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INDEPENDENT NEWS FROM RUSSIA

Debt Will Increase to $400Bln by 2014

By Irina Filatova

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The government approved the state debt policy for the next three years on Thursday, with a plan to increase the size of the state debt to 12 trillion rubles ($400 billion) by 2014 and work toward improving the country's credit rating.

The current debt stands at 4.6 trillion rubles.

The policy drafted by the Finance Ministry earlier this week, was discussed at a Presidium meeting chaired by Prime Minister Vladimir Putin.

According to the document, the government will seek to maintain "the high level of Russia's credit ratings" and create "a base for increasing the ratings to A."

The policy document states that the country, which is rated BBB with a stable outlook by Standard & Poor's, BBB with a positive outlook by Fitch, and Baa1 with a stable outlook by Moody's, is "clearly underrated," because it has a low level of state debt compared with most developed and developing countries.

As part of the measures stipulated in the document, Putin called for improving the practice of providing state guarantees aimed at lowering the risks for investors taking loans for their projects in order to "optimally share risks" between the companies getting such guarantees and the government.

The companies must bear responsibility "for unsatisfactory results of the projects supported by the government," Putin said at the meeting.

"We should determine a common unified approach to using this tool in specific fields and industries," he said.

According to the state debt policy of 2012 to 2014 outlined in the document posted on the Finance Ministry web site, the size of state guarantees allocated for next year is 482.7 billion rubles, while the figures for 2013 and 2014 are 490.8 billion rubles and 299 billion rubles, respectively.

The size of state guarantees appropriated in this year's federal budget is 551 billion rubles, Putin said, adding that the government is having trouble getting back the funds used for such guarantees.

The debt policy is aimed primarily at "ensuring a balanced federal budget and maintaining... a high degree of the debt sustainability," according to the document.

Russia will see the size of its internal debt grow 2.8 times to reach 10 trillion rubles by 2014, while external borrowing will double to 2 trillion rubles, the document said.

Overall state borrowing will reach 2.18 trillion rubles next year and will grow to 2.28 trillion rubles and 2.47 trillion rubles in 2013 and 2014, respectively.

Among other issues discussed at the Presidium meeting was cutting the number of commercial airlines with regularly scheduled flights, in a measure to ensure passengers' safety amid recent airline crashes.

A total of 139 carriers have a license to operate in Russia, while 15 of them handle 90 percent of the passenger traffic, said Deputy Prime Minister Sergei Ivanov, who oversees transportation.

"They are big reliable companies, and ... these companies haven't had any accidents for many years," he said.

The rest of the airlines carry a meager number of passengers and "can't provide the crew training and fulfill the technical safety norms," Ivanov said.

He said he supports the Transportation Ministry's proposal to allow only those carriers that have a fleet of 20 jets or more of the same type to provide regular flights.

According to Ivanov, the measure, however, will not affect charter companies and carriers providing flights between two neighboring federal districts.

Overall domestic air passenger flow has increased 15 percent this year, Ivanov said.

He also invited Putin to attend the MAKS air show, which starts in the Moscow region town of Zhukovsky next week.

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