

IFC Proposes Bad Debt Fund

By [The Moscow Times](#)

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The World Bank said Friday that it plans to jump-start lending in Russia with a \$13 billion fund that will buy bad loans from banks, freeing up cash as the demand for credit surges.

The bank's International Finance Corp. is in talks with Sberbank and the Deposit Insurance Agency, which was set up in 2008 to buy troubled lenders, said Timothy Krause, the IFC's head of financial markets in Central and Eastern Europe. The 2.49 percent Ruble Overnight Index Average that Russian banks charge one another is five times more than the 0.43 percent Euro Overnight Index Average.

Nonperforming corporate loans in Russia are set to rise to 10.5 percent this year from 9.9 percent at a time when regulators worldwide are increasing capital requirements, according Rusrating, a debt ratings company. Demand for dollar credit from Russian companies is the highest since before the Lehman Brothers collapse froze markets two years ago, according to Renaissance Capital.

"You need incentives from official international institutions to encourage banks to lend," said

Simon Quijano-Evans, head of emerging market strategy at Credit Agricole Cheuvreux in Vienna. “Once you start to see nonperforming loans taper off and start to drop, then banks become encouraged that the quality of their loan book is improving and they can go ahead and lend more.”

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