

Government Bank Creates Small Business Investment Fund

By [The Moscow Times](#)

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State-owned Vneshekonombank is planning to create a fund to invest in small and mid-size Russian businesses as part of the government's plan to boost economic growth.

VEB will work with the Chicago-based investment management firm Adams Street Partners to start the fund.

In addition to investing directly, the fund of funds will invest 70 percent of its assets by partnering with five to seven private equity companies, Vedomosti reported Wednesday.

Russia Partners, Baring Vostok Capital Partners, and Da Vinci, all private equity firms with investments in Russia and the former Soviet Union, are likely partners.

The companies are known to invest heavily in technology, commercial credit and other areas of high potential growth.

VEB and ASP each plan to invest \$50 million and will most likely try to raise about \$150 million from investors in order to build a diversified portfolio.

Although the two parties signed a cooperation agreement in July, officials confirmed that the plan has not yet been discussed at the VEB supervisory council or in the government.

A VEB subsidiary designed to help entrepreneurs already refinances banks that provide credit to small businesses. However, those banks in turn offer loans at extremely high interest rates — from 15 to 20 percent annually.

Alexander Galushka, president of the small business lobbying group Opora, doesn't expect the proposal to ease small businesses' difficulty getting credit.

"All these funds want a return higher than 30 percent, but most Russian businesses can't reach that level," Galushka said, predicting that the the VEB fund will invest in a few profitable sectors like telecommunications while leaving other industries unassisted.

Small business accounts for 20 percent of Russia's total GDP, a figure that hasn't significantly changed since the fall of the Soviet Union, BNP Paribas's Yulia Tseplyayeva said.

Comparatively, small business comprises 45 percent to 50 percent of GDP in most developed countries.

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