

Сессия
«Развитие сотрудничества между национальными и многосторонними институтами развития, их ассоциациями и МФО»

Заместитель Министра финансов Российской Федерации Сергей Сторчак:

Dear friends, let me introduce myself. My name is Sergei Storchak; I am the Deputy Minister of Finance responsible for G20 and a number of other things. Today, I am acting in the capacity of G20 Deputy. It is quite reasonable, I hope, to bear in mind that one of the priorities of Russia's presidency this year is long-term financing, and for you it is obvious what kind of role the national and multilateral banks are playing in the field of long-term financing, and even more important, the role they are playing as sources of funding and as providers of expertise.

For me, sometimes it is rather difficult to say what is the most important function out of these two: funding or advising. I think both are very important.

So, with this field and with these words, let me start the session with the very promising title "Expansion of cooperation between national development institutions, they associations and the International Financial Organizations". But, frankly speaking, I would prefer to say "multilateral development banks".

We have very sophisticated panellists representing different directions of investment activities, and with very different experience representing all continents. So, from this point of view, I think we have the right to expect very precise, very concentrated discussion on this concrete topic: What kind of synergy can users of finance expect from the cooperation between national and multilateral development banks.

In order to save some time, as we are rather behind schedule, I will present our speakers one by one, not wasting time explaining the whole list.

So, under this scenario, we will begin with Mr. Sri Ranganathan, who is representing Eximbank of India, and whose knowledge – as far as I understand it

from his biography – is much wider than those whose work is linked to money activities and project financing. So, the floor is yours, please.

India

Export-Import Bank of India

T.C.A. Ranganathan, Chairman and Managing Director:

Thank you very much, Sir. I would like to thank Vnesheconombank for organizing this conference, and for putting a spotlight on growth and the importance of long-term investments.

One of the features which are impacting us in the emerging markets these days is the communication revolution which has been taking place for the last 20-odd years, which has led to an exponential increase in the level of aspiration and demand for growth amongst the new generation, and the realisation of governments that the costs of not fulfilling these aspirations could have serious repercussions on national stability.

Alongside this we have had the phenomenon of the Lehmann Crisis, and the devastation it caused in the mature economies, especially in the financial markets and instruments.

We are also having a debate regarding global warming and climate change, and these three are concurrently impinging on any developmental discussions which are taking place.

An issue that was very eloquently touched upon by our colleague Enrique de la Madrid from Bancomext is that the impact of the Lehmann crisis on the financial instruments of the mature economies has led to a renewed interest in development banks and development associations as the main focus for growth, and since the growth requirements have emerged in the emerging markets space, and as the world itself is shrinking because of the crisis which has been experienced in the mature economies, the growth that is emerging as likely in the future of the next seven to eight years will be in the emerging market space.

The growth engines therefore will be twofold: one is the requirement for investment in infrastructure, and speakers have been enumerating the huge requirements for investment, and someone has said about USD 57 tr over the next 18-20 years, but the other growth engine, because of the nature of economic activity in these countries, is the SMEs, not the large corporates: the structure of the economies across these nations is that the entrepreneurs are small, and the nature of businesses is small, and being small, they suffer from various indices of smallness, and as the representative from Turkey mentioned, efficiency of use of various items of production, including raw materials is not very high.

If they are to become viable and attempt to grow, then enhanced efficiency in the use of materials, despite the small scale, would be of paramount interest.

It is against this backdrop that I will be talking about the nature of cooperation between development institutions and international financial organizations. We have always had extensive coordination between international organizations, and especially in my area and in our country, we have extensive, cordial and wide-ranging forms of collaboration with most of the international institutions, including those which are ostensibly limited to Europe activities, such as EIU, EIB and others, but because of their interests in various developing countries, we tend to collaborate.

So far, the collaboration agreements and international collaboration has been in the form of financing or co-financing arrangements, but as we go along the path of growth, and as we go along the path of development, we need also to recognize that growth patterns and growth systems which are being fashioned in a particular country may not be efficient, or may not be sustainable in the long term, and the sharing of ideas and information and models of growth with the international institutions could help modulate the growth process and growth ideas.

A simplistic topic in the form of infrastructure was the discussion regarding PPP models, and while PPP models have evolved in different manners in different areas, in India the experiments which we have made with PPP, and we have progressed far in the PPP field, were also partly because of the assistance received

from institutions such as the World Bank and EDB in trying to construct viable PPP processes. This type of cooperation can also extend to other forms of economic activity, and we have been experiencing in our dialogues with either the EIB or IFC, that we can learn a lot, not only in the system of financing, but also the methodologies and products to focus on.

It is with that spirit that Eximbank has been running its associations with development institutions in various parts of the world, including the Vnesheconombank, and we have had a long and cordial relationship with Vnesheconombank, at the urging of Vnesheconombank referring to other institutions in Russia such as the SME banks and Share Bank and others, to propagate the fact that, if products and processes have to be shared, then financing strategies and financing models will also need to be viably linked to the economic processes of a particular country.

So, Indian growth stories can be replicated to the extent to which India has been successful in other countries, but similarly, we would need to replicate the Russian success stories in India, so that both countries can have sustainable models coming up through an amalgam of ideas which take place in the two respective nations.

And here, the concept of cooperation, like in Asia we have this Eximbank Forum of Asian Eximbanks, where we have these sessions and technical sessions of idea sharing and idea experiencing, and we have also been trying to collaborate with the big banks in the sharing of ideas and processes, and other things.

This could maybe be extended into a larger field, where we could have workshops and suggestions on, for example, if you work on energy efficient forms of production, then it should not be energy efficiency in one thing, but would have to be across the sectors, and if it is a question of energy efficiency in the chemical sector or the pharmaceutical sector, then those models of financing and detecting the scope of financing, there would be ideas and experiences gained in the particular country which could be imitated across others.

These ideas which take place in a particular environment which could be carried across to other nations would be a far more sustainable way of cooperating, rather than only broad financing and co-financing systems, because these have already been taking place for a long time.

If we are to go forward, we need to branch out from this and go in other directions. This is what I would like to leave on the table as ideas for discussion. Thank you very much.

Председатель Внешэкономбанка Владимир Дмитриев:

VEB is the bank for development and foreign economic affairs. By this I think everything starts to be clear, because our relationships with national and international institutions for development are one of the crucial activities of Vnesheconombank. In the world, when we face a lot of dramatic changes and when the financial, political and economic environment is not that favourable for development; when we see budgetary constraints and curbing activity in terms of long-term financing from the commercial banks, financial institutions for development, both national and international, start to play a crucial role in providing long-term financing, and by cooperation with each other, providing new approaches towards the regulations and requirements of the central banks, primarily in line with the decisions of the Basel 3 Accord.

We in Vnesheconombank have witnessed a growing interest from our partners all around the world, not only national institutions for development, but international institutions for development, in structuring new patterns of cooperation, not only in favour of the implementation of particular projects in particular countries, but in terms of cooperation aimed at the realisation of mutually beneficial projects; beneficial not just for one country or one bank, but jointly for all of those institutions involved in particular transactions.

Against the backdrop of the rapidly changing economic environment, interaction between multilateral and national development institutions acquires a

new urgency. It is needless to say that in tackling the after-effects of the crisis, these institutions will draw both on their particular experience and fresh ideas.

In our opinion, it would be expedient to discuss uniform approaches to devising a relevant methodology and guidance in terms of the new requirements of the central banks, and in the future we could consider establishing a single international think-tank to study the activities of development institutions, under the auspices of international financial organizations or the United Nations.

Support from the national development institutions is of crucial importance to such sectors as construction and the modernization of the national infrastructure, the environment and climate change. When it comes to those sectors, state budgetary constraints and high risks for private investors create serious obstacles for the investment influx and long-term financing.

Given the above, we believe that national and international standards, including requirements for capital adequacy, liquidity and risks, should be developed with due regard for the status and objectives of national development institutions. At the same time, the investment prospects of other long-term investors must not be curtailed.

That position was elaborated within the Long-Term Investment Club and International Development Finance Club, starting in 2009, and alongside setting up the Long-Term Investment Club, other international forms of cooperation between national institutions for development were designed, such as the International Development Finance Club, the Interbanking Unit within the Shanghai Cooperation Organization, and the cooperation of development banks within BRICS.

We believe that closer interaction between national and international development institutions will make investment in such sectors more efficient. Any limits on funding national development banks by international financial institutions should be removed. And that is really the issue which we very much address, working jointly with IFC, the World Bank. We have really seen the change in their approach towards cooperation with national institutions for development, and

towards their intentions to be more visible in various sectors of the economies in emerging countries, including Russia. They have started to consider national banks for development as really a sort of guidance, as their natural partners in achieving progress in financing and supporting various sectors of the economy, including the banking sector.

The unique position of national institutions for development is that they are working closely, not only with the governments, but with the investment community, which creates additional support for attracting long-term investments and removing infrastructure obstacles and impediments to economic growth.

The activity of Vnesheconombank in this regard is somewhat unique, because we are the bank and the financial institution for development which acquires various other institutions, like the Russian Direct Investment Fund, the Expert Credit Agency and commercial banks, Eximbank, the Bank for Supporting Small and Medium Enterprises. All these entities and institutions, working closely within the cooperation of Vnesheconombank, create very strong synergy on the subject which we are discussing now, and supporting international financial institutions with their intention to work closely with the Russian Federation.

I would like to emphasize another sphere of cooperation between national and international financial institutions. Previously, we were talking about and considering mostly financial facilities extended by international financial institutions to Vnesheconombank or to other entities under the guarantee of Vnesheconombank. Now, in line with the new challenges, we have come over to another principal sphere of cooperation.

We have started to create specific funds, dedicated to particular industries, to support small and medium enterprises, to support regional banks working closely with small and medium enterprises, funds which are dedicated to supporting infrastructure in Russia. We very much appreciate that move in the policies of international financial institutions towards Russia and towards Vnesheconombank.

Another issue on which we enjoy working together with international financial institutions is the training of investment specialists, which we think is a

very crucial issue for our collaboration and our relationships. We have achieved a lot of that sort of cooperation with national financial institutions, KW, the Development Bank of Kazakhstan, the China Development Bank, but now, as I mentioned, international financial institutions are open to that sort of collaboration.

And, of course, looking at the perspective of securing or promoting long-term investments, we have to look at this problem, this issue, from the perspective of sustainable growth. Sustainable growth is not just the growth of particular industries and economies, but that growth should be achieved with very deep consideration of social responsibility and environmental issues. Of course, that direction of our cooperation with international financial institutions is of great importance for us. We rely upon their expertise, we rely upon their experience, which is implemented in various countries with various economies, and we think that that sort of cooperation will be one of the core directions of our cooperation with international financial institutions. Thank you.

Indonesia

Indonesia Eximbank

I Made Gde Erata, Chairman and Chief Executive Officer

Thank you, Mr. Chairman. It is a great honour for me to be invited to this international conference. As a background, let us start with the Indonesian economy. The Indonesian economy is this year projected to grow around 6.1%. Domestic direct investment and foreign direct investment are still experiencing robust growth, reflecting Indonesia's solid fundamental and positive sentiments from investors.

On the fiscal front, Indonesia continues to perform rigid fiscal management. Financial systems are remaining solid, with improved intermediation functions within prudential behaviour.

Now, let me move to the Indonesian Economic Master Plan. The master plan is a preliminary step for Indonesia to accelerate and expand economic development in order to support its transformation into a developed country by 2025. The

programme will be implemented by local government, built on enterprise and the private sector.

The programme consists of, first development of an economic corridor, because, as you know, Indonesia consists of 17,000 islands; second, strengthening national connectivity; and third, national science and technology acceleration, with the main core of the investment infrastructure and long-term financing.

One of the main drivers in developing financial structures of stakeholders in mobilizing funding is the National Development Agency. This has played a pivotal role in driving the establishment of cooperation between Indonesian policy financing institutions and international financial organizations. One of the policy financing institutions in Indonesia is the Indonesia Eximbank, an institution established by Law No. 2, Year 2009, which has a special mandate to support Indonesian exports by providing financing, guarantees, insurance and advisory. Its activities include financial infrastructure, especially infrastructure to support exports, as set out in our plan. The others are government-owned corporations with mandated financing and guaranteeing infrastructure projects.

Now we will move to our cooperation in general. The prime cooperation in the financing in this case is based on business to business partnership, without burdening national government budgets, in the form of two-step loans and loans with guarantees from special financial institutions, or multilateral financial institutions or overseas government agencies.

The second is the arrangement that Eximbank experiences dealing with multilateral agencies and the other Eximbanks. We have the first one with the Japan Bank for International Cooperation in the form of a financial initiative loan for developing economic activities among ASEAN countries. There is also a big export credit loan for financing Japan-related companies for export in partnership with Indonesian businesses.

We have experienced the second one with the Asian Development Bank, with some loan facilities, which will be used for energy efficiency financing,

emission reduction and energy efficiency projects, and capacity-building and technical assistance.

This is all of the experience we have. As maybe some of you know, the Indonesian Eximbank was just set up on September 1, 2009, three and a half years ago now. Thank you very much for your kind attention.

**Председатель Правления Международного инвестиционного банка
Николай Косов:**

Thank you, Mr. Chairman. First of all, I would like to thank on behalf of ИВ, Mr. Dmitriev, Vnesheconombank and all his staff, firstly for masterminding this Club, and secondly for organizing this conference so professionally and so usefully. Thank you, gentlemen.

Representing an international investment bank which unites eight countries from three continents – Europe, Asia and Central America – I would like to emphasize that the focus of our attention is SMEs. Some speakers have already touched upon this subject, so I will concentrate myself primarily on the task of SME support in the context of cooperation between national and international banks for development.

The latest crisis brings us to two important conclusions: the vulnerability of small and medium entrepreneurship, and the need to rethink the role of IFOs, particularly MDBs, in their increased cooperation. Just a few figures. SMEs remain the main driving force, especially in developing and emerging countries. In average figures, SMEs contribute up to 45% of employment and 33% of GDP in developing economies. Across Europe, they account for more than 90% of companies, 65% of employment, and 55% of turnover. Governments continue to pay attention in order to mastermind better legislation and establish special banks, for example in Russia, within the Vnesheconombank Group is the Russian SME Bank, the Small and Medium Enterprise Agency in Japan, Entrepreneurship 2020 Action Plan under the auspices of the European Commission, and of course the Joint IFI Action Plan and the overall Vienna Initiatives.

Such work with SMEs involves national, regional and multinational levels. The main constraints for SMEs – and this is becoming more and more obvious – are access to finance and to private finance in particular. In our view, MDBs can and need to play a more extensive complementary role in the existing international development finance architecture, by helping to fill gaps that currently exist and providing competition in sources of public finance. That role is not always adequately covered by national credit institutions.

Figures show that following this logic, major development institutions are increasing their lending activities for small and medium enterprise. For example, during this year, 80% of IIB's new credit portfolio exceeding EURO 100 m, was allocated to SMEs. The bank is ready to further expand its exposures with respect to SMEs in Europe following the Vienna Initiatives, and in Asia. We have already acquired very useful experience of cooperation, for instance with EBRD. We recently provided a syndicated loan to KAS Bank in Mongolia, and NDBs in member states, such as Vnesheconombank, Vietinbank in Vietnam and the Bulgarian Development Bank, and several projects are in the pipeline.

We continue to engage in practical cooperation with the expert import banks and agencies of European countries and the Russian Federation. I think that it is very important to use the cooperation opportunities provided by leading IFO associations like ADFIAP in Asia, and its counterpart, EDFI, in Europe. We do so by obtaining and applying for certain statuses as well as participating in various best practices and knowledge sharing activities organized by these associations, as well as by leading MDBs.

Proceeding with the main topic, I think that it is necessary to point out that new, stricter financial discipline inspired in particular by Basel 2 and Basel 3, regulations which are to be introduced: few would argue that raising capital requirements on common banks in the recessionary period will require them to deleverage and adjust their balance sheets by shrinking assets.

It is being clearly stated by leading development banks that while fiscal discipline and consolidation are necessary, this should not happen at the expense of

stimulus for growth. Unemployment and lack of SME financing were, and still are, being singled out as the main obstacles to growth and the main focus of present and future IFO activity.

We believe that amongst MDBs' important general functions are:

- Provide concessional loans to low-income enterprises;
- Provide long-term financing to middle-income enterprises, particularly in developing countries who, due to their lack of creditworthiness or the high fixed costs involved, do not have adequate access to private funding;
- Act as a sort of counter-cyclical offset to fluctuations in private capital market financing for middle-income enterprises. Access by emerging or developing markets countries to the private capital markets can be unreliable, limited and costly.
- Support the financial sector's programmes of SME finance and facilitate the creation of alternative forms of developing finances for SMEs, including equity finance.

MDBs and RDBs do have specific advantages over retail and capital banking which make them look more attractive, thus preferable, to SMEs. Among them, one can mention: international legal capacity; special legal status with certain privileges on the territory of the members states; minimization of expenses and mitigation of risks posed by changes in legislation and banking regulation on the national level; and finally the inter-governmental status of a certain FDB or MDB guarantees support from the governmental institutions of the member states.

Further, two more practical advantages of MDBs: a far greater voice to developing country borrowers; as well as a greater sense of regional ownership and control. MDBs, including regional ones, are more able to rely on informal peer pressure, rather than imposing conditionality. This further allows the disbursement of resources in a far more timely and flexible manner.

The special relationship between these kinds of IFOs and their member states encourages countries, especially in turbulent times, to continue servicing

their debt to their bank, helping to give it, for instance, the so-called preferred creditor status.

I would like to sum up what I have said and what has impressed me from my fellow participants. For us, it is quite evident that including development – or to put it more precisely, deeper SME financial inclusion into the global financial architecture – is an important factor that is much needed at this stage of the development of banking institutions. Thank you very much, gentlemen.

President of the Black Sea Trade and Development Bank, Andrey Kondakov, who is talking from the perspective of the international financial institution and will introduce his view on the cooperation of national and international institutions for development.

Президент Черноморского банка торговли и развития Андрей Kondakov:

Thank you very much, Chair. I would be remiss in not starting by thanking a good partner of ours, Vnesheconombank, for organizing this timely and important event with a very topical title, which we feel will help to bring a community of MDBs and national development institutions closer and involve them more actively in evolving mechanisms of cooperation within the G20.

From our perspective, this important initiative may be reflected by future G20 presidencies, so it is a good example and needs to be followed.

Super-national institutions, development institutions, by their very nature, represent good examples of international cooperation as they bring together a group of like-minded countries which combine their money, talent and efforts to create institutions that would help to advance their development agendas and fulfil their development mandates.

Being born of cooperation, collaboration and teaming up represents a natural inclination of MDBs, besides, the sheer scale of resources that are needed to advance their development agendas and fulfil their mandates make it imperative for MDBs and national development institutions to interact closely.

This interaction may take various forms with different scopes and depths. The most basic, simple but still very important one is dialogue, and this forum is a very good example which helps us to learn about different perspectives from MDBs and national development banks' points of view, to learn good practices and to be engaged in very useful networking.

The second form of cooperation, which builds upon dialogue and is a bit more advanced, is cooperation in the area of policies, which may extend to cooperation in the design of policies, coordination of strategies, harmonization of activities, development of joint initiatives, development of compatible and comparable procedures, common indicators, reporting requirements, and I can go on and on.

A very good example of this endeavour in the area of policy is in the network of 31 MDBs and national development institutions which meet regularly on the margins of the World Bank-IMF Annual Meetings and discuss and advance very important initiatives, one of which that has been quite famous lately is providing financing to the private sector for advancing common development goals, strengthening corporate governance, etc.

The third form of cooperation is co-financing, which may come in different forms, the most essential of which probably would be co-financing and funding. Co-financing plays a very important role in the activities of our bank: around 40% of our portfolio is accounted for by joint co-financing with peer IFIs.

The funding may not be that visible in the area of cooperation, but still plays a very important role for mid-sized banks. Again using an example from our institution, I can tell you that we were able to attract up to USD 200 m from peer IFIs, which feel that lending money to us may help to advance their own development agendas in the Black Sea area. Having the same development DNA, we believe that this type of cooperation creates a typical win-win situation. As I said, it provides a source of quite affordable financing for us, and it helps bigger IFIs that are willing to lend funds to us to strengthen their presence in the region and to strengthen their footprint there.

Actually, when I said win-win situation, it will probably be a triple-win situation, because a large part of the funds which we receive through this form of funding goes to national development institutions, and a very good example of that would be our quite important loan to the Bulgarian Development Bank, which was based on the proceeds that we received from IFIs.

Finally, the fourth form of cooperation is the development of joint institutions and mechanisms. I think that IDC is a very clear and good example of what is happening in this area; another endeavour which we find very useful for us – and I am not sure that all organizations have heard about it – is the GEM database, Global Emerging Markets database, which is a tool which is run jointly by EIB and IFC and open to the participation of other IFIs and national development institutions. It is a very good tool for better risk management, which is a very important part of all our activities.

As I have already mentioned, our bank is actively involved in all of these four forms or major types of cooperation between MDBs and national development institutions. One flexible tool which we have created and which helps a lot to advance this cooperation is an Institute of Observership. We started this observer mechanism within our bank several years ago, and I am happy to report to you that currently ten international and national development institutions have chosen to become our observers, and I am very happy to see that seven of them, namely KFW, IFC, EBRD, EIB, Nordic Investment Bank and International Investment Bank, are sitting at this table together with us.

The strength of this tool is that it combines flexibility with an institutionalized basis upon which both parties can build and strengthen cooperation according to their priorities. It also provides a good mechanism for building mutual trust and comfort in dealing with each other. We intend to continue using this mechanism quite actively and believe and expect that it will provide further tangible benefits to our institution and peer institutions which participate in our activities as observers. Thank you very much for your attention.

Central American Bank for Economic Integration
Executive President Dr. Nick Rischbieth:

Thank you, Mr. Chairman, and thank you very much for your introduction.

First of all, for those that do not know us, just a short introduction. CABEL, the Central American Bank for Economic Integration, is the sub-regional development bank for the Central American region. It has basically been in business for about 54 years now, and it provides approximately more than 50% of the developmental funds to the Central American region.

I think the main point that I want to make today is that CABEL would not have become what it is without the cooperation with multilateral development banks, without the national development banks, and local development banks.

We have long-standing relationships with MDBs such as IDB, the European Investment Bank, Nordic Investment Bank, national development banks such as KfW in Germany, JBank in Japan, and Bancomext in Mexico, and even local development banks from our member countries, such as Bank of Costa Rica.

I would like to mention just one good example of past collaboration, which is our policy-based loan that was awarded by IDB close to twenty years ago. That loan was significant in the fact that it was a loan to actually try to make it feasible for the bank to access capital markets. The bank has been gaining that financial independence, to the extent that today, more than 60% of the bank's funding is actually in capital markets. In fact, we have been so successful that we now actually issue in more markets and in more jurisdictions than IDB itself.

However, we have also seen that the partnerships and the expansion of the cooperation has evolved over time. Donor policies were different in the past, and these have obviously been changing, and so has the focus. Today, the situation is a little bit different. There is a general understanding that there are certain topics, for example climate change, that are shared by basically all members of the developmental community.

One of the reasons why we decided to participate in the IDFC was precisely to know what other banks are doing, and we also wanted other banks to know what

we were doing. There is a series of synergies and common interests that developmental institutions have that need to be shared in order to provide for a larger impact. The same applies to financial mechanisms.

If we share ideas and if we share mechanisms, I am sure that we will be able to fulfil our mandate in a better way.

Today, collaboration is alive and well. In fact, it is even more important than ever. A practical example of that is a loan that we just granted to a USD 250 m highway project in Guatemala. We did this with a new project, with a new partner, Banco Nacional de Chile.

However, the paradigms are actually changing in development assistance. In most cases, it is now difficult for even the largest developmental institutions to actually fund projects by themselves. The emphasis now has to be to form new partnerships and to consolidate the existing ones.

Evidence of the above is found in the cooperation agreement we just signed this morning that Mr. Dmitriev just mentioned, with Vnesheconombank. It is an alliance that was actually harvested here, in the IDCF forum.

The 2008 financial crisis has hampered the ability of large international banks to lend long term, evidencing the need for developmental institutions to act in an anti-cyclical role. Development institutions by themselves have limited resources, and this and the absence of risk diversifications paves the way for useful partnerships. Having mentioned before that there is a change in paradigms in development and the need to allocate more resources to tackle common problems, it is imperative that development institutions cooperate to achieve their mandate, especially when this is done through effective forums such as this one.

Thank you very much.

Argentina

Bank of Investment and Foreign Trade (BICE)

Mauro Alem, Chairman:

Thank you, Mr. Chairman. First let me say that it is an honour to be here. I want to congratulate you for having the meeting, thinking of inviting us from far away to be part of this meeting, and hopefully to share a common view on the challenges and barriers to development, and also have the chance to get a statement to the global leaders in the next meeting.

Before going into two cases of cooperation I would like to raise and put on the table in Latin America, one bilateral, with the Brazilian Development Bank, and the other a part of the Association of Latin American Development Banks, ALIDE (the Secretary-General is here at the table), I want to try to answer the question about the lack of cooperation that the Chairman who initiated the meeting was asking about the reasons for not having that much cooperation between development banks.

Let me say just a few short words about that. My view is that, in our case especially, many Latin American development banks are survivors of a trend on which many people around the table have commented, that governments thought at some point that maybe the government banks were not that good, or were a waste of resources. In Argentina we sometimes go that far, and the government bank that was created in early 1945 was liquidated in the early 1990s: it was closed, and we are the survivors of that bank.

Of course, as a survivor, it is a very different shape. We are a small bank, an investment bank, with 250 people working at the bank. It is a very professional and specialized bank, specializing in SMEs, investment in long-term projects, only long-term, we do not do any working capital at all, we do not take any deposits from the public, as any investment banker does, and we also cooperate in exports and imports, not only promoting exports from Argentina abroad, but also trying to bring new technology and new ways to do things in Argentina.

I would say that the institution in which I preside is already 20 years old: it is really young compared to those of many who are around the table, but we have won a lot of construction capacity, and also we have signed corporate governance guidelines with many of the global institutions. Also, I guess we have got into a line of planning as to what a development bank does, also thanks to CAF, which is one of the development bank leaders in Latin America, which helps us to think about what we can do to grow sustainably and attracting our own capital.

My view about the lack of cooperation at some points is that also the mandate that we have in the banks include mandates for the promotion of local companies, and sometimes we only want to finance our experts and not get into other types of cooperation. I think we have done very good cooperation deals with the Chinese Development Bank, we have signed today with the President of Vnesheconombank, also a Memorandum of Understanding, trying to work towards a win-win situation where some of the projects that we are promoting in the region or in our country can also benefit, because Russian or other companies from around the world invest in our country.

But I wanted to tell just two stories on how to expand financial cooperation, and maybe tell you two stories about what we have done in Latin America in the last three or four years. These are on-going stories, and the main point is that if we do want to cooperate, we have to think about doing business: not just signing agreements, but we have to do business, have to get involved in projects, risk assessment, due diligence etc.

The first one was a cooperation agreement between all the Latin American development banks: it was sponsored by the Latin American Association of Development Banks, and was based on the idea that we wanted to start having more use of local currencies instead of always thinking the dollars. The main fact was that the central banks are not allowed to work on exchange rates or monetary policy: we are just a bank, like an investment bank. So what we are doing is that we set up a mutual due diligence and risk assessment process. We are visiting each other, people from the Peruvian Development Bank are coming to Argentina;

technical staff from Argentina are going to Peru, and we assess our risk mutually and try to get a very small amount of money, with which we can take risk and guarantees from the other bank, and support export from our country to the other, and vice versa.

We are always thinking of the same conditions, say financial conditions on the price of guarantees. This has a very interesting result, that was that we could very much lower the commissions that are usually charged in private commercial banks in this case, and even get money from these transactions.

We formed a Technical Committee within the Association, and we are pushing many institutions to sign a common legal framework within which to work on this cooperation. Basically, this cooperation is not the trade-finance on the usual line, because what we found was interesting in Latin America: we export primary goods, commodities, from the region abroad. But when we transact with other neighbouring countries, for example the goods that we sell to Peru, or to Bolivia or Chile, what we have bought is manufactured goods. Most of them are capital goods, so we do not export soy and wheat to our neighbourhood: we send a machine to conserve milk and we also get some. So based on that idea, we are promoting employment creation in manufacturing by taking risks and each bank disbursing it in the local currency in each country, and we take the risk off the others.

Of course, for some countries, we may need a CAF guarantee to use. We are also bringing to the table that idea of having CAF, which is a multilateral institution, who already have an evaluation of the risk of each country, and can facilitate this indication that a country may have some political risk that may be higher than the risk than other countries want to take.

The final one is more thought about as an investment project, long-term investment. This was the idea of creating a Trust, like an Investment Fund, for a binational approach – by binational I mean companies from two countries bidding for the same contract and also exporting regional value chains. So we have started working with Brazil with sectoral assessment studies about what we can do that

could be good for Brazil, and what Brazil could do that would be good for Argentina, and try to integrate our proactive sectors more.

We ran a common diligence and project assessment, and also each country has the power of veto for any project, so we have to agree completely on a project in order to make the financing. The financing is also thought of in terms not only of long-term loans but also on equity. So this actually seems simple when you say, but is a mess to go through the regulatory schemes in each country and try to have the same standards.

We have been working for a while, and I think at some point we are going to have this framework that can also be used by other neighbouring countries.

So, to finish, I want to stress the four types of cooperation that we have undertaken with other institutions. We have orientated our strategic plan to research and development innovation, renewable energies and the environment; we are also working on a line of credit from the European Investment Bank in terms of renewable energy; we are cooperating in technical assistance and probably getting support from other institutions, especially, as I said, from CAF in terms of improving our corporate governance and human resources management; ELIDE, the association of Latin American banks, organized a visit to a Canadian development bank two years ago. We participated in that: it was very interesting when a group of Latin American bankers went at the same time to the same bank and tried to get information on very specific issues, in that case on equity. The BCC in Canada is very good at doing equity on SMEs and I hopefully think that that is a very good way to cooperate from the association of Latin American banks visiting some of the more prominent development bank institutions in the world.

So finally, as I stated at the beginning and as a conclusion, the view of cooperation is really hard: for us it has been difficult sometimes to get from the Memorandum of Understanding to real facts. I think that the key word is projects: we have to start working on projects right on the same date that we sign some kind of agreement. We are doing well – it has taken several years, but with the China

Development Bank, we started in 2006, and we have already done projects together worth USD 160 m in Argentina.

So it takes time, but actually I really encourage the people at the table to sign agreements and try to get to know each other, and also basically take the message of Enrique de la Madrid of Bancomext. I think one of the key issues in this cooperation is trying to retain and get the most talented people to work at the government development banks. For us, sometimes it is really hard to retain good people, so we try to pay as much as we can, but sometimes we also have to be careful with our sustainability. But we have very good people working at the bank, and structuring and doing syndicates and those kinds of loans, and after one or two years, they go to the private sector, and we have to start all over again.

So I think that when we take up this challenge of putting it on the agenda, the development banks have a lot to do, but also the government has to invest in our institutions more; we have to get into cooperation with other development banks that can help us. Sometimes we can make up for the lack of support from government with our colleagues, and I will really appreciate any suggestions on that. Thank you very much.

Председатель Правления Российского Банка поддержки малого и среднего предпринимательства Сергей Крюков:

I will be quite short, because it is an easy task for me. During today's conference in all of the speeches of prominent speakers, starting from the opening remarks on behalf of our Prime Minister and other speakers, they have mentioned SME issues, the importance of SME support, their role in the economy, and the link between SMEs and development institutions, so it is really an easy task.

It is not such easy work doing that. For us as an institution for development and part of VB, VB has allocated this very important issue of financial support for SMEs to our bank, in relation with our foreign counterparts, development institutions, multinational institutions, it is much easier. SME support in Russia is definitely the local expertise of the Russian Bank for Development and best

international practices, which you know much better and you introduced in your own countries, so for us these relationships with your institutions and introduction of these best practices on Russian ground is very important.

The first results we are of course seeing now, but we have also a long, long way in front of us with this work.

Starting from the creation of the Bank for Development in 2007, we can see that it was based on best practices which we have in different countries, especially in Europe, and KfW, which was mentioned several times today, as our main counterpart among the development institutions – the experience of this bank in Germany and in other countries is a good example for us of how it could and should work.

Coming to nowadays, we have a recent new strategy for the bank involving specific items and instruments for the support of Russian SMEs. It is also based on international practice, based on our relationship with institutions for development. Today's conference will also contribute to this role

When we talk about long-term funds, of course it is needed for infrastructural projects. The core responsibility of development institutions is at the same time also needed for SME support, and we can say that SME support itself could be considered as a long-term investment for the state, because it is a real base for a diversified economy, for GDP growth, for more sustainable growth of the economy, so that is why we consider it as a real investment in the future.

We have a very difficult and important task. You can see on this slide the comparison of Russia with other countries as to the contribution of SMEs to GDP and employment. We are unfortunately far behind, but we are quite confident that with the cooperation with our foreign counterparts we can reach this target and this is the co-responsibility of VB in SME support and the responsibility of our bank.

I will be short, as I mentioned to you. We have implemented real practice and foreign experience. Here on this slide, you see that different instruments of SME support, when we are talking about two-tier system, when we are funding for lending. Nowadays it is not only banks, but it is also little companies, microfinance

organizations, regional funds, factors. So we cover the full range of SME requirements, starting from six months up to several year deals. It is long term, and this funding really supports loans for SMEs, especially one-trade SMEs or production units, which are introducing new techniques and products and thinking in the longer term, like development institutions themselves.

Other instruments like equities, guarantees and others: you see that most international development institutions are using these instruments, and it is now on the ground in Russia itself. The recent decision of the government to introduce a federal guarantee to support medium enterprises is also now with us, and this summer we are starting this new instrument. We have already spoken to some of our counterparts, and we are quite confident that we have such institutions as our cooperation partners. This cooperation gives us good examples of practical experience, here on the ground in Russia, for SME support.

Some other examples of recent work by KFW: it is also very important that we use both local currency funding and international currency funding as well. International institutions are giving us funds, not only in hard currency but also in roubles. This is very important, because we are eliminating the foreign currency risk for SMEs, and it is very important for our companies.

As for IFC, I should also mention it as well, because when together with Mr. Dmitriev several years ago we visited Washington and spoke to the IFC, at that time the internet information portal for SMEs on the ground of VB and the SME Bank was before the federal information portal for SMEs started its work in Russia, and this is a good example of international cooperation.

Another good example with IFC is the efficiency calculator, which is now used in evaluating investment projects of SMEs with energy efficiency. This is also an example of how international best practices work on the ground of the Russian Federation.

Where do we see the development of the programme during the last seven or eight years? We see that at every stage, we have been able to use this international experience and best practice and accelerate the financing of this sector and increase

the contribution of SMEs into our GDP. We can see it as the real result of the activity of the Bank for Development of the Russian Federation in the SME sector. This target could also be fulfilled and we can achieve it. Thank you.