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Finance Ministry Proposes Reduced Payback on Soviet-Era Savings

By The Moscow Times

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The Finance Ministry has submitted a new proposal to the government that would slash the compensation payments promised to Soviet savers who saw their personal deposits wiped out in the 1990s, according to a report in Kommersant on Wednesday.

The proposed changes would overturn a law passed in 1995 by then-president Boris Yeltsin that committed the Russian state to a program of issuing new government bonds in compensation for lost deposits.

The bulk of the money affected by the Finance Ministry's proposal was originally on deposit with former national savings bank Sberbank 315 billion Soviet rubles, and former state insurance agency Rossgosstrakh about 29 billion Soviet rubles, according to Kommersant.

To qualify under the 1995 law, savers' cash must have been deposited before October 20, 1991 — the moment the radical market reforms were announced that triggered hyperinflation

and wiped out the savings of millions of Russians.

But if payouts were to be made today at the level promised by Yeltsin in 1995, it would cause a financial "catastrophe," according to the Finance Ministry, and require a six-fold increase in state debt to 29.6 trillion rubles ($900 billion), Kommersant reported.

Instead, the ministry is proposing to use a lower coefficient for calculating the size of payouts (four modern rubles for one Soviet ruble rather than 85 modern rubles for one Soviet ruble), and abolish the open-ended commitment made by Yeltsin, finishing all payments by 2020, according to the newspaper.

Under the proposed scheme, the Finance Ministry will pay out 340 billion rubles ($10.3 billion) until 2020, an expenditure that is already priced into the government's budget calculations, Kommersant reported.

All other government ministries have agreed with proposal, Kommersant said, apart from the Economic Development Ministry, which argued the payouts under the plan were too low.

"We see the news as marginally positive, as it will effectively close this long-lasting issue with vintage USSR debt," analysts from Bank of America Merrill Lynch in Moscow said in a research note Wednesday.

Unlike other ex-Soviet states that only compensated their citizens for a fraction of what they lost during the turmoil of the end of the Soviet Union, Russia pledged to pay back everything. The government estimated last year that the public was still owed some 25 trillion rubles ($785 billion) in lost Soviet savings, Bloomberg reported.

Last July, the European Court of Human Rights ordered the Kremlin to pay compensation to pensioner Yury Lobanov for government bonds he bought in 1982.

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