

# THE RUSSIAN BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC AFFAIRS – VNESHECONOMBANK



BRICS Policy Center Centro de Estudos e Pesquisas - BRICS

This factsheet is an update version of the Factsheet “Development Banks in the BRICS Countries”, published in 2013 by the BRICS Policy Center and Ibase



SOCIO ENVIRONMENTAL PLATFORM



CHARLES STEWART MOTT FOUNDATION



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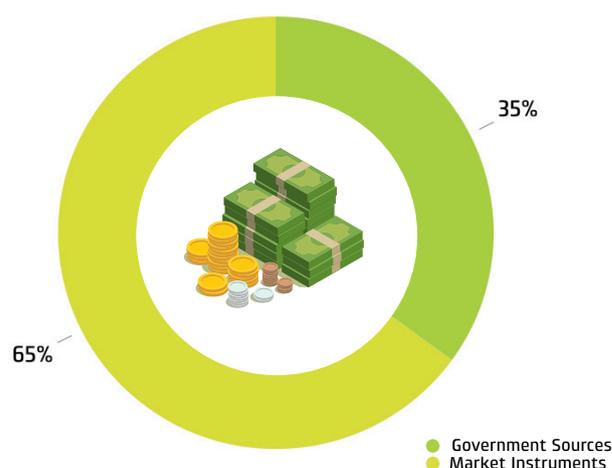
AUTHOR Brics Policy Center

## Nature and Purpose

- The “Bank for Development and Foreign Economic Affairs” (Vnesheconombank, VEB) and its activities are regulated by the Federal Law “On Bank for Development” (Federal Law nº 82-FZ, of May 17 2007).
- The VEB’s investment priorities are: High value added production; transport and energy infrastructure; export in large scale projects; stimulation of the use of defense industry facilities to manufacture civilian products, through new facilities and the modernization of existing production; innovation and national technology project initiatives.
- It has seven representative offices in the Russian Federation (St. Petersburg, Khabarovsk, Ekaterinburg, Pyatigorsk, Krasnoyarsk, Rostov-on-Don and Nizhny Novgorod) and ten abroad (London, New Delhi, Mumbai, Milan, Beijing, New York, Frankfurt, Paris, Johannesburg and Zurich).

## Funding Sources

Source: [veb.ru/en/about](http://veb.ru/en/about)



VNESHECONOMBANK

## Where do resources come from?

- During the dissolution of the USSR, the Bank’s activities were concentrated in the purchase of imported products, with financing from European countries.
- In 2002, the Vnesheconombank was restructured and appointed to invest pension fund in bonds denominated in foreign currency.
- In 2007, the Vnesheconombank was recast as “Bank for Development and Foreign Economic Affairs”. Thus, its authorized capital became a pool of funds from the former USSR, federal government-owned shares in the Russian Development Bank and the Roseximbank, as well as assets to be transferred by the own Russian government itself.
- In 2010, the Vnesheconombank created the Russian Direct Investment Fund in order to raise capital abroad for the Russian economy. The main goal of the Fund is to raise long term foreign investment in the Russia’s high-tech sectors.
- In 2015, as a result of the restrictions caused by the sanctions imposed on Russia, the Vnesheconombank was not able to obtain loans for more than 30 days in foreign capital markets. The solution was to seek increased resources from instruments in the securities market and alternative sources of resources, exploring new markets in Asia and the Pacific.

# VEB's Subsidiaries

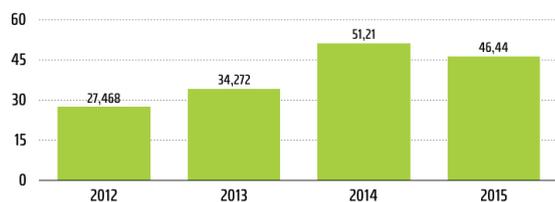
## How does it work?

The Vnesheconombank Group includes VEB's subsidiaries which aim to execute a number of dispositions from the Federal Law "On Bank for Development":

- **VEB-Engineering Company:** created in the Vnesheconombank Group as a center for technical analysis of technological solutions on engineering, monitoring and management of national investment projects.
- **VEB-Capital:** involved in the management of Vnesheconombank Group's assets, including real property.
- **OJSC VEB-Leasing:** gives assistance to small and medium enterprises in the financing of automotive transport and special equipment. The company opened 18 regional subdivisions in the biggest Russian cities.
- **GLOBEX Bank:** offers credit support to the real economy and small and medium enterprises, with a tendency to function as a universal bank.
- **OJSC SME Bank:** Vnesheconombank's agent in the implementation of the Program of Support to Small and Medium Enterprises.
- **Roseximbank:** Russian government's agent to extend guarantees to exporters and arrange loans for importers of Russian products.
- **North Caucasus Development Corporation (OJSC):** created to implement industrial and infrastructure projects in the District's territory.
- **Vnesheconombank foreign banks subsidiaries** (Belarus Belvnesheconombank; and Ukraine Prominvestbank): support the export of Russian products and the implementation of big joint investment projects in these countries.

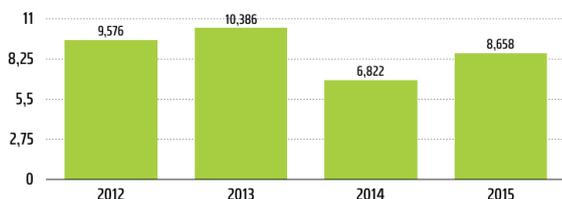
### Loan Portfolio (in billions of USD)

Source: The author, based on [Vnesheconombank's Annual Report \(2016\)](#)



### Total Equity (in billions of USD)

Source: The author, based on [Vnesheconombank's Annual Report \(2016\)](#)



# VEB's Capital

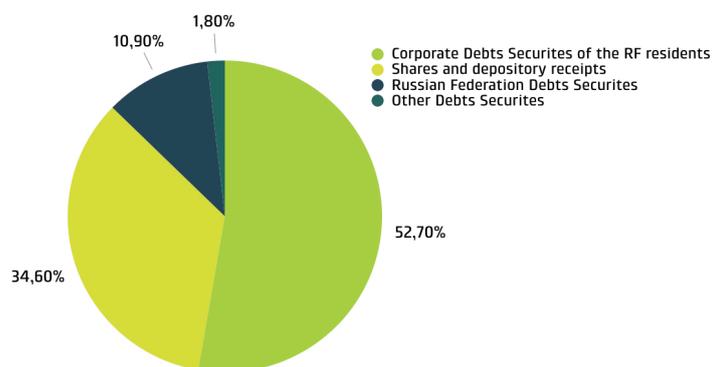
## How does it work?

VEB's Capital is engaged in managing the Vnesheconombank Group's assets, including real property assets, though greater importance is given to operations with financial assets.

- Vnesheconombank's loan portfolio includes Rubles, US dollars and Swiss francs, in addition to debt securities denominated on national and foreign markets.

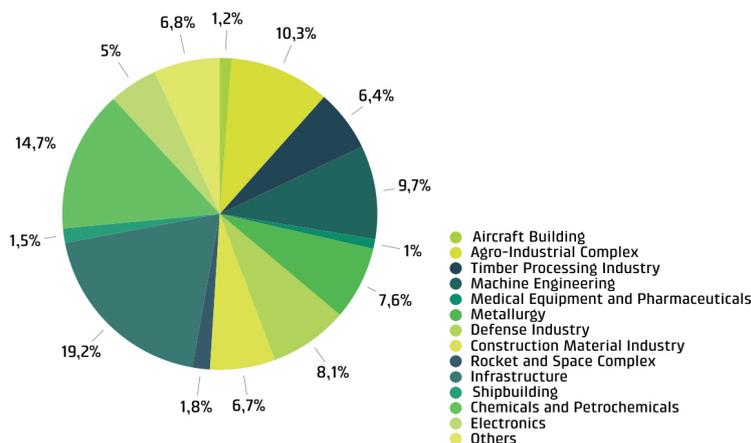
### Managing Securities Portfolio

Source: The author, based on [Vnesheconombank's Annual Report \(2015\)](#)



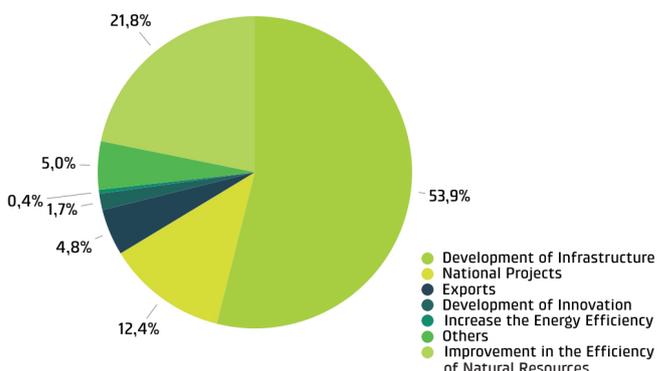
### Bank for Development's Loan Portfolio: Sectoral Structure (in %)

Source: The author, based on [Vnesheconombank's Annual Report \(2015\)](#)



### Disbursements by Sector

Source: The author, based on [Vnesheconombank's Annual Report \(2015\)](#)



# Infrastructure

Source: The author, based on Vnesheconombank's Annual Report (2015)

| Infrastructure (in millions)                   | RUB           | USD           |
|--|---------------|---------------|
| Energy Infrastructure                          | 141433        | 2404,36       |
| Transport Infrastructure                       | 108210        | 1839,59       |
| Tourism Infrastructure                         | 136474        | 2320,06       |
| Engineering                                    | 16419,3       | 279,128       |
| Aircraft Construction and Space Rocket Complex | 250           | 4,25          |
| Housing Infrastructure                         | 6180          | 105,06        |
| Others   | 12932,6       | 219,854       |
| <b>Total</b>                                   | <b>421900</b> | <b>7172,3</b> |

# Innovation Development

Source: The author, based on Vnesheconombank's Annual Report (2015)

| Innovation Development (in millions)          | RUB            | USD           |
|---|----------------|---------------|
| Aviation and Spacial Rocket Complex           | 2381,2         | 40,4804       |
| Engineering                                   | 5800           | 98,6          |
| Strategic Information Technology and Software | 797,6          | 13,5592       |
| Medical and Pharmaceutical Equipment          | 7216,5         | 122,681       |
| <b>Total</b>                                  | <b>16195,3</b> | <b>275,32</b> |

# Support for Export per Recipient Country

Source: The author, based on Vnesheconombank's Annual Report (2015)

|                                    |             |
|------------------------------------|-------------|
| Belarus – power Plant              | 86,6 bn     |
| Turkmenistan                       | USD 29,8mn  |
| Mongolia – Russian Power Equipment | USD 20mn    |
| Kazakhstan – railway vehicles      | RUB 2,2 bn  |
| Azerbaijan – Railway               | USD 88,4 mn |

| Major Projects by Region   |    | Ruble    | USD      |  |
|--|----|----------|----------|--|
| <b>NORTH CAUCASIAN</b>   | 3  | 14072,3  | 239,2291 |  ENERGY INFRASTRUCTURE    |
| Construction of a float glass plant in Dagestan with a capacity of 600 tons a day          |    | 7155     | 121,635  | Federal District of North Caucasus, Republic of Dagestan, Makhachkala  |
| <b>URAL FEDERAL DISTRICT</b>   | 5  | 42509    | 722,653  |  TRANSPORT INFRASTRUCTURE |
| Construction of Urengoi GRES   |    | 21278    | 361,726  | UFO, Yamalo-Nenets Okrug Novy Urengoy  |
| Reconstruction of Nizhneturinskaya GRES  |    | 15500    | 263,5    | UFO, Sverdlovsk region   |
| First stage of the modernization program of municipal heating systems in the Kurgan region |    | 2040     | 34,68    | UFO, Kurgan Oblast   |
| <b>FAR EASTERN</b>   | 10 | 26910,1  | 457,4717 |  |
| Construction of optical fiber communication lines of the Russian Federation                |    | 2327,6   | 39,5692  | Interregional project  |
| Construction of terminal for handling coal in large quantities                             |    | 4550     | 77,35    | DFO, Khabarovsk region, Khabarovsk   |
| <b>SIBERIAN FEDERAL DISTRICT</b>   | 11 | 131962,8 | 2243,368 |  |
| Construction of a polypropylene station  |    | 8611,1   | 146,3887 | Siberian Federal District, Omsk region, Omsk   |
| <b>VOLGA FEDERAL DISTRICT</b>  | 11 | 40764,6  | 692,9982 |  |
| Development of "Kurumoch" international airport  |    | 4550     | 77,35    | PPO, Samara region, Samara   |
| <b>SOUTHERN FEDERAL DISTRICT</b>   | 12 | 239149,1 | 4065,535 |  |
| Construction of Olympic facilities STK "Mountain Carousel"                                 |    | 52569,2  | 893,6764 | South Federal District, Krasnodar region, Sochi  |
| <b>NORTHWESTERN</b>  | 15 | 83750,1  | 1423,752 |  |
| Creation and maintenance of "high speed western roads and turnpike"                        |    | 25000    | 425      | Northwestern Federal District, St. Petersburg  |
| Construction of bulk cargo in Ust-Luga   |    | 23591,8  | 401,0606 | Northwestern Federal District, Leningrad region, Ust-Luga  |
| <b>CENTRAL FEDERAL DISTRICT</b>  | 26 | 113607   | 1931,319 |  |
| Construction of high speed road "Moscow-St. Petersburg" in the area of 15th km - 58th      |    | 14600    | 248,2    | Central Federal District, Moscovo region   |