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Growth Stimulus Plan Drafted

By The Moscow Times

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The Economic Development Ministry has proposed to stimulate economic growth by liberalizing state regulation and improving the quality of state governance, under a new plan presented by Economic Development Minister Alexei Ulyukayev.

The long- and medium-term measures outlined in the plan should be carried out within the next two years, Ulyukayev wrote in a letter to First Deputy Prime Minister Igor Shuvalov, Vedomosti reported Tuesday.

To revitalize the economy amid stagnating oil prices, the ministry proposes to stimulate competition in the non-natural resource sectors, support investment by Russian companies and promote the development of human capital, the report said.

To make those measures effective, the economy should demonopolize, reduce state regulation of businesses, form a flexible labor market, review antitrust regulation practices and provide support for the export of nonmineral goods, the ministry said.

The previous plan proposed last summer mainly provided for various forms of budgetary support ranging from extending insurance payment benefits for small businesses and increasing their participation in state procurement programs to using the National Welfare Fund for providing loans for small and medium-sized businesses, as well as supporting various infrastructure projects.

The original plan also included a freeze on the rise of natural monopoly tariffs, subsidizing the domestic automotive industry, deoffshorization and reducing state regulation of the economy.

But, so far, those measures have not worked, presidential aide Andrei Belousov said earlier.

The gap generated by high production costs due to the strong ruble, increased spending and low productivity, coupled with weak competition and underdeveloped institutions leads to slowing growth and the risk of prolonged economic stagnation, the Economic Development Ministry said.

The new concept still foresees state financing of loan programs for small and medium-sized businesses from the National Welfare Fund, which the Finance Ministry categorically opposes.

At the same time, the new plan proposes several steps to reduce budget spending by tweaking the pension system, improving the efficiency of budget spending, reducing state payrolls and the amount of state-owned property.

The growth of the last 13 years, which was based on the development of the natural resources sector, has widened Russia's institutional lag, bringing the quality of state governance to the same level as that in some much poorer developing economies, the report said. The ministry also proposes to reduce expenditures of natural monopolies in order to control tariff increases and reduce the role of the Federal Antimonopoly Service as well as other government bodies in regulating businesses, particularly small ones.

"The desire to improve economic performance is often contradicted by actual steps by officials, who prefer to micromanage the economy and give regulators and law enforcement agencies more rights to interfere and control it," said Vladimir Tikhomirov, chief economist of financial company Otkritie.

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