

Fund to Support Small and Medium Businesses Could be Created

By [The Moscow Times](#)

June 19, 2013

The  **Moscow Times**

The Finance Ministry has proposed using a state guarantee fund to increase support for promising small- and medium-sized businesses, Vedomosti reported Wednesday.

The proposals were prepared in response to the order made by President Vladimir Putin a week ago to stimulate business activity.

This year the ministry has allocated 20 billion rubles (\$620 million) to the project. MSP Bank, which is 100 percent owned Vneshekonombank, will in the near future start selecting small and medium business projects for funding and will act as guarantor to private banks, Konstantin Vyshkovsky, head of the debt department at the Finance Ministry, said.

If MSP Bank's lending proves to be successful, the Federal Budget could provide state guarantees to further support the fund.

The financial risks to the Federal Budget are low, because MSP Bank will act as a guarantor if a recipient can't repay a loan. Only in the event that neither MSP Bank nor Vneshekonombank can make repayments would the budget have to cover the costs, Vyshkovsky said.

The Economic Development Ministry has also proposed a similar fund which would operate with budget money, two ministry officials said, adding that they hadn't seen the Finance Ministry's plans.

The proposal was welcomed by Sberbank deputy president Sergei Borisov who said that it would stimulate the credit market.

With banks having tougher rules for clients who lack collateral, the foundation might be a useful tool, Borisov said. At Sberbank average interest rate on a loan for small- and medium-sized businesses is about 12 percent per annum, and if the borrower has no collateral, then it is 19.5 percent.

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