not exist at the moment of submission of the application. During the execution of the supported project the company must comply with the following rules: a) have compliant constitution and registration; b) possess a licence for operation (or at least a document that proves that a license has been requested); c) have a compliant situation in terms of taxes and contributions to social security; d) no instances of non-compliance regarding
financial support from the IEFP; e) have no negative registration in the banking system; f) possess organised accountability (if this is demanded by law).

- The entrepreneurs have to apply for the guaranteed loans with beneficial interest rates directly to the bank institutions who participate in the PAECPE. The bank institution verifies the compliance with the basic rules for application (see previous para) according to procedures defined in an agreement between the bank and the IEFP. The IEFP has to verify whether the candidates belong to the target groups of the programme.

- **Counselling and training** for the entrepreneurs may be provided by entities certified by the IEFP. The IEFP is responsible for the constitution of a network of certified entities that covers the national territory. The IEFP establishes with each certified entity rules regarding the form and periods of payment of its services, the system of accountability and the maximum amount the entity is entitled to receive. The IEFP does not approve the payment of counselling and training before the approval of the respective project.

- The **conversion of unemployment benefits into start-up grants** requires that the total amount is used for the creation of a company or the acquisition of shares in a company and that this operation results in the creation of a full-time job for the respective unemployed person. The entrepreneur presents the project at the IEFP, together with a request to the Institute for Social Security (Instituto da Segurança Social / ISS) for the anticipated payment of the total amount of the unemployment benefit. The IEFP analyses the economic and financial feasibility of the project. If the entrepreneur has also asked for a loan they must attach the respective application to the documentation submitted at the IEFP. After the approval of the credit, the IEFP submits the request the ISS for the anticipated payment of the total amount of the unemployment benefit.

- The Act 985/2009 excludes the following expenses from the list of eligible investments: a) acquisition of real estate; b) expenses not well-founded as relevant for the project; c) operations for the financial restructuring, consolidation or substitution of existing loans. The Act 985/2009 prohibits the support of the acquisition of companies who are owned by members of the family or spouses or cohabiters of the entrepreneur (with a share of 25 % or more).

The Act 985/2009 that creates the PAECPE and its two amendments in 2011 and 2012:

- do not stipulate specific measures regarding monitoring and evaluation. The monitoring of all projects is carried out by the local job centres;
- do not refer to interaction with policy measures to provide income security to new entrepreneurs; on the contrary, they demand in the case of non-compliance by the beneficiaries with the agreed project the back payment of beneficiations of loans and the application of interest rates on the loans;
- do not mention the possibility of beneficiaries accessing ordinary unemployment benefits, or re-accessing the unspent amount or re-charging their rights in case of business failure;
- do not stipulate interaction with policy measures to prevent bogus self-employment.
Table 1: PAECPE - Targets and achievements

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Subsidies for job creation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>2 078</td>
<td>1 843</td>
<td>1 516</td>
</tr>
<tr>
<td>Effective number of beneficiaries</td>
<td>2 588</td>
<td>2 819</td>
<td>2 533</td>
</tr>
<tr>
<td>Execution rate (%)</td>
<td>125</td>
<td>153</td>
<td>167</td>
</tr>
<tr>
<td><strong>Loans for investments for job creation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>4 400</td>
<td>4 416</td>
<td>750</td>
</tr>
<tr>
<td>Effective number of beneficiaries</td>
<td>1 413</td>
<td>2 320</td>
<td>690</td>
</tr>
<tr>
<td>Execution rate (%)</td>
<td>32</td>
<td>53</td>
<td>92</td>
</tr>
</tbody>
</table>


Since its first year of operation (2010) the PAECPE has registered regular increases in the number of beneficiaries of the subsidies for job creation, while the evolution of the number of beneficiaries of loans under the PAECPE has been more erratic.

Table 2: PAECPE – Budgets and Financial Execution

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<th></th>
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<th>2011</th>
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<tbody>
<tr>
<td><strong>Subsidies for job creation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget (€)</td>
<td>7 529 724</td>
<td>4 156 512</td>
<td>258 284</td>
</tr>
<tr>
<td>Effectively paid (€)</td>
<td>5 216 659</td>
<td>3 477 690</td>
<td>205 533</td>
</tr>
<tr>
<td>Execution rate (%)</td>
<td>69.3</td>
<td>83.7</td>
<td>79.6</td>
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<tr>
<td><strong>Loans for investments for job creation</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Budget (€)</td>
<td>10 075</td>
<td>572 037</td>
<td>523 107</td>
</tr>
<tr>
<td>Effectively paid (€)</td>
<td>2 226</td>
<td>10 717</td>
<td>981 496</td>
</tr>
<tr>
<td>Execution rate (%)</td>
<td>0.02</td>
<td>53.5</td>
<td>5.0</td>
</tr>
</tbody>
</table>


The financial execution of the PAECPE registered a profound break between the period 2011 and 2012. The payments for subsidies for job creation dropped from EUR 3.5 million (2011) to EUR 0.5 million in 2011. The reason for this radical change was that the IEFP stopped the incentives to investments and reduced the support for the creation of jobs. These extreme oscillations in the financial execution of the PAECPE contrast with the relatively stable evolution of the number of beneficiaries.
Table 3: PAECPE – Payments per Beneficiary

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Subsidies for job creation</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Effectively paid (€)</td>
<td>5 216 659</td>
<td>3 477 690</td>
<td>205 533</td>
</tr>
<tr>
<td>Effective number of beneficiaries (€)</td>
<td>2 588</td>
<td>2 819</td>
<td>2 533</td>
</tr>
<tr>
<td>Paid per beneficiary (€)</td>
<td>2 016</td>
<td>1 234</td>
<td>81</td>
</tr>
<tr>
<td><strong>Loans for investments for job creation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectively paid (€)</td>
<td>2 226</td>
<td>10 981 717</td>
<td>496 048</td>
</tr>
<tr>
<td>Effective number of beneficiaries (€)</td>
<td>1 413</td>
<td>2 320</td>
<td>690</td>
</tr>
<tr>
<td>Paid per beneficiary (€)</td>
<td>1.6</td>
<td>4 733.5</td>
<td>718.9</td>
</tr>
</tbody>
</table>


In 2011, the average subsidies and loans per beneficiary were modest if compared with the task of supporting a start-up. The radical drop in 2012 shows that the IEFP’s decision to stop the support to investments had a profound impact on the relevance of the PAECPE.

**Youth Guarantee: The new programme “Youth Invest”**

The measure Youth Invest (Investe Jovem) created on 30 July 2014 has the aim to promote the creation of new businesses by young unemployed people via support to self-employment and to micro-companies.

The programme provides three types of support:

- financial support for investment including loans of up to 75 % of the approved investment with 0 % interest rates to be paid back within a maximum period of 54 months (absolute maximum: EUR 31 441);
- Financial support for the creation of jobs for the entrepreneurs, with a non-reimbursable subsidy for each full-time job for the entrepreneurs created within the project (maximum: four jobs, each one supported with EUR 2 515);
- Technical support in the area of entrepreneurship in order to strengthen the entrepreneurs’ competences and to structure and consolidate the project.

The sum of the different elements of the financial support must not exceed the volume of the approved total investment.

The programme targets young people of 18-29 years of age who create their own businesses (micro-companies with a maximum of 10 employees). These businesses must be newly created companies, not acquisitions of existing enterprises.

The total investment may range between EUR 1 048 and EUR 41 922. The project must be economically and financially feasible (according to the assessment of university
institutions contracted by the IEFP for this purpose). The investment must not include the acquisition of capital of an existing company.

The investment and the creation of jobs for the promotors must be concluded within six months after the concession of the subsidies. Within this period the company must not create more than 10 jobs (including those of the entrepreneurs). The newly created company and the jobs created must be maintained for at least three years and the promotors must hold at least 51% of the shares during this period.

Data regarding the budget for the measure are not yet available. The Act 151/2014 that created the programme states that EU funding is provided.

**Summary of evaluation findings**

In 2008, the General Inspectorate of Finance (Inspecção-Geral de Finanças / IGF) carried out an assessment of the ILEs. The IGF calculated that during the period 2002-2006 the ILEs had made a total payment of EUR 237 million and covered 16,400 beneficiaries. The evaluators said that the ILEs did not have a mechanism of monitoring the continuation of the jobs created under the programme after the conclusion of the mandatory monitoring period of four years, and deemed the quality of the programme management as insufficient. The IGF demanded an improvement of the management of the programme in order to increase its efficiency, effectiveness and economy. These improvements should focus on the information system, the period of appreciation/approval of applications, the accompanying of the ILEs and the monitoring and evaluation of the process. Furthermore, the IGF said that the job centres had a positive perception of the effects of the measure in terms of reducing unemployment and developing local economies and that a comparison with similar programmes in other European countries had not revealed a lower efficiency of the ILEs.

An extensive internal evaluation of the performance of the PEOE (2002-2006) carried out by the IEFP in 2008-2009 revealed that the majority of beneficiaries were men (59.3%) and aged between 35 and 54 years (63.9%). Over half (53%) of the beneficiaries had failed to find a salaried job before they applied for support by the PEOE. Over two-thirds (69%) of the projects had a total investment of EUR 25,000 or below, and 53.4% aimed at single-person companies. Over 90% of the projects were situated in services (53.4%) and commerce (41.7%). In 2006, 62% of the created companies had one single employee.

Approximately one fifth of the projects did not succeed, partly due to commercial reasons (lack of demand), but also due to difficulties in the management of the programme (duration of approval of projects and delays in payments). The percentage of entrepreneurs of failed projects returning to the status of unemployed was 42.7%.

The evaluation concludes that the PEOE had a positive contribution towards the reintegration of unemployed individuals into the labour market, namely amongst those aged 45 years and more, and that the programme helps to revitalise local economies.

The study identified also some major problems that reduced the success of the measure. The low qualification level and the low financial capacity of the entrepreneurs were major obstacles to the success of projects. The study states that the limited capacity of the job centres to provide economic and financial counselling and the relatively small amounts of financial support (converted unemployment subsidies and complementary subsidies) meant that the programme was unable to give an adequate response to the mentioned weaknesses.

Finally, the study emphasised the problem of coordination between the two institutions involved in the process, the IEFP and the ISS. Entrepreneurs and officials at the IEFP’s job centres said that the ‘disarticulation’ between IEFP and ISS resulted in an ‘excessive

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duration of the approval of projects and of the realisation of payments’. The study concludes that the frequent delays in these two areas are sufficient to compromise a significant number of projects.

The existence of the problem of delays in the procedures was confirmed by a report of the Portuguese Ombudsman (Provedor de Justiça) based on an investigation carried out in 2010-2011.

Almeida/Albuquerque (2013) identify in their study based on 10 in-depth interviews with beneficiaries of the PAECPE the existence of two other major problems revealed by the IEPF-evaluation of the PEOE: the lack of managerial / entrepreneurial qualifications of the entrepreneurs and the insufficiency of training and counselling provided by the job centres, and the lack of financial means of most of the entrepreneurs whose businesses did not produce a sufficient and reliable income.

CASE STUDY BOX

Country: Portugal

Measure title: PAECPE - Support Programme for Entrepreneurship and Self-Employment (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego); created 2009.

Main aims: Firstly, to support the creation of small companies or cooperatives that create jobs and contribute to the revitalisation of local economies, and secondly to support self-employment by unemployed workers.

Short description of the initiative:

a) Guaranteed loans with beneficial interest rates in two modalities: MICROINVEST with loans up to EUR 20 000 and INVEST+ with loans up to EUR 200 000 (these latter limited to 95 % of total investment and EUR 50 000 for each job created);

b) Training and counselling for the consolidation of projects over a maximum period of two years: job centres accompany approved projects and provide consultancy in areas of major fragility of management or of operation (maximum payment EUR 3 353 to accredited institutions);

c) Conversion of unemployment benefits into start-up grants, where the company and the jobs created must be maintained for at least three years;

d) Complementary financial subsidy added to c): if the project financed by the conversion of unemployment benefits is not co-financed by a benefited loan (see a) it may benefit from an extra-subsidy of EUR 5 030.

Target group (who are the recipients of the start-up subsidy):

a) Involuntary unemployed registered for up to nine months at a job centre or unemployed registered for more than nine months irrespectively of reason for registration;

b) Young people seeking their first job (18 to 35 years of age) with secondary school or occupational training at level three completed, or in a qualification process to obtain a qualification at one of these levels, and not having had an open ended work contract before;

c) People who never exerted any occupational activity as salaried workers or as self-employed;

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11 Provedor de Justiça (2011) RELATÓRIO DA INSPECÇÃO AOS CENTROS DE EMPREGO.

12 Joana Gomes de Almeida and Cristina Pinto Albuquerque (2013) De desempregados a empreendedores [From unemployed to entrepreneurs], Viseu.

13 This amount corresponds to eight monthly IAS (Social Support Index: EUR 419).

14 This amount corresponds to twelve monthly IAS (Social Support Index: EUR 419).
d) Independent workers whose average monthly income has been below the national minimum wage (since 2011: EUR 485).

**Target enterprises:**
Profit oriented companies and cooperatives (small and micro). There is no sector or innovation criteria for this programme.

**Eligibility conditions:**
The companies may be newly created or acquired by the entrepreneurs.

In the case of single-person companies, the entrepreneur must belong to the target group as defined above. In the case of companies with more than one person at least 50 % of the entrepreneurs must belong to the target group and create a full-time job for themselves in the project and own together at least 50 % of the company.

The projects have a maximum limit of 10 jobs created and a total investment of EUR 200 000.

The project must be economically and financially feasible (according to the evaluation of the bank that gives the loan).

The investment and the creation of jobs must be concluded within one year after the concession of the loan.

**Budget for the measure / share of EU funding:**
- 2012: Budget for job creation under PAECPE = EUR 7 529 724; Budget for loans for investments under PAECPE = EUR 10 572 075
- 2011: Budget for job creation under PAECPE = EUR 4 156 512; Budget for loans for investments under PAECPE = EUR 20 523 037
- 2012: Budget for job creation under PAECPE = EUR 258 284; Budget for loans for investments under PAECPE = EUR 9 893 107

Share of EU funding: info not obtained

**Accompanying measures:**
The support to develop a feasible business plan and the respective training are part of the programme (see above). There is no income support provided for entrepreneurs under the programme.

**Summary of evaluation findings:**
The few existing evaluations indicate that the programme has had some success in supporting unemployed persons to create their own jobs and businesses. It seems that the design of the PAECPE in principle allows significant success, particularly in relation to the mix of support measures: guaranteed loans plus conversion of unemployment subsidy plus training and counselling plus complementary subsidies. Evaluations have revealed that the major problems of the programme relate to its practical implementation, namely the long duration of procedures (approval and payments), the insufficient quality of managerial and entrepreneurial counselling by the job centres and the lack of any support for beneficiaries with regard to income insecurity.

**Policy lessons:** It is necessary to shorten the procedures, to increase the quality of managerial and entrepreneurial counselling by the job centres and to introduce some support for beneficiaries with regard to income insecurity.

**References** (including weblinks to published evaluation studies):
- Act 58/2011; increases maximum amount of MICROINVEST from EUR 15 000 to EUR 20 000 and specifies regulations for cooperatives.
Act 95/2012; further specifications regarding cooperatives.

**Measure title:** Youth Invest (*Investe Jovem*); created 2014

**Main aims:** Promote the creation of new businesses by young unemployed people via support to self-employment and to micro-companies.

**Short description of the initiative:**

a) Financial support for investment involves a loan of up to 75 % of the approved investment with 0 % interest rates to be paid back within a maximum period of 54 months (absolute maximum: EUR 31 44115);

b) Financial support for the creation of jobs for the entrepreneurs involves non-reimbursable subsidy for each full-time job for the entrepreneurs created within the project (maximum: four jobs, each one supported with EUR 2 51516);

c) Technical support in the area of entrepreneurship in order to strengthen the promotors’ competences and to structure and consolidate the project.

The different elements of the financial support must not exceed the volume of the approved total investment.

**Target group (who are the recipients of the start-up subsidy):**

Young people of 18-29 years of age who create their own business.

**Target enterprises:**

Micro-companies (maximum 10 employees).

**Eligibility conditions:**

Newly created company, not acquisition of an existing company;

a) Total investment between EUR 1 048 and EUR 41 922;17

b) The project must be economically and financially feasible (according to the assessment of university institutions contracted by the IEFP for this purpose);

c) The investment must not include the acquisition of capital of an existing company.

The investment and the creation of jobs for the entrepreneurs must be concluded within six months after the concession of the subsidies. Within this period the company must not create more than 10 jobs (including those of the entrepreneurs).

The newly created company and the jobs created must be maintained for at least three years and the entrepreneurs must hold at least 51 % of the shares.

**Budget for the measure / share of EU funding:**

Budget not yet published. EU funding provided.

**Accompanying measures:**

The support to develop a feasible business plan and the respective training are part of the programme (see above).

**Summary of evaluation findings:** Programme created 30 July 2014. No evaluation available yet.

**Policy lessons:** Programme created 30 July 2014. No policy lessons available yet.

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15 This amount corresponds to 75 % of the maximum investment volume of 100 monthly IAS (Social Support Index: EUR 419).
16 This amount corresponds to six IAS (Social Support Index: EUR 419).
17 These amounts correspond to 2.5 and 100 monthly IAS (Social Support Index: EUR 419), respectively.
References (including weblinks to published evaluation studies):

3 Conclusion

The number of beneficiaries of the three major programmes for job creation by start-ups (ILE, PEOE and PAECPE) reached its peak in 2006 and decreased since then steadily to a level far below the numbers during the period 2003-2010. This decrease occurred simultaneously with the substitution of the previous programmes (ILE and PEOE) with the PAECPE. As demonstrated above (Tables 2 and 3), the amounts spent under the PAECPE (total and per beneficiary) suffered a radical decrease between 2011 and 2012. Data published by the IEFP do not allow a founded statement on the trend of financial execution in 2013.18

Table 4: Coverage of Programmes of Job Creation

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<td>ILE-Job Creation</td>
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<td>3 556</td>
<td>3 889</td>
<td>4 377</td>
<td>4 162</td>
<td>4 259</td>
<td>4 053</td>
<td>2 261</td>
<td>420</td>
<td>94</td>
</tr>
<tr>
<td>PEOE-Job Creation</td>
<td>1 627</td>
<td>1 675</td>
<td>1 608</td>
<td>1 705</td>
<td>1 766</td>
<td>1 723</td>
<td>1 501</td>
<td>129</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>PAECPE-Job Creation</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>124</td>
<td>2588</td>
<td>2819</td>
<td>2533</td>
<td></td>
</tr>
<tr>
<td>Job creation ILE+PEOE+PAECPE</td>
<td>4 157</td>
<td>5 231</td>
<td>5 497</td>
<td>6 082</td>
<td>5 928</td>
<td>5 982</td>
<td>5 678</td>
<td>4 978</td>
<td>3 246</td>
<td>2 627</td>
</tr>
</tbody>
</table>


Despite of the difficulties in interpreting the IEFP’s statistics in this relation, there are strong indicators that the measures for activating jobseekers through entrepreneurship had a large share in the IEFP’s policies for job and company creation until 2008, and that since 2009 their significance has been rapidly decreasing.

The level of evaluation evidence available on the results is very low. The existing evaluations indicate that the programmes ILE, PEOE and PAECPE have had some success in supporting unemployed persons to create their own jobs and businesses. It seems that the design of PAECPE in principle allows significant success, particularly in relation to the mix of support measures: guaranteed loans plus conversion of unemployment subsidy plus training and counselling plus complementary subsidies.

Evaluations have revealed that the major problems of the programme relate to its practical implementation, namely the long duration of procedures (approval and payments), the insufficient quality of managerial and entrepreneurial counselling by the job centres and the lack of any support for beneficiaries with regard to income insecurity.

There are no significant indicators for a risk of deadweight effects or bogus self-employment related to the PAECPE.

The differentiated mix of support measures offered by the PAECPE may be an inspiration for other countries, but the above mentioned practical problems of the programme suggest that its transfer or replication is not advisable at the present stage of its development.

18 Data regarding payments made for subsidies for job creation under the PAECPE in 2013 do not include the regions of Lisbon, Alentejo and Algarve (see IEFP – Report on Activities 2013, p. 98).
4 Bibliography


IEFP, MANUAL DE PROCEDIMENTOS PROGRAMA DE APOIO AO EMPREENDEDORISMO E A CRIAÇÃO DO PRÓPRIO EMPREGO – PAECPE [Manual for Procedures PAECPE], no date.


Joana Gomes de Almeida/Albuquerque, Cristina, De desempregados a empreendedores [From unemployed to entrepreneurs], Viseu, 2013.
Annex 1: Measure Description Table

<table>
<thead>
<tr>
<th>Measure Title</th>
<th>Type of measure:</th>
<th>Target Group</th>
<th>Number of beneficiaries</th>
<th>Amount of subsidy/ duration of subsidy</th>
<th>Permanent or Temporary measure and dates of implementation</th>
<th>Conditionality imposed on beneficiary individuals or firms</th>
<th>Funding source and total budget</th>
<th>Measures complementing the initiative</th>
<th>Monitoring arrangements</th>
<th>Evaluation results available</th>
<th>If no evaluation is available, what is the expert’s assessment of the impact of the measure?</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAECPE - Support Programme for Entrepreneurship and Self-Employment (Programa de Apoio ao Empreendedorismo e à Criação do Próprio Emprego) ; created 2009</td>
<td>a) Guarantee loans with beneficial interest rates in two modalities: MICROINVEST with loans up to EUR 20,000 and INVEST+ with loans up to EUR 200,000 (these latter limited to 95% of total investment and EUR 50,000 for each job created);</td>
<td>a) Involuntary unemployed registered for up to nine months at a job centre or unemployed registered for more than nine months irrespectively of reason for registration;</td>
<td>2012: Budget for job creation under PAECPE = EUR 2,588; 2011: EUR 2,819; 2012: EUR 2,533</td>
<td>2012: Budget for job creation under PAECPE = EUR 7,529; 724; budget for loans for investments under PAECPE = EUR 10,572 075</td>
<td>In operation since 2010.</td>
<td>The PAECPE does not impose conditionality on recipients (as for instance previous work experience in the economic sector) and does not target specific sectors.</td>
<td>The support to develop a feasible business plan and the respective training are part of the programme. There is no income support provided for entrepreneurs under the programme.</td>
<td>No specific measures regarding monitoring and evaluation. The monitoring of all projects is carried out by the local job centres</td>
<td>The few existing evaluations indicate that the programme has had some success in supporting unemployed persons to create their own jobs and businesses. It seems that the design of the PAECPE in principle allows significant success, in particular in relation to the mix of support measures: guaranteed loans plus conversion of unemployment subsidy plus training and counselling plus complementary subsidies. Evaluations have revealed that the major problems of the programme relate to its practical implementation, namely the long duration of procedures (approval and payments), the insufficient quality of managerial and entrepreneurial...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
and counselling for the consolidation of projects during a maximum period of two years:

<table>
<thead>
<tr>
<th>Job centres accompany approved projects and provide consultancy in areas of major fragility of management or of operation (maximum payment EUR 3 353 to accredited institutions);</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 523 037</td>
</tr>
<tr>
<td>2012: Budget for job creation under PAECPE = EUR 258 284; budget for loans for investments under PAECPE = EUR 9 893 107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>people seeking their first job (18 to 35 years of age) with secondary school or occupational training at level three completed, or in a qualification process that aims at obtaining a qualification at one of these levels, and not having had an open ended work contract before;</th>
</tr>
</thead>
<tbody>
<tr>
<td>counselling by the job centres and the lack of any support for beneficiaries with regard to income insecurity.</td>
</tr>
</tbody>
</table>

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<th>20 523 037</th>
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<td>2012: Budget for job creation under PAECPE = EUR 258 284; budget for loans for investments under PAECPE = EUR 9 893 107</td>
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</tbody>
</table>

| people seeking their first job (18 to 35 years of age) with secondary school or occupational training at level three completed, or in a qualification process that aims at obtaining a qualification at one of these levels, and not having had an open ended work contract before; |
| counselling by the job centres and the lack of any support for beneficiaries with regard to income insecurity. |
must be maintained for at least three years;
d) Complementary financial subsidy added to
c): If the project financed by the conversion of unemployment benefits is not co-financed by a benefited loan (see a) it may benefit from an extra-subsidy of EUR 5,030.

c) People who never exerted any occupational activity as salaried workers or as self-employed;
d) Independent worker whose average monthly income has been below the national minimum wage (since 2011: EUR 485).
<table>
<thead>
<tr>
<th>Measure Title</th>
<th>Type of measure:</th>
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<th>If no evaluation is available, what is the expert’s assessment of the impact of the measure?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth Invest (Investe Jovem); created 2014</td>
<td>a) Financial support for investment: loan of up to 75% of the approved investment with 0% interest rates to be paid back within a maximum period of 54 months (absolute maximum: EUR 31 441); b) Financial support for the creation of jobs for the entrepreneur: non-reimbursable subsidy for each full-time job for the entrepreneur(s) created within the project (maximum:</td>
<td>Young people of 18-29 years of age who create their own business</td>
<td>Unknown, measure launched very recently</td>
<td>Decree regulating the measure does not stipulate date of end of the programme (decree comes into force on 30 September 2014)</td>
<td>Newly created company, not acquisition of an existing company; a) Total investment between EUR 1 048 and EUR 41 922; b) The project must be economically and financially feasible (according to the assessment of university institutions contracted by the IEPF for this purpose); c) The investment must not include the acquisition of capital of an existing company. The investment and the creation of jobs</td>
<td>Budget not published yet. EU funding provided.</td>
<td>The support to develop a feasible business plan and the respective training are part of the programme (see above).</td>
<td>Evaluation 18 months after the Decree regulating the measure comes into force (September 2014 plus 18 months)</td>
<td>Programme created 30 July 2014. No evaluation available yet.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
four jobs, each one supported with EUR 2515;
c) Technical support in the area of entrepreneurship in order to strengthen the entrepreneur’s competences and to structure and consolidate the project. The different elements of the financial support must not exceed the volume of the approved total investment. for the entrepreneurs must be concluded within six months after the concession of the subsidies. Within this period the company must not create more than 10 jobs (including those of the entrepreneurs).

The newly created company and the jobs created must be maintained for at least three years and the entrepreneurs must hold at least 51% of the shares.
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