

IMF Expects Good Relations, Sticks By Proposals

By [The Moscow Times](#)

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The International Monetary Fund expects to continue "good relations" with Russia despite the abrupt resignation of its long-term Finance Minister Alexei Kudrin, IMF officials said Tuesday.

"On the reshuffling in the government, our working relations with the authorities have been good ... and we trust that this will continue going forward," Juha Kahkonen, the IMF's mission chief for Russia said in a conference call.

"But no matter who is in charge, the significant challenges that we have outlined for the economy are there and we would hope that policymakers would work to address these," he added.

In a staff report after annual consultations with Russian authorities, the IMF said Russia's economy is poised to grow at a lackluster pace of 4 percent or less in the medium term, unless

Moscow revamps its oil-dependent fiscal policy and takes steps to tame inflation.

The IMF said Russia should focus on reducing its non-oil fiscal deficit, which is now running at an unsustainable 6 percent of gross domestic product.

"It's high time for Russia to save for the rainy day," Kahkonen said.

The IMF repeated its downwardly revised forecasts for Russia's GDP to grow 4.3 percent this year and 4.1 percent next year, with inflation staying in the 7 percent range.

"We believe Russia can do better. The economy has great potential and could grow significantly faster if the right policies are adopted," Kahkonen said.

In addition, the IMF recommended that the Central Bank raise policy rates and make a strong commitment to bring inflation down to the 3-5 percent range. The fund also recommended tougher oversight of banks to put the country's financial sector on a firmer footing.

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