

Avilés' Participative Loans



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Organisation: Avilés City Townhall

Country: Spain

Level of government: Local government

Sector: Economic affairs

Type: Financial Resources

Launched in: 2011

Link to the innovation's website

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Description

Around the town of Avilés (located in the north coast of Spain) lies one of the biggest industrial concentrations in the country with the presence of multinational companies from the steel, crystal, zinc, aluminium, fertilizers, and chemical derivatives sectors (ArcelorMittal, Saint Gobain, Xtrata-Glencore, Alcoa, Fertiberia, Dupont, etc.). The environment is favourable for new entrepreneurial initiatives.

La Curtidora is the public Avilés' Business Incubator Centre for new enterprises. During its 20 year history, it has held 356 business initiatives (260 of them newly formed). Thanks to this permanent contact and support for companies, the need for a special financial grant to some innovative projects - like TICs and high value-added industrial projects - was perceived. The idea for our Participative Loans arose in this context to provide specific financing to these new projects.

The main objective of our Participative Loans is to support the consolidation of companies from relevant sectors and promote highly innovative initiatives of special interest. These loans facilitate preferential financing with the only guarantee of the project and the professionalism and experience of the promoting team.

Why the innovation was developed

- This initiative came about to support new companies in key sectors that are able to add value and employment to an industrial area that has great development opportunities.
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Objectives

Support economic growth

- The Avilés City Council's main objective is to provide preferential financing to companies in emerging sectors, with the only prerequisite being the viability of the project, and the professionalism of the promoters.
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Main beneficiaries

Businesses

- The beneficiaries of the Participative Loans are certain new small and medium-sized enterprises (SMEs) from Avilés specialized on key economic sectors.
- It is necessary to prove both the promoters' experience and the viability of the project. They must also show their difficulties to access traditional financial markets.

Results

Effectiveness

- By 2015, 13 companies have been granted one of our loans by a total amount of EUR 761 000 and generating 52 new jobs.
- The success rate reaches 83.3% of the participated projects.
- Regarding the sectors, the loans correspond to the food, cultural, renewable energies, TICs and tourism industries.

Development

Design

The idea was born in 2011, when it was perceived that there were some companies with interesting projects unable to access the traditional loan market. With our Participative Loans, preferential financing is provided to companies in key sectors of our economy.

The loan repayment maximum period is set at 8 years at a reduced interest rate (linked to the business' profits). The deferment period can last up to 3 years and the quantity of the loans range from 10,000 to 75,000 euros. The average amount of the loans given is 60,000 euros.

The only guarantee required from the applicants is the technical and economic viability of the project and the experience and professionalism of the management team. The technical assistance to help in the assessment and monitoring of the projects is outsourced to specialized firms.

Testing

Implementation

Tools used:

- The initial fund of the loans was EUR 1 200 000, completely contributed by the Avilés City Council. Up to the 31st of December, EUR 761 000 in loans have been distributed.
- The diffusion tools employed to raise awareness of the existence of the loans have been the webpage of La Curtidora Business Centre, the webpage of the Avilés City Council, the local press and specialized journals.
- The initiative is also promoted through periodical activities (networking meetings, formative and counselling actions, etc.) that La Curtidora carries out with business owners and individuals interested in entrepreneurship.

Resources used:

Challenges and solutions

Lessons Learned

Lessons Learned

Conditions for success

- The rigorous evaluation of the projects is vital to keep the high success rates of the loans. Extensive economic and financial information of the project is required, as well as good knowledge of the participants in the business initiatives.