

ISEC/25/81

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£15m LOAN FACILITIES FOR SMALL BUSINESSES

IN COAL AND STEEL AREAS

Low-interest loan facilities will be available for small businesses in coal and steel areas in England and Wales, following today's signing of ECSC agreements with Barclays Bank and with the Welsh Development Agency. The facility with Barclays is for £10m worth of loans; the Welsh Development Agency facility is for £5m. The agreements were signed in London today (October 19) by European Commission member Mr Ivor Richard.

Mr Richard said today that he was especially pleased that these new funds were being made available. "These types of Community loans have an exemplary role to play in simultaneously stimulating small business activity and job creation. This role is particularly vital in today's climate of desperate unemployment - one in twelve of the Community's active population is now jobless and soon, I fear, it will be one in ten".

The loans are being made under the ECSC Treaty, which provides low-interest loans for projects creating new job opportunities in areas affected by a cut-back in jobs in the coal and steel industries.

The UK is already a major recipient of these funds and loans totalling £366m have been approved for large investment projects since British accession to the EEC.

Until now complicated administrative procedures have effectively prevented the very small business from having access to Community funds. The loans through Barclays and the W.D.A. are designed to fill this gap. Under the agreement with Barclays, Community loans will be directly available from high street branches in eligible areas in England and Wales. The loans provided through W.D.A. will be an important tool in the Agency's fight to increase job opportunities in Wales.

Qualifying for loans

Both the Community and the UK Government have agreed to reduce administrative requirements to a minimum so that a scheme accessible to small businesses can be operated. The requirements for such loans will be:

- a) The applicant must be small (defined as having not more than 50 existing employees at the time of the allocation).
- b) The investment must be in travel-to-work areas where significant redundancies have occurred in either the steel or coal industries. It must also be in a development area.
- c) It must be for a manufacturing project or allied service industry.
- d) At least two jobs of a type suitable for ex-ECSC workers must be

created as a result of the investment.

- e) The loan will be restricted to £50 000 (or 50% of the gross investment costs if this is a lower sum).

Soft Loans

Many of the loans in the UK are made in foreign currency with a UK Government guarantee against foreign exchange fluctuations. Consequently, fixed-interest loans are possible at rates well below those generally available in the UK. ECSC funds are also used to reduce that rate even further so that an attractive financial incentive is provided. Under these new schemes, applicants would have an eight year term loan with interest and capital payable in sterling at rates substantially below those currently available for the smaller borrower. Current indications are that a Community loan will cost about 11%. The Department of Industry grants exchange risk cover.

The loan scheme is at present restricted to England and Wales but the Community hopes to announce similar facilities for Scotland in the near future.

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