

Ian Duncan
European Officer
European External Relations Officer
The Scottish Parliament
Parliament Headquarters
Edinburgh
EH99 1SP

Dear Mr Duncan

Credit Crunch and Role of EU Structural Funds

We refer to your Committee's request for evidence in respect of the above subject. On behalf of Scottish Chambers of Commerce we provide some comments in this regard which we hope your Committee will find helpful.

General Background

We are aware that the European Union Structural Funds, through the European Regional Development Grant Fund (ERDF) has already made a significant contribution and impact in Scotland in supporting a number of important business loan and equity funds that aim to bridge the funding gap that can exist with Small Medium Sized Enterprises (SME's) who are trying to raise important funding for business start up, growth and even survival.

Funds supported to date include:

- West of Scotland Loan Fund Limited (local authority led)
- Scottish Seed Capital Fund Limited (Scottish Enterprise)
- Scottish Co-Investment Fund Limited (Scottish Enterprise/Private Sector led)
- Various business development funds

These funds have made a significant economic impact over the years in terms of new and additional job creation, supporting business formation and improving business survival rates. We also believe independent evaluations of these funds have found they have been very effective in terms of additionality and value for money.

Current Credit Crunch

In view of the fact that Scottish Chambers of Commerce were of the view that a “funding gap” existed for SME’s prior to the credit crunch we believe this position has deteriorated considerably following its recent arrival last year. We have many examples of well run SME’s not being able to secure funding for development and growth from banks even with the offer of good quality lending security, a situation we believe is not going to change in the short to medium term.

As a result of the above, we believe there is an increasing need for the EU Structural Funds to provide even more resources to help organisations both in the public and private sector to develop innovative loan/equity funds to address a very serious business development gap which we believe will be with us for some time and act as a barrier to growth.

As note above, the European Regional Development Fund has been very successful to date in providing much needed support to fill the “funding gap”; the need for further intervention we believe is even greater.

We hope this contribution assists with your evidence gathering process.

Yours sincerely

Liz Cameron

Chief Executive

Scottish Chambers of Commerce