



THE SECRETARIAT

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International Conference in Kaliningrad offers new financing possibilities for Small and Medium Enterprises and Public Private Partnerships

Kaliningrad, 22 November, 2012 - The International Conference "Fostering Small and Medium Enterprises (SMEs) in the Baltic Sea Region: Financing, Public Private Partnership, Innovations" took place in Kaliningrad on November 22. Its objective was to focus attention of the small and medium business, financial institutions and authorities on long-term financing and support to SMEs in the sphere of modernization and innovation in the Baltic Sea region.

The representatives from development banks and financial institutions in the Baltic Sea region, small and medium enterprises, the German Embassy in Russia, the government of the Kaliningrad Region, organizations for SME support as well as the scientific and expert community attended the conference organized by Vnesheconombank, MSP Bank, KfW Banking Group (Germany) and the Secretariat of the Council of the Baltic Sea States (CBSS). The conference was held in the context of Pilot Financial Initiative (PFI) under the umbrella of the CBSS.

Mr. Chemakin, Minister for Industrial policy, SME development of the Kaliningrad region, recalled that the agreement between the CBSS, Vnesheconombank and KfW was signed during the 9th Baltic Sea States Heads of Government Summit in Stralsund, May 2012.

Later on for the purpose of realization of PFI, Vnesheconombank and KfW signed a Credit Agreement on Extending **110 million US dollars** to Vnesheconombank to support and promote small and medium-sized enterprises in the field of environmental protection, innovations and modernization in the North West of Russia. "Our next step will be a meeting in Stockholm to discuss the expansion of the Pilot Financial Initiative to other countries of the Baltic Sea region" said Jan Lundin, Director General of the CBSS Secretariat.

Discussion on providing access to the financial services' market for SME followed the presentation of SME financing programs of Vnesheconombank / MSP Bank and KfW. According to Alexey Ternavsky, Managing Director, Department of Small and Medium Enterprises, Vnesheconombank, "SMEs share in Russian GDP is around 22%. This is much lower than in EU countries. Our strategic goal is to increase this share". "Long-term financing is one of the priorities in SMEs support program and is a key point of this conference" he said.

The financing program of Vnesheconombank is implemented by means of providing the wide net of bank-partners in the North West of Russia with financial resources through MSP Bank, a daughter company of Vnesheconombank which focus on the support of the existing business projects prioritizing the modernization of manufacturing and innovations. "Credits would be extended for a period from 3 to 5 years at rates in line with the lower market level for lending to SMEs", added Mr. Ternavsky. He also stressed that one of the main tasks today is "to synchronize this program with the work of Regional Guarantee Funds (State support) to allocate the risks among all the participants".

Michael Moerschel, KfW Banking Group, pointed out that KfW has a direct partnership with big Russian enterprises however SMEs should go under the structure created by Vnesheconombank to

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minimize the risks. "KfW pays a margin to the bank which guarantees the risks of its bank-partners" added Mr. Moerschel.

Besides, the participants discussed the support of the PPP in the Baltic Sea States; activities of the development institutions of the Baltic Sea region in the field of SME development and support; innovation and modernization encouragement as well as exchange of positive experiences of the different Baltic Sea countries on project implementation with the participation of SMEs and in the field of PPP.

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