

The EBRD 'corporate cr che'

Where are they now? From its inception in the early '90s, the European Bank for Reconstruction and Development (EBRD) attracted people with a sense of adventure. Today many of Bank's alumni hold key positions in Russian business. We tracked down a few of the early pioneers. They describe what it was like to be on the front line of the first wave of investment to Russia. They assess the achievements of the Bank and also explore the role of the Bank today. Our survey, is far from exhaustive, but it does represent the unique role that the EBRD has played in Russian investment.



"THE RUSSIAN FINANCIAL MARKET WOULD NOT BE THE SAME WITHOUT THE EBRD AND ITS ALUMNI"

Charles Ryan, CEO, United Financial Group

I joined EBRD on 1 July 1991. I remember that the entire staff of the Merchant Banking Department would meet on Monday mornings at 9:00 am in a small conference room on Leadenhall Street. Ron Freeman would lead the team through an explanation of the strategy and ask each of the team members to share what they were working on in their respective countries. Obviously we could not fit the entire team in a small conference room for long. My desk was next to Mike Calvey and across from Richard Sobel and Jack Orchard and Stewart Gibson. Dimitry Maslov sat right behind me, as did Nicola Bamford.

Looking at the career paths of the initial group of associates at EBRD most of that original group has worked in Russia. Jack Orchard helped me set up UFG. Mike Calvey and Richard Sobel created the leading private equity firm in Russia. Dimitry Maslov went on to become the CFO of one of Russia's largest oil companies, and Stewart Gibson has made numerous investments in Russia.

My first trip to the Soviet Union was in late August 1991. Boris

Fedorov and I were sent to meet with Mayor Sobchak's team to help them with the privatisation of the City's assets and to help them revitalise the real estate in the historic city centre. My interlocutors in the St. Petersburg City Government were Mr Putin and Mr Chubais. Boris Fedorov worked with me on the privatisation mandate, and Massimo Ponzellini led the real estate effort.

I moved to Moscow in 1992 and worked for the Bank from Moscow until 1994, when we created UFG. EBRD provided the basis for the partnership created between Boris Fedorov and myself.

I have always been able to rely on the EBRD alumni network throughout my career in Russia, whether calling Guy de Sellier for advice or asking Robert Sasson for help with some of his friends from St. Petersburg. Aside from acting as the largest investor in Russia for the past 14 years, EBRD also provided a starting point for many of the leaders in the Russian financial community.

The Russian financial market would not be the same without the EBRD and its alumni.



“I THOUGHT OF IT AS A ONE YEAR FLING; IT HAS BECOME A 15 YEAR COMMITMENT TO THE REGION”

Michael Calvey, Co-managing Partner,
Baring Vostok Capital Partners

When the coup happened the week that I joined the EBRD, it seemed an unwise career move. However, quite quickly the coup failed, the Soviet Union fell apart and it was a very exciting time.

I was one of the first 50 or 60 employees to join the EBRD and one of the first 15 in the banking department. I was the first person on the natural resources team.

Initially, I came from Salomon Brothers in 1991 on a one year secondment to work on oil and gas deals in the Soviet Union. I stayed until 1994 and we were involved in most of the first foreign oil and gas investments in Russia, Azerbaijan, Kazakhstan and the other former Soviet countries. There were people at EBRD whose educational or ethnic background gave them an interest in the region, and then there were people like me who had absolutely no previous connection to the region. I thought of it as a one year fling; it has become a 15 year commitment to the region.

The only people who committed on Russian deals full time in the early '90s were people with nothing to lose – either financially or in terms of their career. It was way too risky for people with deeply embedded interests elsewhere to take the plunge.

The EBRD itself gave a chance to a lot of people like me who hadn't had much of a track record before. When I moved to Baring Vostok, the experience was certainly very useful for our oil and gas strategy and there were good relationships that have proved to be valuable. Also, the EBRD backed our fund as a shareholder. Today, the EBRD network is more about friendship and common experiences than anything else – after all, we had some life changing experiences together.

The multiplier-effect of EBRD investment has been substantial – not just the equipment that was bought, or factories built, but the deals were the first private sector deals in Russia. For the first time, law firms were constructing agreements according to Western standards and many of the things that are taken for granted today, just hadn't been done before. The business infrastructure, which was created by EBRD transactions, ended up setting standards that were then used by many other people.

The biggest problem which the EBRD faced was that it had so many different constituencies that it had to satisfy. Some directors and some of the donor countries expect the bank to be like JP Morgan, ie to be commercial and to generate commercial returns. Then there are others that expect the EBRD to be more like Mother Teresa – caring for the sick and needy with a developmental role. It is very hard to satisfy both of those constituencies, and that leads to what people call the bureaucracy, but which is really a difference in objectives.

In 15 or 20 years the EBRD should be wound up. It will be a sign of great success. Organisations often gain their own momentum, so it will be very hard to do, but already in Central and Eastern Europe there is not that much for the Bank to do, and they have more or less withdrawn from Poland and the Czech Republic. Russia and the 'Stans are a generation behind in terms of market development, so there is still hard work ahead for the EBRD.

“FOR VIRTUALLY EVERYTHING WE DID THERE WERE FEW GUIDELINES AND FEW RULES”



Lou Naumovski, Head
of Strategy, Business
Planning and Execution,
and General Manager
for Russia and CIS, VISA
International

At the beginning, we were all on a mission. We were building institutions, we were pioneers. There was an esprit de corps - especially after we got to Moscow and started developing the office. I arrived there in July 92 when there were three other employees. For virtually everything we did there were few guidelines and few rules. From 1994 he was head of the EBRD's Moscow office.

There was a lot of internal collaboration and we were able to attract highly talented, skilled people from around the world. Sometimes this meant that there was a titanic clash of the all-mighty egos. But it was a great breeding ground for ideas. We were very driven. Any banking discipline or bureaucracy can frustrate talented people, however despite that frustration it was amazing what was accomplished. The greatest legacy was the Small Business Fund. I am prepared to admit that I was very sceptical at the beginning of this project. I never thought that Russians would be willing to go for small loans.

I also believe that a greater risk-appetite or exposure to Russian companies should have happened sooner. The risk that was adopted – in the form of the private sector deals, especially at the regional level (Regional Venture Capital Funds) – may not have been wildly successful in terms of the rates of return, but the influence that we had on small companies in the regions, the experience of these entrepreneurs in working with banking discipline and realising that they could do business in a clean, transparent way and still make lots of money was very significant. The impact on the people, entrepreneurs, banks and policy makers is a lasting achievement. My personal regret is that the Bank's response to the crisis of 98 was very protective – as banks do – rather than an entrepreneurial response. We circled the wagons rather than converting debt to equity or looking at the situation as an opportunity. The Bank was very concerned about losing a lot of money. The Bank probably should have been more open to risk and should have taken greater responsibility for restructuring the assets which it was involved in.

Today, the Bank should stop working in those countries where the Bank is now in competition with the private sector because this is an anathema to the EBRD. The Bank should move further eastward. The risks that the Bank took in the past are now in other countries, which means that they should be more open to risk in the lower-stage transition countries further east. The Bank should become leaner and more aggressive in favour of taking on more risk, as the countries at the later stage of transition enter the domain where they are eligible to get private sector financing that is just as cheap.



**“NEITHER GUNS,
NOR LOANS, AS
RECENT EXPERIENCE
DEMONSTRATES, CAN
BRING ABOUT PLURALISM
AND DEMOCRACY”**

**Andrei Bougrov, Member of the
Board of Directors and Managing
Director of Interros Holding
Company**

The idea to establish EBRD was very timely. It would have been virtually impossible to create this Bank either two years before or two years after 1990-1991.

The vision of EBRD mandate was superb – to create an instrument for post-cold war economic reconstruction on market-oriented basis.

The atmosphere after the collapse of the Berlin wall was euphoric. With the benefit of hindsight the founding fathers were also naive in formulating the political mandate of the Bank. It has lived up to expectations only partially. Neither guns, nor loans, as

recent experience demonstrates, can bring about pluralism and democracy.

All of the above created a uniquely challenging opportunity to join the Bank's transition team and be part of the new effort. Much to my initial surprise, I was told that I was overqualified for the job at the Bank. I joined the team at the invitation of the President of the Bank to become his counsellor on East European developments.

I enjoyed every day of my work at the Bank. I was surrounded by young and talented professionals who believed they worked for a Bank with a mission.

Time has proven that the vision was correct, with skilful implementation and ultimately enormous gains in shareholders' value at EBRD in both political and pure economic terms.

The early '90s in Russia was indeed a frontline of battle for privatisation and creation of a favourable business climate. That battle is still continuing. However with over 70% of assets in private hands we can certainly see the victory. New challenges include anti-monopoly action, the creation of a level playing field, support for medium and small-size enterprises and the need to curb corruption.

Over the last 15 years, the EBRD has emerged as the single largest foreign investor in Russia. It has been able to play its catalytic role and further create with respect to Government sponsored projects and the needs of the private sector.

Before the EBRD implements its mandate in full and is ultimately privatised it will have to go East more energetically. Thus I believe its role in the Russian economy and FSU will continue to increase.



**“I LEARNT A LOT BY JUST OFFERING TO LEND MYSELF
OUT TO VARIOUS PROJECTS”**

**Tom Adshead, Head of Research,
IFK Metropol**

I joined the EBRD as an economic analyst on the Soviet team in the development banking section, with an interest on privatisation issues. My early projects included writing papers on currency reform in the soon-to-be-former Soviet Union, and designing technical assistance projects for privatisation and foreign investment in St Petersburg. The Bank went through a reorganisation, and I ended up as country officer for Russia, coordinating the Bank's interactions with the Russian government. We worked on the technicalities of getting authorisation for sovereign guarantees of the Bank's loans, and also on things like Yeltsin's visit to the Bank, and the Bank's participation in donor conferences, the Paris Club and other international gatherings. I also worked on the early design of the small business project, working on various survey projects, as well as running a pilot project in Tula for small loans. By the time I left the Bank, I was working on projects in sectors as diverse as fishing, satellite manufacture, shipbuilding and timber.

The thing I remember most about the Bank was the camaraderie - as a new institution, the employees came from very diverse backgrounds, and most were new to London, so we socialised a lot with each other. There was an excellent café on the ground floor, and I did a lot of my internal meetings there. Also, many of the people there are very able, and clever, and so conversations were always entertaining and interesting.

Because we were inventing the institution, and there was no clear blueprint for many of the issues that we faced, people were always open to discuss their projects, to see if you had useful input. On one project, there might be an investment banker, a development banker, and a commercial banker, so there would be a wide variety of views. I learnt a lot by just offering to lend myself out to various projects.

What surprised me when I went to CSFB was that there was much less com-

munity spirit - people tended to focus on their own areas. However, the real breath of fresh air in the private sector was that the goal of the institution was much more clear - investment banks exist to make profits for themselves, not promote any values, or help anyone. This filtered down throughout the organisation, whereas in the EBRD, the wide variety of goals, which often conflicted, or were not measurable, often made it harder to decide what to do.

As for the Bank's role now, I don't have a strong view, because what they do is so distant from what I do. I'm surprised that the Bank still owns stock in publicly traded companies, especially ones with limited free floats, because they could be accused of crowding out the private sector. I think that the small business project is the one thing that the Bank should be most proud of, because it was a unique effort, and has done a lot of good. In general, though, the Bank has catalysed a number of projects which would not otherwise have happened. To some extent, the overlap with other institutions created some healthy competition.

Its main weakness is common to all international organisations. There is a peculiar belief that the shareholders should be represented in the staff, in proportion to their shareholding. There is an unwritten rule that certain posts should go to certain nationalities, and that countries are owed a number of positions at various levels. This means that there are staff who owe their job to their nationality rather than their ability, and these tend to be the ones who stick, with the more able ones being headhunted.

There was also general agreement among the staff that the Board was too big - we saw how much of the annual budget they took, without really generating any revenue, and they also created overhead in terms of demands on staff time. Again, there was a sense that they were there to ensure that their countries got their 'fair' share of Bank funds, which runs counter to best practice, in my opinion.



“THE BANK PROVED THAT IT WASN'T JUST RUSSIA'S FAIR-WEATHER FRIEND”

John Kur, Minister-Counsellor and Head of Commercial/Economic Affairs, The Embassy of Canada, Moscow, Russia

When I joined the EBRD Board of Directors in 1996 as an advisor to the Executive Director for Canada, President Jacques de Larosière had already made his mark on the institution and had opened-up the Bank to the winds of change sweeping through central and eastern Europe and the former Soviet Union.

Work at the EBRD was exciting, challenging and rewarding. During my time at the Bank before joining Canada's official export credit agency in 2003 and then being posted to the Canadian Embassy in Moscow in 2004, we in the Bank's Board had approved 149 individual transactions in Russia representing over Euro 3.3b in EBRD finance.

The Bank had been successful in mobilising foreign investment in Russia from a wide range of multinationals, including Caterpillar, General Motors and IKEA to name but a few. Just as importantly, the Bank undertook ground breaking deals with leading Russian corporates such as Severstal, LUKoil, Mosenergo, Togliatti Azot, RAO UES and Vimpelcom which helped transform the financial landscape in Russia.

After the Russian financial crisis in 1998, the Bank redoubled its efforts to reach Russian small businesses and to help rebuild the financial services sec-

tor - work which the EBRD continues to this day. But make no mistake - the challenges faced by the Bank after the financial crisis were tremendous. While others were retreating westward, the Bank pushed farther eastward and proved that it wasn't just Russia's fair-weather friend.

With 'good times' having now returned to Russia, and with eight of the EBRD's countries of operations having joined the European Union in May, 2004, it's up to the Bank once again to demonstrate leadership and innovation. How will it deepen its engagement with Russia's leading corporates? How will it approach development in the Russian regions outside of Moscow and St Petersburg? How will it best nurture small and mid-sized Russian enterprises? How will it contribute to a dynamic and well functioning Russian banking system?

Ultimately, the governments of the United States (the EBRD's largest shareholder) and of Russia (the EBRD's largest country of operations) will have to carefully chart the Bank's course through these waters, lest the Bank find itself swept aside by a tidal wave of new international capital flows into Russia. The Bank's mandate, experience and knowledge of economic transition are among its best assets, which will be increasingly put to the test as the pace of change further intensifies in Russia.



“WE ATTRACTED PEOPLE WITH A SENSE OF HISTORY AND A SENSE OF ADVENTURE”

Guy de Selliers, Chairman, HB Advisors

I was the first banking member of the transition team set up to establish the EBRD. When I joined there were only three of us apart from Mr Attali; a person seconded from the French treasury, somebody seconded by the UK government and myself.

One of our first initiatives resulted from the Houston summit of G7 leaders in July 1990, when Gorbachev asked the G7 for help in evaluating the Soviet economy. Attali, who was the Sherpa for Mitterand at the time, while also being the nominated president of the EBRD, immediately made it clear that if there was going to be a study, the EBRD had to be involved and that he had a whole team lined up. At that point he had hardly any permanent staff so it was a bit of a struggle to put together a good team of experts. With the help of John Fleming, the former Chief Economist of the Bank of England, who by that time had also joined, Mr Attali and his team did manage to contribute fully to this first and significant study of the Soviet Union economy.

By the time of the coup in 1991, the EBRD existed. During those few days in August, as the outcome of the coup was still uncertain, we didn't know if we were going to lose the whole of the Soviet Union as a market and be constrained to operate only in Central Europe, which would have made for a rather small bank. Yeltsin however took over and things started moving very quickly. In a funny way, because the dislocations were so tremendous, we were arguing for the preserva-

tion of some of the features of the Soviet Union system, for example the trade and payment arrangements between former Soviet countries.

For a while, until Ron Freeman joined, I ran the merchant banking side of the business. From the start we managed to hire some really good people. We attracted people with a sense of adventure who wanted to be part of history. At the time we were probably the biggest user of headhunting services in London. We hired 100 bankers and professionals in one year.

I am convinced the Bank played a critical and constructive role in the transition of Central and Eastern European countries from a command to a market economy. The Bank succeeded, quite wisely, in walking the very fine line between being a development agency and being at the same time a profit making bank. I would say to people: "We are profit making but not profit maximising". The Bank has been profitable and has made some very good investments at a time when people were not willing to take similar risks. One area, for example, where we made significant investments, very early on, was in the first bank privatisations in Central Europe – some of these were situations where even the IFC was not willing to take the plunge. It was considered too risky. There were many such situations where we stepped in, especially on the equity side, and where other people wouldn't. Most of these turned out to be really good investments.

Another example are the private equity funds set up for Central and Eastern European countries. In many cases the EBRD was the core investor, the lynchpin. At the time it was a fairly gutsy move. In retrospect it worked really well.

My theme for a long time has been that the EBRD should continue to be involved in the private sector as a champion of good governance and ethical behaviour. Leadership by the Bank in this area is still needed in the same way as it is needed with regard to environmental matters. For the Bank to continue to be an active participant in the markets of Central and Eastern Europe, which are still at a maturing stage, and to do so while continuing to promote high standards of corporate behaviour is an ongoing and very useful role.



“THE EBRD’S IMPRIMATUR CONTINUES TO HAVE REAL MARKET VALUE, BOTH IN THE EYES OF KEY GOVERNMENT DECISION-MAKERS AND IN THE JUDGMENT OF LENDERS AND INVESTORS”

Ron Freeman, Member of the Board,
Troika Dialog

In 1991, when the EBRD began operations, I was running Salomon Brothers’ European investment banking operation from London. I was approached by U.S. Treasury in its search for someone to co-head the EBRD’s Banking Department, the ‘private banking’ side. Treasury Secretary, Nicholas Brady, and I knew each other from our respective years on Wall Street where he headed Dillon, Read. And, as he noted, were I to accept the position, U.S. taxpayers would avoid the cost of an air ticket as London had been designated as the locus of EBRD headquarters.

I had come to Salomon Brothers’ then nascent investment banking department in the early 70s. After a meeting in Washington with the Secretary of the Treasury and his staff, Secretary Brady nominated me to be the EBRD’s first First Vice President, reporting to EBRD president, Jacques Attali. The EBRD’s 60 country board of directors confirmed my nomination. The EBRD assignment combined my long interest-standing in the countries of the former Soviet Union. My mother was Polish, I had also studied Russian at Columbia and shared responsibility for some of Salomon Brothers’ Russian business. So, I welcomed the opportunity to help launch the EBRD from the vantage point of its Banking Department, the *raison d’être* of the EBRD.

Today, my interest in Eastern Europe, Russia and central Asia continues. In addition to a number of charitable and NGO activities, I am a partner and board member of Troika Dialog, headquartered in Moscow, a privately-owned investment banking, trading and asset management firm. I am also a member of the supervisory board and of the audit committee of Pliva, a publicly-owned pharmaceutical company headquartered in Zagreb with some one billion US dollars in revenues. I serve on the international advisory board of Unicredit, headquartered in Milan, the leading acquirer of eastern and central European banking groups, and am an advisor to Doughty Hanson’s European Real Estate Fund.

I began with a few key ideas: markets are, in the long run, better judges of value than governments; International Financial Institutions (IFIs) should assist the companies in which they lend or invest to ‘graduate’ from IFI reliance as quickly as possible to be able to raise funds on market terms from banks and investment dealers operating in the international markets; Nothing catalyses strong markets more effectively than well-regulated and well-managed local banks and capital markets; and, most importantly, EBRD bankers should apply in all EBRD-financings, with religious fervour, article 13(1) of the EBRD’s founding articles: ‘sound banking principles.’

Because the EBRD’s mission was an exciting one, and its timing excellent, coinciding with the collapse of the Soviet Union, the EBRD was able to attract outstanding candidates for its Banking Department, representing more than 50 nationalities. This enabled us to get off to a fast start and to apply the key ideas noted above with little demur.

The original organisation of the EBRD, founded and then led by Jacques Attali, divided responsibility for its investments, debt and equity, in the 23 countries of the former Soviet Union between ‘public’ and ‘private’ invest-

ments. This quickly proved itself unworkable. The EBRD’s second president, Jacques De Larosiere, corrected this, unified the banking department, emphasised its market-based, private sector orientation and entrusted me with its leadership. We put particular emphasis on assisting banks and capital market participants in all our countries of operations with loans, equity and technical assistance, working closely with country central banks in these efforts. We reviewed every EBRD project twice in the Operations Committee, the beating heart of the EBRD, to ensure consistency and market realism in our application of ‘sound banking principles’. We fought hard to remain efficient and fast-moving in the face of the accreting barnacles of bureaucracy, a possibly inevitable feature of ageing IFIs. And, we continued to attract good candidates to replace the EBRD bankers who went on to do other things in other markets.

Russia was the largest but still only one of the EBRD’s countries of operation. We had extraordinary experiences and banking challenges in all of them. Banking in Russia starting in 1991 was a fantastic adventure. Very shortly after I arrived at the EBRD, the coup against Gorbachev occurred. It looked worrisome. However, our first Russian banker was Boris Federov. He allayed my fears by pointing out that if the coup d’état was a real one, we would not have been able to watch it on CNN.

We saw government policies see-saw between political and market priorities as Anatoly Chubais implemented the Czech-inspired voucher privatisation programme (“to keep the Communists from stealing the country back from the people”) and the loan-for-shares programme. Rapidly and inevitably, Russians with market instincts and entrepreneurial skills emerged, both within the rapidly growing Russian private sector and also within the Russian government, federal and regional. We financed sound projects in the public and private sector, avoided financing formats which were not sound, such as loans for shares where over-collateralisation produced the distortions still being corrected. Our focus was on meeting our obligations to the countries of operation and to the market by protecting the EBRD imprimatur so it could be relied upon as a seal of quality. When we ran into difficulties, we stayed the course and worked with our co-financiers to fix the problem.

Kamaz was an early example where the work out, led by my very able successor, Noreen Doyle, proved a model for such operations.

The EBRD’s imprimatur continues to have real market value in Russia, today, both in the eyes of key government decision-makers and in the judgment of lenders and investors. Under its president, Jean Lemierre, the EBRD continues to be a training school for investees and borrowers, graduating them as fast as possible to the disciplines of the marketplace. In the final analysis, the EBRD is an investing institution, albeit one with a measure of political clout peculiar, in varying degrees, to IFIs. Its challenge today is to continue to wield its finite financial and political assets in a manner that will serve as a counterweight to Russian political and economic developments which may not always be entirely congruent with ‘sound banking principles’.

“THE EBRD CAN ADD A LOT OF VALUE IN PROVIDING A BRIDGE AND COMFORT TO WESTERN BANKS AND CAPITAL MARKETS”

Aziz Musakhanov, Partner, Meridian Moscow

I started my career at the EBRD in Tashkent in 1995. Subsequently I spent several years in various banking teams with EBRD in London, rising from a start-up Analyst to a Principal Banker position and working on project finance transactions in Uzbekistan, Kazakhstan and Russia in various industries such as banking, textiles, coal mining and steel, oil & gas and gold mining.

In terms of the EBRD's role today, to take one example, the Aircraft Leasing business is the largest of its type in Russia, currently leases out nine planes and has a total asset base in excess of \$100m. It leases these planes to a Russian start-up airline Vim Airlines. Meridian Capital is working closely with the EBRD to finalise a leveraged lease transaction for Vim Airlines where Meridian will provide mezzanine loan and EBRD will provide and arrange a senior secured syndicated loan that will finance leasing of 12 aircraft. In my view it is that kind of project where EBRD can add a lot of value in providing

a bridge and comfort to western banks and capital markets while at the same time the relevant risks are allocated to those who are able to understand them best.

In my view the EBRD's role is also very important in financing the general development of the banking sector and recent performance of newcomers such as Russian Standard has demonstrated that it is indeed possible to build a very efficient and profitable business in a sector characterised by relatively low efficiency.

Another important area where EBRD can be invaluable is infrastructure projects and the added value of the EBRD can be not only the provision of long-term finance, but also ensuring that project implementation is managed properly and helping the Russian government to create a friendly environment for a public-private partnership projects.



“ONE NEEDED TO BE INNOVATIVE TO MEET THE CLIENT'S NEEDS, THE RISK CRITERIA AND ALSO EBRD'S POLICIES”

Andrey Saveliev, Group CEO,
MDM Financial Group

At the EBRD I covered the financial services industry from 1996 until 2000 and then telecoms from 2000 until 2002. This was an interesting period in the Bank's history. There was a major inflow of private foreign investment in Central Europe and the increasing private risk appetite for Russia and Kazakhstan made it more difficult for EBRD to lend or invest without taking undue risks. This made our job challenging, but also more fun - one needed to be innovative in how to structure the transaction so that it meets the client's needs, the risk criteria and also EBRD's other policies.

The most difficult period in these years was undoubtedly the Russian default. The mood in the country and outside was grim, and no one believed Russia would get back on its feet any time soon. But it did, and produced a regional

economic miracle despite the fact that many structural problems (such as poor a legal system and over-regulation) remain to be addressed.

Russia has changed and this fact should be factored into the Bank's approach. The country's banking sector has oversupply of liquidity, and there is a large (and growing) pool of domestic private investors who are willing to put equity into good projects. Foreign banks are also increasing their presence and risk limits. However, the majority of private sector projects (whether funded domestically or internationally) still do not extend beyond five years. The EBRD clearly has a role to play in the longer-term finance, in particular in mortgage financing and infrastructure. The Bank also needs to become more active in co-investing with local investors, blending foreign expertise with local market knowledge.



“THERE WAS A HUGE CHANGE TAKING PLACE, AND WE KNEW THAT SETTING UP A NEW FINANCIAL INSTITUTION WOULD HELP THE TRANSITION PROCESS”

Istvan Ipper, Deputy Director & Group Portfolio
Manager, Southern & Eastern Europe & the
Caucasus, EBRD

In 1990, they hired a few experts to put together all the basic documents to prepare the EBRD as a bank and international institution from scratch. When I started in this transition team, we had a small room and only had six desks. One day there was a guy standing in the door who said: “I'm Boris Fyodorov. I have just been employed; they told me to come to this room”. I took chalk from the blackboard and drew a line down the middle of my desk and said, “That will be your half and this will be mine.”

It was the most exciting time – a very small group, but which was growing very quickly. There was a real purpose to the institution, with a visionary and enthusiastic president. There was a huge change taking place, and we knew that setting up a new financial institution would help the transition process. This meant that you had the chance to really work on any topic in the bank. Today, it is a fact of life that the bank is a bigger, and by its nature a more bureaucratic institution and you can not do that.

In November 1991 there a decision was taken in the bank to look at how we could help Russia to lessen the effects of the huge downturn in GDP. Everyone in the West was very concerned about a potential famine in Russia. It was a very urgent task and my job was to look at how we could improve the wholesale market system for food – looking at the urgent conditions of how food would travel. Today, these are not the questions, but there are other major questions today in the regions – and that is where the bank is still needed. There is a huge discrepancy between the regions and Moscow. The EBRD has a huge role in going to the regions and building up and developing the regions, especially in helping entrepreneurs with both financing and experience.

Back in the early '90s, the EBRD was the only institution that was going to these countries, and not only offering but doing financing. Today there are a lot of banks, both Western and Russian, and Russia as a country has a lot of money, not least from oil, but back then there was only really the EBRD.