



V N E S H E C O N O M B A N K

STATE CORPORATION "BANK FOR DEVELOPMENT
AND FOREIGN ECONOMIC AFFAIRS
(VNESHECONOMBANK)"

Enhancing PPP environment to serve Russian development

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Recent developments and reforms in Russia have led to a renewed call for creation of the national development institutions

- Fundamental achievements in the Russian political and economic development in 2000-2006...
 - Macroeconomic stabilization
 - Healthy public finances and stable local currency
 - Significant capital resources available
 - Decreased political and economic risks
- ... led to number of strategic capital intensive initiatives
 - National projects have been launched to renew massively housing, healthcare and education
 - Restructuring of railways, energy and utilities, nuclear and aerospace industries is ongoing
 - National strategic plan in transport infrastructure has been approved and its implementation commences



These development institutions have been created and/or restructured in 2005-2007

	Infrastructure	Innovations and technology
Development incentives	Federal Agency of Special Economic Zones (industrial, ports, tourism)	Federal Agency of Special Economic Zones (technology and innovation)
Development investments	Vnesheconombank	Vnesheconombank Russian Venture Company
Development subsidies	Russian Investment Fund Housing and Utility Reform Foundation	



Vnesheconombank becomes a national development bank

Vnesheconombank is one of the Russian oldest banks (established in 1924)

Legal status of Vnesheconombank is formed by the Law of the Russian Federation “On Bank for Development” and Financial Policy Memorandum approved by the Government, both approved in 2007

Vnesheconombank has special legal status:

- National development institution
- Agent of the Russian Government
- State Trust Management Company to handle pension savings funds
- Owner of the commercial Russian ExImBank dedicated to commercial support of the
- Owner of the commercial Russian Development Bank dedicated to support of small and medium size business
- Vnesheconombank is not subject to regulations of the Russian Central Bank applied to commercial banks

The bank is managed by its Supervisory Board consisting of senior ministers of the Government. It is chaired by the Prime-Minister of Russia

Principal focus:

- Transport, energy, and urban infrastructure
- Capital intensive industries with export potential

Key projections:

- In 2008 capital to increase to RUR 231B from current RUR 180B
- By year 2011 credit portfolio to increase to RUR 770B



PPP is considered to be a major tool available to achieve strategic objectives of the Bank

Not less than 30% of VEB project portfolio is expected to be PPPs

PPP-related legislation is broad and useful although it is often controversial and more conservative in its general part:

General

- Civil Code
- Budget Code (public capital investments, public guarantees, public contractual obligations)
- Land Code
- Urban Code
- Public procurement
- Competition

Development instruments

- Concessions
- Special economic zones
- Investment fund
- Development bank

Industry specific

- Legislation on toll roads
- Energy and utility tariff regulation
- Rules for implementation of competition law in organizing PPPs in utilities

Regional

- Regional PPPs (focused on credit enhancement and/or regional development institutions)



Developing pipeline of PPP projects is a challenge

- There are no bankable projects in the market and their development seems slow
- Early expectation of private leadership in developing PPP market proves wrong:
 - Private development of PPP project may not assure compliance with public interest
 - Procurement of PPP project has to comply with public procedures and competitive selection rules
 - Private investment in development of PPP project has significant risk
 - Experience of the utility market
- Public authorities have limited capacity to procure projects on PPP basis:
 - PPP is not yet integrated as a tool into public development strategies
 - PPP procurement requires new level of expertise, not broadly available
 - Development of PPP project is costly exercise without guaranteed success
 - Money available is not the critical factor to success (experience of the State Investment Fund)



To address these challenges VEB is to create a national PPP unit

- Strategic objective:
 - In 4 years this unit has to form a PPP part of the Bank's portfolio of projects:
 - About 20 new projects or programs with credit portfolio RUR 80-100B a year
- Principal approach:
 - Strengthen public capacity to develop and procure capital projects and public service improvements within various PPP models
- Major areas of operation:
 - Investment advisory services to public clients to develop, procure and manage PPP project
 - Integration of use of PPP instruments into industrial and regional development strategies
 - Federal and regional legislation, contractual framework, coordination of legislative activities related to PPPs
 - Information on best practices and PPP market development
 - Training of public servants to the use of PPP
- Operational principles:
 - Not for profit
 - Grants to legislation development, information service and capital cost of training
 - Low cost financial support to public authority in development and procurement of PPP project
 - Cooperation agreements with Ministries
 - Advisory Board under Ministry of the economy
 - Broad integration of expertise around the Unit



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