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Cabinet Outlines Costs of Crimea

By Anatoly Medetsky

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Prime Minister Dmitry Medvedev at a meeting on Monday dedicated to the socioeconomic development of Crimea.

The costly consequences of expanding Russia's territory became clearer Monday when Prime Minister Dmitry Medvedev revealed a Crimea to-do list for the government and its corporations.

Russia will need to take care of entitlements and services ranging from retirement pensions to tax rebates to electricity supply in a peninsula that has no overland links with its new sovereign and used to be part of a different country, Ukraine, just a few days ago.

"It is the first time in the history of contemporary Russia that the Cabinet has to solve a problem that is so massive and multidimensional," Medvedev said. "It is a good way to show the potential of the contemporary Russian state as well as its managerial skills."

Crimea formally became a Russian region on March 18 after a referendum that remains unrecognized in the West, and that has brought about a string of sanctions slapped by the U.S.

and European Union on Russian government officials, businesspeople and a bank described as the preferred financial institution of President Vladimir Putin's inner circle.

In one of the most expensive measures Medvedev announced Monday, the government could spend 36 billion rubles ($1 billion) this year on getting Crimean pensions up to par with the rest of Russia. About a third of the peninsula's population of 2 million people are pensioners.

The impact of the money inflow could be so strong as to send local consumer prices climbing, Medvedev warned. He called for a gradual schedule of increasing the payouts.

At the same time, other welfare benefits to be provided by Russia that Crimeans used to have from the Ukrainian government will remain at the existing level for a transitional period that ends in January next year, Medvedev said.

"Nobody should lose anything," he said.

In another expense, Medvedev said that the government would raise the salaries of workers in Crimea paid from the state budget to match the average Russian level for these types of jobs. He referred primarily to teachers, healthcare workers and staff at museums and libraries.

One more directive that will entail significant spending not only by the Russian government, but also the corporations it controls calls for a "comprehensive" Federal Special Purpose Program for Crimea to be ready by July. Programs like this typically lay out various development projects, setting deadlines, designating responsibilities and tentative budgets.

Medvedev also called to make the subtropical peninsula a free economic zone — a proposal that would mostly allow the local authorities to grant tax rebates to companies.

In a goal that will likely be assigned to state-controlled Gazprom, Medvedev said it was necessary to increase production of natural gas in Crimea by 50 to 100 percent in the next few years. That amount would be enough to cover the local needs for electricity generation, he said.

As an alternative, Crimea could get a link to Russia's nationwide electricity grid by means of a high-voltage cable, which could go across the Kerch Strait, Medvedev said. The body of water separates the peninsula from the Russian mainland.

Oleg Budargin, chief of state-controlled Russian Grids, said the cable to Crimea could run over a planned bridge. The electricity hookup would take 1 1/2 years to pull off, he said, Interfax reported.

Crimea is now dependent on Ukraine for most of its electricity.

Another state-controlled company, national airline Aeroflot, is being roped into the integration effort. Medvedev said he counted on the company to provide support to Russian tourists, should they choose Crimea as a vacation destination.

Deputy Prime Minister Dmitry Kozak, who was put in charge of making Crimeans feel at home

in Russia, said that meant subsidizing air travel.

Kozak said he was unafraid of any repercussions from the U.S. and the EU, which could target him personally for his role in the government's effort's to integrate Crimea into Russia.

In other measures, Medvedev ordered state-controlled Rostelecom to make every effort to provide its telecom services in Crimea as soon as possible. He pointed out it was unacceptable for information exchange, including that of confidential nature, to use lines under the control of Ukrainian telecom companies.

News of another potential disbursement came from elsewhere on Monday. The Central Bank will transfer 60 billion rubles of its profits from last year to the Deposit Insurance Agency with the aim to guarantee deposits in Crimea, according to a bill submitted to the State Duma, Interfax reported.

The money amounts to 25 percent of the bank's total profit for last year.

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