

# The Financial Revolution

As the Russian Federation's new development bank prepares to open at the end of the year, Vnesheconombank is playing a key role in its advancement.

Vladimir A. Dmitriev



Chairman, Vnesheconombank

In April, Vnesheconombank (VEB), Roseximbank, the Russian Development Bank and Germany's Kreditanstalt für Wiederaufbau (KfW) signed a historic cooperation agreement to provide consultancy services and technical support for the emerging Russian Bank for Development. The new entity's mission is to "consolidate medium- and long-term public and private financial resources to support national investment policy".

Under the agreement, KfW will draw on its 50-year experience to consult experts from the Russian banks with a view to establishing a legal framework for the institution, while identifying business priorities, examining infrastructural projects and assessing the political and commercial risks.

Vnesheconombank's chairman Vladimir A. Dmitriev speaks to Global Business about VEB's role in the new financial institution that will shape Russia's future.

## At the beginning of the year, President Vladimir Putin announced plans for a new Russian Bank for Development which would have a nominal capital of \$2.5 billion. How do you see the new structure?

During the press conference at which he made this announcement, President Putin placed special emphasis on the diversification of the Russian economy. In order to achieve this, he pointed out the need for innovative methods of development, special economic zones, better infrastructure, support programs for industrial exports and public-private partnerships. The new institution is being set up to facilitate all these things.

Russia is one of the few industrially developed countries that does not have a national development institution, so it is a major government priority. The nominal \$2.5 billion capital amounts to more than half of the total budget the government has assigned to its four priority projects. That shows the level of commitment there is.

## In one of your recent speeches, you suggested a mechanism for the creation of the development bank in which VEB plays a core role.

Yes. We firmly believe it is necessary to properly secure state interests and this was a key element of our consultation. We suggested a special scheme to implement this governmental task that would not require any additional input from the federal budget.

With VEB as a core part of the framework, we are certain that the capital needed for the new financial institution can be raised without using federal budget funds.

## Finances aside, does Vnesheconombank have the necessary expertise to perform such an important role?

Without a doubt. VEB already has the mechanisms in place to support major development projects in Russia and indeed has historically performed the functions of a conventional development bank.

Among our major projects are the construction of the Avtovaz and Kamaz automobile factories and some major oil and gas field developments in Siberia. We have also financed the building of oil and gas pipelines and nuclear power stations.

In addition, we have undertaken large projects related to regional developments within the Russian Federation. We cooperate with the regional governments in Krasnoyarsk, the Republic of Chechnya, Orenburg and Ulyanovsk, for instance. Many of the projects we are conducting in those regions are based on the principles of public-private partnerships.

Another area of our expertise lies in debt recovery. Russia inherited liabilities from major USSR enterprises which amount to a substantial sum. There are a number of banks responsible for insuring repayments, but VEB is the only one showing positive results in this area. We have a solid team of anti-crisis managers who can carefully evaluate the financial situation of these entities and find a solution for debt repayments.

## Will VEB's current rating help in the setting up of the development bank?

Definitely. Vnesheconombank is already highly rated and can therefore attract finances from abroad and make them accessible to Russian entities, particularly those dedicated to the export-oriented and import replacement sectors, as well as large infrastructural projects.

This adds to our claim that we are already a development bank in essence.

## Vnesheconombank

Akademika Sakharova Prospekt, 9  
Moscow B-78, GSP-6, 107996  
Russian Federation  
Telephone: +7 (095) 207-10-37  
Fax: +7 (095) 975-21-43 www.veb.ru

