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Presidium Approves 2011-13 Budget Outline

By Peter France

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Prime Minister Vladimir Putin chairing a July 28 meeting of the government commission on budget estimates in Moscow. **Alexei Nikolsky**

The Presidium on Thursday approved an outline for the 2011-13 federal budget, which included a large infusion of funding for federal targeted programs and a steadily decreasing deficit throughout the period.

The plan foresees a deficit of 3.6 percent of gross domestic product in 2011, dropping to 3.1 percent and 2.9 percent in 2012 and 2013, respectively.

To start reducing the shortfall without seriously curtailing spending, the government will embark on an ambitious new tax regime, including hefty hikes on oil and gas extraction and increased duties on nickel and copper exports.

Additionally, the government hopes to raise at least $29 billion over the next three years by

selling stakes in 11 state-owned companies.

The rest of the deficit will be funded largely through increased borrowing. Russia may raise up to $50 billion on capital markets next year, and another $43 billion and $30 billion in 2012 and 2013, Deputy Finance Ministry Sergei Storchak said last month.

According to the plan, as the deficit contracts, so will the share of state revenues that come from the oil and gas industry.

The share of oil and gas money in the budget revenues will decrease by 1.5 percentage points over the three-year period, Economic Development Minister Elvira Nabiullina said.

"Our goal is to diversify the structure of the economy and increase the share of other sectors. We think this will happen over the next several years," she said, Interfax reported.

Much of the difference will be covered by increased taxes on oil and gas extraction and levies on exports of other raw materials.

Funding for federal targeted programs — interagency funding channels aimed at developing a specific sector or region — will see a year-on-year increase of 19 percent in 2011, Prime Minister Vladimir Putin said at the meeting.

The new budget outline calls for 15 new federal targeted programs, including ones for developing the pharmaceutical industry, developing domestic machine building, protecting Lake Baikal, building an information society and developing foreign and domestic tourism.

With inflation at a historical low of 6 percent annually and second-quarter GDP growth of 5.4 percent, the government is in a better place to invest in the development and modernization of the economy.

"It's evident that the federal targeted programs should work toward strengthening these positive tendencies, and first and foremost stimulate qualitative changes in the structure of the economy, in technological development and infrastructure modernization," Putin said.

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