The Moscow Times
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Single-Industry Towns to Get $10Bln Development Cash from VEB

By The Moscow Times

December 12, 2013

State-run Vneshekonombank will oversee the distribution of up to 343.9 billion rubles ($10.5 billion) to develop single-industry towns through 2014, Kommersant reported Thursday, citing sources close to the bank.

The money will be funneled through the bank's subsidiary, VEB Capital, and is part of a state-run initiative to improve the social and living standards in towns reliant on single industries, primarily those dependent on metallurgical plants. According to Regional Development Ministry estimates, there are 335 such towns in Russia, which before the economic crisis of 2008 accounted for 24 percent of the country's GDP.

"VEB Capital will be invested with the power to select investment projects in single-industry towns. The company will monitor the projects at all stages ... and will attract funding from outside investors and VEB" said an unidentified source, adding that the subsidiary, which deals with VEB's problematic assets, may receive an additional capital injection of 5

billion rubles next year.

Acting on an order from Prime Minister Dmitry Medvedev in November, VEB's chairman, Vladimir Dmitriyev, wrote a letter to Economic Development Minister Alexei Ulyukayev affirming the bank's willingness to establish the project, in which he raised the possibility of receiving additional capital from the federal budget, said a source within the ministry.

A hangover from the Soviet Union, analysts estimate that about 35 million people live in single-industry towns. The poor financial position of many of the factories that support them was thrown into the spotlight during the 2008-09 economic crisis. After an injection of funds, state subsidies stalled after 2010, but have recently attracted attention at the top of government as GDP growth slows. In October, President Vladimir Putin outlined a series of measures to help develop single-induStry towns. Initially, 100 billion rubles was expected to be allotted to the problem in 2014, but the budget signed by the president on Dec. 2 increased the amount to 343.9 billion rubles.

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