

Panel II:
**“THE ROLE OF DEVELOPMENT INSTITUTIONS ON THE ROAD TO RECOVERY –
DISCUSSION WITH LEADING DEVELOPMENT FINANCE INSTITUTIONS”**

CONCLUSIONS

***By Ms. Sophia Kassidova, BSTDB Vice President Finance,
Moderator of Panel II***

The 10th anniversary of the existence of our Bank occurs at a time when the region, and the world in general, are undergoing a period of difficult economic and social choices and the various governments and bank systems are expected to take the right anti-crisis measures.

It is a bit ironic that we should be celebrating 10 years of successful lending at a time when many financial institutions are experiencing difficulties, and some, in fact, fight for their very existence. However, we should remember that the worst of the crisis may or not be over, so it's too early to rejoice without reservation.

Though the BSEC and European economies are progressively affected by the current crisis we have witnessed an increasing demand for IFIs loans throughout the last one and a half years.

In fact, the crisis highlighted the leading role the IFIs can play in providing financing during difficult times and underlined their main task to complement the various national efforts in mitigating the effect of the recession on output and employment.

As agreed by all panelists in the conference, recent events have imposed new requirements on IFIs for seeking a balance between mandate and opportunities:

- balance between their development mandate and the opportunities for profit they have after private capital has retreated substantially from the region.
- balance between economic rationale and politically-motivated requests from member governments.
- balance between beneficiaries of IFI funds - large companies who, in the recent past, could get favorable market financing and who are likely, even now, to receive government help, or smaller companies, possibly SMEs, who are more vulnerable to economic shock.
- balance between adequate market pricing and the primary objective of the IFIs financing – sustainable economic growth.

As we conclude this 10th anniversary of Black Sea Trade and Development Bank, we should pause and ask ourselves how well we have addressed these questions.

BSTDB started to operate 10 years ago under very benign economic conditions, at a time, in fact, when it was considered almost impossible to fail at being a bank. Of course, we had some handicaps not usually associated with development institutions: A relatively small capital base, no name recognition, and member states that were, for the most part, struggling to emerge from decades of economic torpor. In spite of these, the Bank has managed not only to survive, but to grow a solid and balanced portfolio that has stood up very well to current economic upheavals, and obtain and keep a solid investment grade rating. These gave us the opportunity to manage successfully to borrow -- and repay -- substantial sums on international markets, and to achieve recognition among our peers. At the same time there was always awareness that the favorable operational conditions of our beginnings would not last forever, and we adopted and kept conservative operational guidelines, and also strove to keep our portfolio focused and straightforward. This is paying off now, as these assets have proven to be remarkably resilient and that leaves us well placed to expand our activities once growth resumes in earnest.