

Kudrin Vows to Save Oil Windfall

By [The Moscow Times](#)

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Finance Minister Kudrin preparing to speak at a Washington event Friday. **Yuri Gripas**

WASHINGTON — Windfall oil revenues will be directed to special funds this year to keep market liquidity levels at bay and avoid the risk of higher inflation, Finance Minister Alexei Kudrin said.

"We are not going to increase the inflow of oil dollars into the market and create additional inflationary risks," Kudrin said late Friday at a briefing during the International Monetary Fund and World Bank spring meeting in Washington.

The rallying price of oil has stayed nearly 50 percent above the \$81 per barrel assumed in the 2011 budget for weeks now, promising more than \$51 billion in extra budget revenues this year.

Kudrin said part of the oil and gas windfall — 280 billion rubles (\$9.93 billion) — will be transferred to replenish the Reserve Fund, which had been collecting extra energy revenues before the 2008 financial crisis, but has been heavily depleted since. Some of the funds will go

to cover domestic debt.

"But it won't be a big sum," Kudrin said. "We will continue to borrow — mostly on the domestic market. For now, we will not be making any decisions on foreign borrowing."

The Russian Private Equity Fund, a new fund the Kremlin is creating to attract non-energy foreign money for joint investment with the state in a variety of sectors, should also receive some of the extra cash as startup capital. "The final sum that we will transfer for that purpose, will be, as it's been known, some 62 billion rubles," Kudrin said. "Right now we're deciding how much of that will come from oil and gas extra revenues."

Kudrin reiterated that, despite substantially higher oil and gas revenues, Russia would still see a budget deficit this year of 1 percent to 1.4 percent of the gross domestic product.

The Central Bank reiterated on Friday its forecast of no more than 7 percent price growth in the whole of 2011, and Kudrin said he had full confidence in the monetary policy decisions of the bank to achieve that goal. "The policy of the Central Bank has changed — it's become more flexible. The Central Bank will treat targeting of inflation as a priority."

Separately, Kudrin took aim at the U.S. Federal Reserve, which is on course to complete the purchase of \$600 billion in U.S. government debt by the end of June.

Kudrin said those purchases blurred the line between monetary and fiscal policy in a way that could jeopardize a central bank's independence.

"We observe this process with some wonderment, since it amounts to the monetization of those countries' budget deficits," he said.

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