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Putin Says Spending From Russia's Sovereign Fund Won't Be Raised

By The Moscow Times

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Russian President Vladimir Putin attends the all-Russian youth forum Seliger, held in Tver region, Russia.

Russia cannot spend more of the $83 billion parked in its National Welfare Fund, or NWF, President Vladimir Putin said Monday, after the government recently raised the cap on how much of the fund can be used for domestic investments.

Spending pressure on the government has increased as a result of the Ukraine crisis, which has led several Russian companies to request state finance to compensate for the closure of Western capital markets.

The NWF, a fiscal reserve financed from oil taxes, has become a prime target for lobbyists, notably since Russia has earmarked 60 percent of the fund for internal investments, particularly infrastructure projects.

Putin indicated no objection to such lobbying.

"If someone thinks that the funds earmarked from the NWF need to be directed toward other goals, in particular ... goals for creating [geographical] territories for priority development, then by all means," he said, in comments quoted by Interfax.

"But I can say at once that we cannot now increase expenditures from the NWF."

Putin was speaking at a regional development meeting in the Far East, where a dispute arose between Russian Railways and the Far East Development Ministry over which projects should have priority.

Russia recently raised the cap on domestic investments from 40 percent of the fund, leading to concerns the Kremlin is taking risks with fiscal reserves intended to provide future support for an overstretched pension system.

Last month Russia's largest oil company Rosneft asked the government for a $40 billion cash injection, to be financed from the NWF, to help it weather Western sanctions imposed in response to the Ukraine crisis.

The economic development minister later said that Russia may provide some state support for Rosneft but significantly less than the amount asked for.

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