

# **A Note on the Recent Economic Situation of Advanced Regions in Russia**

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## **Introduction**

Foreign investments and financing from abroad are crucial for Russian economic stability and growth. The Russian federal and local governments have been constantly and explicitly trying to attract foreign investments and thereby make the regime more attractive. However, the relatively small amount of accumulated foreign investments, in particular foreign direct investment (FDI) suggests that Russian governments have not been very successful due to the stumbling blocks of lack of political and economic stability, and the serious institutional flaws. It should be noted here that Russia was rather successful during the relatively short period from 1996 through August 1998. The common view among investors seems to be that the Russian federation and regions cannot expect large investments until the presidential election in 2000. However, some current features such as the growth of output in some sectors during the first half of 1999; the restructuring process of Soviet debt; the period of ruble exchange rate stability; and an improvement of federal budget, are prompting market analysts to change their attitude toward Russia as occurred in 1995. This paper is intended to provide some preliminary observations on the current economic situation of some of the major regions in Russia, particularly focusing on the development of foreign investments and budgetary financial management before and after the crisis.

## **Economic Characteristics of Advanced Regions in Russia**

In October 1996 the Russian Federation received long-term foreign currency ratings of BB- with stable outlook from Standard & Poor's, Ba2 from Moody's and BB+ from IBCA in order to issue eurobonds. As seen in Table 1, immediately after the federation received these ratings, the most advanced region in Russia, namely Moscow city was rated at the sovereign ceiling for regional eurobonds, followed by Nizhnii Novgorod region (oblast) (in February 1997) and St. Petersburg (in March 1997). Many other regions, including Republic of Tatarstan, were also rated by two of the above three agencies. Based on the international ratings, regions began to actively develop their own actions

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to attract foreign investments. For instance, Nizhnii Novgorod region adopted a regional law "On the state support of the car and car parts manufactures located in the Nizhnii Novgorod region" (October 22, 1997) in order to invite the Italian carmaker Fiat for restructuring the Gor'kii Automobile Factory (GAZ). This law provided tax preferences for foreign investors. It was reported that Fiat would commit to its \$840-million joint venture with GAZ starting from 1998 and its plan called for producing 150,000 cars a year by 2002-2003. EBRD provided financial and technical assistance for the environment assessment of this project.

In 1997 the US EXIM Bank announced that it would finance local enterprises with the guarantee of the respective regional government. This scheme was different from the previous one based on the guarantee of the federal government. The Japan EXIM Bank, the major source of Japanese public finance for Russia, also began to investigate possibilities of introducing this scheme into operations.

These developments faced considerable difficulties after the August crisis. After the crisis Standard & Poor's downgraded the federation to "SD (selective default)," a category which was newly invented. In March 1999 Moody's Investors Service further downgraded the domestic and foreign currency bond ratings of Moscow city from B3 to Caa1. Moody's noted that the city has built up a significant debt burden largely denominated in foreign currency; consequently the city is increasingly vulnerable to refinancing risks and to further volatility in the exchange rate. In addition, the city's finances are under severe pressure from falling corporate tax revenues, rising tax arrears and non-cash settlements. The downgraded bonds are Eurobonds 500 million USD due 2000, Eurobonds 400 million ITL due 2001, Eurobonds 500 million DM due 2001 and Domestic Bonds 1 billion RuR due 1999. It was reported that Nizhnii Novgorod region neared default of eurobonds in April 1999 and defaulted eurobonds in September 1999. It should be noted that St. Petersburg successfully settled the payment for eurobonds which amounted to 14 million USD for the city's budget (City Press Center, June 16, 1999). St. Petersburg's case may be exceptional.

Fiat also pushed back plans in Nizhnii Novgorod region. Fiat is now planning to invest the bulk of the project funds several years later than initially planned. Current plans call for producing only 2,000 cars a year (*Kommersant Daily*, January 22, 1999).

Tables 2 and 2a to 2c show Goskomstat's data for foreign investments in selected Russian regions for 1995-98. As seen from these Tables, the regional distribution of foreign investments (FDI, portfolio and other investment) has been concentrated in a few regions.<sup>1</sup> As for total foreign investment, Moscow city alone received 1.4 billion USD (share 47%) in 1995, rising to 8.5 billion

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1 Westin (1999, p. 5) states that data for the regional distribution of FDI alone are not available. This is not true because Goskomstat has published and released the official data on the regional distribution of FDI alone.

USD (share 69%; growth 86%) in 1997, boosted by the booming securities markets; and falling to 5.9 billion USD (share 50%; growth -31%) in 1998, affected by the crisis. As for FDI, Moscow city alone also received 1 billion USD, almost 50% of total FDI in 1995, remarkably rising to 4.1 billion USD, 77% of total FDI (growth 300%); and drastically falling to 800 million USD, 24% of total FDI (growth -80%). It should be noted that the share of “other investment” in the city’s total investment amounted to 25% in 1995, 75% in 1996, 46% in 1997 and 86% in 1998. “Other investment” includes trade credits, financial leases, “repo”-related arrangements, loans from IMF and other international organizations and so on (IMF, *Balance of Payments Manual*, fifth edition, 1993). A repurchase agreement (repo) is an arrangement involving the sale of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price on a specified future period. According to the official statistics on non-financial institution basis, the share of portfolio investment in the city’s total investment shows a rather small amount, 2% in 1996 (growth 360%), 7% in the booming year 1997 (growth 610%) and 0.3% in the crisis year 1998 (growth -97%) although the growth rates of the portfolio investment seem to reflect the rising and falling of securities markets.

St. Petersburg, the main part of North-West region received 1.6 billion USD of total foreign investment (share 5%) in 1995, 1.8 billion USD (share 2.5%; growth 11%) in 1996, 2.3 billion USD (share 3%; growth 34%) in 1997, 4.1 billion USD (share 3.5%; growth 77%) in 1998. St. Petersburg showed a rather high growth’s rate in 1998 while its regional share fell from 5% in 1995 to 2.5-3.5% for 1996-98. As for FDI, St. Petersburg also showed a positive growth for 1997-98. Its FDI amounted to 1.5 billion USD (share 7%) in 1995 and 1.1 billion USD (share 5%; growth -22%) in 1996, rising to 1.5 billion USD (share 3%; growth 32%) in 1997 and 2.6 billion USD (share 8%; growth 74%) in 1998. The city’s share of FDI in its total investment showed remarkably normal and stable magnitudes in the range between 64% and 63% for 1996-98. The city’s share of other investment in its total investment also showed stable magnitudes in the range between 35% and 36% for 1996-98. The city’s share of portfolio investment in its total investment was negligible for 1995-1998. It can be said that St. Petersburg has been a stable and favorable location for foreign investment after restructuring domestic debt by using eurobonds in 1997. According to the information of the city’s committee of finance (June 11, 1999), this city’s total foreign investment during the first quarter in 1999 amounted to 132 million USD (growth 3.5 times) including 26.3 million of FDI.

Nizhnii Novgorod region, the main part of Volga-Viatka economic region showed a marked increase, 870% in FDI in 1996, but after then failed to attract FDI. Its FDI amounted to 10 million USD (share 1%) in 1995, rising to 100 million USD (share 4%) in 1996; and fell to 21 million USD (negligible share) in 1997 and 4 million USD (negligible share) in 1998. This region’s main category of foreign investments has been other investment except for 1996. The

share of other investment in its total investment amounted to 86% in 1997 and 96% in 1998.

### **Brief Description of Financial Situation in St. Petersburg**

Table 3 shows actual results and structures of St. Petersburg's budgetary revenues, expenditures and balances for 1995- 98. Table 4 shows computation results of real growth rates of each element in the revenues and expenditures for 1996- 98 by employing nation-wide GDP deflators. As seen from Table 3, St. Petersburg suffered serious budget deficits in 1996, which amounted to 18% of the total expenditure for the year. By making cautious use of eurobonds and domestic bonds, the city government proceeded restructuring its domestic debt. This resulted in an improvement of budget deficit in 1997, 4% of the total expenditure and then in budget surplus in 1998, 3% of the total expenditure. The city's committee of finance tried to cut expenditures down by transferring budgets directly to budgetary organizations, without intermediary organizations. The city expected a reduction of corruption as a result of this action. The city government has now further extended this action by excluding intermediation of banks from the budget process (*Business Review*, June 3, 1999).

The city's share of tax revenues in the total revenues showed a remarkable drop in 1998. This is mainly due to the explicit introduction of targeted budgetary funds into the budget and partly due to an increase in income from state property. Major factors, which made the budget deficit worse in 1996, were remarkable decreases in tax revenues from profits (growth - 49%) and excises (growth - 23%) and revenues from privatization (growth - 55%) on the revenue side. It should be noted that "growth" is measured in real terms. The main factor on the expenditure side was a marked increase in debt services (growth 127%). Improvements on the revenue side in 1997 were found in increases in revenues from personal income tax (growth 24%), VAT (growth 9%) and particularly excise duties (53%). Improvements on the expenditure side were brought about by marked reduction in debt services (growth - 22%) and continuing efforts to cut down on spending for housing and infrastructure (growth - 14%). In spite of the severance of transfers from the federal budget and the financial crisis, the city government succeeded in further improvements in its budget execution. This success was brought about by continuing efforts to reduce debt services (growth - 13%) and housing expenditures (- 15%) and to increase revenues from excise duties (growth 35%). St. Petersburg's budgetary situation in 1999 also maintains the improvements of 1998.

### **Concluding Remarks**

After the August crisis the so-called advanced regions as well as the backward regions in Russia suffered serious damages. However, as shown in this paper, some regions, including St. Petersburg, have shown some improvements

in foreign investments and budgetary situations within the severe economic environment. So far many Russian regions have introduced tax preference regimes for foreign investors to attract FDI. FDI in the Russian Federation is still characterized by the old paradigm of FDI, established before the Second World War and seen all over the world during the 1950s and 1960s. Three core pillars of the current Russian FDI policy regime are (i) relatively high tariffs and non-tariff protection for the domestic market, (ii) tax preferences for foreign investors, and (iii) restrictions on FDI to a limited number of activities. Although Russia has shown relatively small amounts of this type of FDI, globalization pressure is forcing Russia to switch from an old paradigm of FDI towards to a more modern-type of paradigm [Bergsman et al. (1998)].

### References

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**Table 1. Featuring Selected Russian Regions**

	GRP (1996)		
	share(%)	ranking	per capita ranking
Moscow city	11.8	1	4
St. Petersburg	3.3	3	23
Nizhnii Novgorod (Nizhegorod) region	2.4	13	25
Tiumen' region	9.6	2	1
Republic of Tatarstan	3.1	5	12
Samar region	3.1	6	9
Moscow region	3.1	7	46
Republic of Sakha	1.4	20	2
Sakhalin region	0.5	53	18

Source: Goskomstat.

	Growth Rates of GRP		
	1996	1997	1998
Moscow city		11.1	
St. Petersburg	-8.7	-1.4	-1.8
Nizhnii Novgorod region	-9.9	2.2	-6.2

Sources: Goskomstat, St. Petersburg Goskomstat and the Government of Nizhegorod Region.

	Credit Rating		
	S&P	Moody's	IBCA
	prior to crisis		
Moscow city	BB-	Ba2	BB+
St. Petersburg	BB-	-	BB+
Nizhnii Novgorod region	BB-	Ba2	-
		as of 3/25/1999	
Moscow city		Caa1	
		as of 8/23/1999	
St. Petersburg	CCC	Caa1	CCC
		as of 8/31/1999	
Nizhnii Novgorod region	negotiation for rescheduling Eurobond		

Sources: Memorandums for eurobond, Reuters News, Interfax, Moody's News and the Committee of Finance of St. Petersburg.

Table 2. Foreign Investment in Selected Russian Regions: 1995-98

	(million USD)															
	1995				1996				1997				1998			
	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment
Central region	1,726	1,269	19	438	5,090	1,511	89	3,490	8,741	4,310	627	3,803	6,959	1,624	24	5,311
Moscow city	1,398	1,024	19	355	4,563	1,032	88	3,443	8,476	4,118	626	3,732	5,860	803	16	5,041
Moscow region	206	206	-	-	413	413	-	0	74	72	-	2	709	637	0	72
West Siberian region	262	93	-	169	430	100	2	328	862	141	0	721	932	268	1	663
Tiumen' region	103	33	-	70	259	30	2	227	223	65	0	157	182	91	0	91
North- West region	204	186	6	12	368	171	28	168	500	237	18	244	652	360	7	285
St. Petersburg	158	146	0	12	175	113	1	62	234	149	3	82	413	260	6	147
Far East region	198	127	0	71	408	242	5	161	271	196	1	75	554	250	3	301
Republic of Sakha	12	5	-	6	8	8	-	0	14	10	-	4	197	1	-	196
Sakhalin region	52	50	-	2	45	43	-	2	53	49	-	4	136	132	-	4
Povolzh'e region	286	158	6	122	198	80	4	115	868	141	-	727	1,010	278	-	732
Republic of Tatarstan	161	65	-	96	93	19	-	74	702	22	-	681	684	3	-	681
Samara region	77	45	6	25	57	30	4	23	93	68	-	24	193	186	-	7
Volga- Viatka region	65	15	-	50	175	104	0	71	168	25	1	142	164	10	1	153
Nizhnii Novgorod region	60	10	-	50	171	101	0	70	163	21	1	141	150	4	1	145
Russian Federation	2,983	2,020	39	924	6,970	2,440	128	4,402	12,295	5,333	680	6,281	11,773	3,361	191	8,221

Source: Goskomstat.

Table 2a. Annual Percentage Growth Rates of Foreign Investment in Selected Regions: 1996- 98

	1996				1997				1998			
	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Central region	195	19	358	697	72	185	607	9	-20	-62	-96	40
Moscow city	226	1	359	871	86	299	610	8	-31	-80	-97	35
Moscow region	100	100	-	-	-82	-83	-	4,626	852	783	-	2,947
West Siberian region	64	8	-	94	101	41	-100	120	8	90	69,900	-8
Tiumen' region	152	-7	-	223	-14	115	-100	-31	-18	39	9,900	-42
North- West region	80	-8	412	1,260	36	39	-35	45	30	52	-62	17
St. Petersburg	11	-22	240	427	34	32	283	33	77	74	126	79
Far East region	106	91	6,489	126	-34	-19	-87	-53	104	28	368	303
Republic of Sakha	-32	50	-	-100	79	25	-	425,600	1,302	-91	-	4,504
Sakhalin region	-13	-14	-	-8	18	14	-	111	158	169	-	8
Povolzh'e region	-31	-50	-37	-6	338	77	-	534	16	97	-	1
Republic of Tatarstan	-42	-71	-	-23	655	15	-	817	-3	-86	-	0
Samara region	-26	-34	-37	-9	63	130	-	5	109	173	-	-71
Volga- Viatka region	167	578	-	42	-4	-76	2,586	100	-2	-59	-29	8
Nizhnii Novgorod region	182	871	-	39	-5	-79	2,586	103	-8	-81	-29	3
Russian Federation	134	21	228	376	76	119	430	43	-4	-37	-72	31

Source: Table 2.



Table 2c. Distribution of Foreign Investment between Direct, Portfolio and Other Investment in Selected Regions

	(%)															
	1995				1996				1997				1998			
	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment	Total	Direct investment	Portfolio investment	Other investment
Central region	100	74	1	25	100	30	2	69	100	49	7	44	100	23	0.3	76
Moscow city	100	73	1	25	100	23	2	75	100	49	7	44	100	14	0.3	86
Moscow region	100	100	-	-	100	100	-	0	100	97	-	1	100	90	0	35
West Siberian region	100	36	-	64	100	23	0	76	100	16	0	84	100	29	0	71
Tiumen' region	100	32	-	68	100	12	1	88	100	29	0	71	100	50	0	50
North- West region	100	91	3	6	100	47	8	46	100	47	4	49	100	55	1	44
St. Petersburg	100	92	0	7	100	64	0	35	100	64	1	35	100	63	1	36
Far East region	100	64	0	36	100	59	1	39	100	72	0	28	100	45	1	54
Republic of Sakha	100	45	-	55	100	100	-	0	100	70	-	30	100	0	-	99
Sakhalin region	100	96	-	4	100	96	-	4	100	93	-	7	100	97	-	3
Povolzh'e region	100	55	2	42	100	40	2	58	100	16	-	84	100	28	-	72
Republic of Tatarstan	100	40	-	60	100	20	-	80	100	3	-	97	100	0	-	100
Samara region	100	58	8	33	100	52	7	41	100	74	-	26	100	96	-	4
Volga- Viatka region	100	23	-	77	100	59	0	41	100	15	1	84	100	6	1	93
Nizhnii Novgorod region	100	17	-	83	100	59	0	41	100	13	1	86	100	3	1	97
Russian Federation	100	68	1	31	100	35	2	63	100	43	6	51	100	29	2	70

Source: Table 2.

**Table 3. Budget Execution in St. Petersburg: 1995- 98**

	No. 1							
	1995		1996		1997		1998	
	million new rubles	%						
Revenues								
Tax revenues	7,079	92	8,717	87	11,677	89	12,275	70
Profit tax and personal income tax	4,052	52	4,080	41	5,178	39	5,597	32
Profit tax	2,828	37	2,112	21	2,289	17	2,557	15
Personal income tax	1,224	16	1,967	20	2,876	22	3,040	17
Other	-	-	-	-	12	0	-	-
Taxes proportional to payroll	103	1	245	2	370	3	-	-
Taxes on goods and services	1,642	21	2,110	21	2,909	22	3,410	20
VAT	1,020	13	1,451	15	1,872	14	2,105	12
Excise duties	392	5	440	4	793	6	1,179	7
Special tax	149	2	56	1	14	0	-	-
Tax on hard currency purchase	-	-	-	-	-	-	51	0
Tax on sales	-	-	-	-	-	-	-	-
Other	81	1	163	2	230	2	75	0
Composite income tax	-	-	-	-	-	-	21	0
Property taxes	581	8	1,040	10	1,760	13	1,817	10
Property taxes for individuals	5	0	10	0	15	0	-	-
Corporate Property tax	574	7	1,027	10	1,742	13	-	-
Other	2	0	2	0	3	0	-	-
Payments for natural resources	197	3	331	3	356	3	31	0
Land tax and land leasing fees	193	2	326	3	352	3	25	0
Other	4	0	6	0	4	0	5	0
Other taxes	504	7	911	9	1,105	8	1,398	8
Tax for housing and infrastructure maintenance	466	6	753	8	1,011	8	-	-
State fees	-	-	-	-	-	-	56	0
RF subject tax	-	-	-	-	-	-	51	0
Local tax	-	-	-	-	-	-	1,263	7
Other	38	0	158	2	93	1	28	0
Non- tax revenues	536	7	901	9	973	7	2,220	13
Income from state property	260	3	531	5	592	5	1,351	8
Privatization revenues	114	1	75	1	152	1	103	1
Revenue from land sale	1	0	43	0	56	0	10	0
Receipt of capital transfer	-	-	-	-	-	-	-	-
Administrative fees	3	0	8	0	10	0	201	1
Penalty	72	1	22	0	73	1	56	0
Special service fees	-	-	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-	-	-
Other taxes	85	1	222	2	90	1	499	3
Non- repayable transfers	114	1	352	4	505	4	212	1
Transfer from non- residents	-	-	-	-	-	-	0	0
Transfer from Federal Budget	114	1	352	4	423	3	73	0
Subsidies	-	-	-	-	-	-	-	-
Grant	-	-	-	-	-	-	-	-
Mutual settlements	114	1	96	1	243	2	27	0
Transfer	-	-	234	2	142	1	42	0
Transfer from VAT	-	-	-	-	38	0	4	0
Other	-	-	22	0	82	1	139	1
Transfer from state off- budget	-	-	-	-	-	-	-	-
Transfer from state enterprises	-	-	-	-	-	-	-	-
Targeted budgetary fund	-	-	-	-	-	-	2,235	13
Regional road fund	-	-	-	-	-	-	2,209	13
Regional ecology fund	-	-	-	-	-	-	26	0
Total revenues	7,728	100	9,970	100	13,156	100	16,943	97
Tax service fund	-	-	-	-	-	-	-	-
Federal tax police fund	-	-	-	-	-	-	-	-
State crime prevention fund	-	-	-	-	1	-	-	-
Additional taxes and finances	0	-	0	-	0	-	484	-
Total revenues	7,728	100	9,970	100	13,155	100	17,426	100

**Table 3. Budget Execution in St. Petersburg: 1995- 98**

	1995		1996		1997		1998	
	million new rubles	%						
Expenditure								
State administration	173	2	289	2	404	3	443	3
Law enforcement and security	264	3	327	3	428	3	610	4
Scientific and technical progress	6	0	16	0	21	0	25	0
National economy	4,339	51	5,265	43	5,295	39	5,343	32
Industry, energy and construction	85	1	138	1	-	0	3	0
Agriculture and fishing	6	0	8	0	15	0	10	0
Environment protection	16	0	14	0	16	0	12	0
Transport and communications	1,075	13	1,550	13	1,665	12	1,816	11
Market infrastructure	-		5	0	2	0	0	0
Housing and public utilities	3,143	37	3,536	29	3,578	26	3,482	21
Emergence and natural disaster	15	0	14	0	20	0	20	0
Social and cultural expenditures	3,128	36	4,367	36	5,691	41	6,689	39
Education	1,373	16	1,970	36	2,400	17	3,133	18
Culture and arts	200	2	230	2	325	2	364	2
Mass media	5	0	11	0	9	0	36	0
Health and physical culture	1,086	13	1,330	11	1,624	12	1,828	11
Social policy	463	5	825	7	1,333	10	1,329	8
Other expenditure	673	8	1,939	16	1,903	14	3,845	23
Budgetary support	-		-		-		0	0
Subsidies	-		-		-		-	
Grant	-		-		-		-	
Transfer	-		-		-		0	0
Mutual settlement	-		-		-		-	
Budget loans	196	2	5	0	-5	0	4	0
Loan to budget	194	2	5	0	-		1	0
Settlements by budget	1	0	-		-		0	0
Budget loan to organizations	-		-		17	0	17	0
Settlements by organizations	-		-		22	0	13	0
Not elsewhere classified	477	6	1,814	15	1,909	14	1,911	11
Debt services	524	6	1,736	14	1,589	12	1,521	9
Other	-46	-1	78	1	320	2	390	2
Targeted budgetary fund	-		119	1	-		1,930	11
Regional road fund	-		-		-		1,907	11
Regional ecology fund	-		-		-		23	0
Total expenditure	8,583	100	12,202	100	13,742	100	16,956	100
Budgetary balance	-855	-10	-2,232	-18	-588	-4	470	3

Source: Committee of Finance, St. Petersburg .

**Table 4. Real Growth Rates of Budgetary Expenditures and Revenues in St. Petersburg**

	No. 1(%)		
	1996	1997	1998
Revenues			
Tax revenues	- 15.7	13.5	- 4.4
Profit tax and personal income tax	- 31.0	7.6	- 1.7
Profit tax	- 48.8	- 8.2	1.5
Personal income tax	10.1	23.9	- 3.9
Other	-	-	-
Taxes proportional to payroll	63.0	27.8	
Taxes on goods and services	- 12.0	16.8	6.6
VAT	- 2.5	9.3	2.2
Excise duties	- 23.1	52.8	35.2
Special tax	- 74.2	- 78.9	-
Tax on hard currency purchase	-	-	-
Tax on sales	-	-	-
Other	38.3	19.2	- 70.1
Composite income tax	-	-	-
Property taxes	22.5	43.5	- 6.1
Property taxes for individuals	46.5	22.7	-
Corporate Property tax	22.5	43.7	-
Other	- 30.7	11.5	-
Payments for natural resources	15.2	- 8.9	- 92.2
Land tax and land leasing fees	15.7	- 8.3	- 93.5
Other	- 4.0	- 44.8	28.1
Other taxes	23.7	2.8	15.1
Tax for housing and infrastructure maintenance	10.7	13.8	-
State fees	-	-	-
RF subject tax	-	-	-
Local tax	-	-	-
Other	183.1	- 49.9	-
Non- tax revenues	15.2	- 8.4	107.3
Income from state property	39.7	- 5.4	107.3
Privatization revenues	- 55.2	72.8	- 38.2
Revenue from land sale	3,603.8	8.7	- 83.9
Receipt of capital transfer	-	-	-
Administrative fees	60.9	12.9	1,721.8
Penalty	- 78.8	179.1	- 31.1
Special service fees	-	-	-
Foreign activities	-	-	-
Other taxes	78.4	- 65.7	403.9
Non- repayable transfer	111.8	21.5	- 61.7
Transfer from non- residents	-	-	-
Transfer from Federal Budget	111.8	1.9	- 84.3
Subsidies	-	-	-
Grant	-	-	-
Mutual settlements	- 42.1	114.2	- 90.0
Transfer	-	- 48.6	- 72.9
Transfer from VAT	-	-	-
Other	-	214.6	55.0
Transfer from state off- budget	-	-	-
Transfer from state enterprises	-	-	-
Targeted budgetary fund	-	-	-
Regional road fund	-	-	-
Regional ecology fund	-	-	-
Total revenues	- 11.6	11.8	20.4
Tax service fund	-	-	-
Federal tax police fund	-	-	-
State crime prevention fund	-	-	-
Total revenues	- 11.6	11.8	20.4

**Table 4. Real Growth Rates of Budgetary Expenditures and Revenues in St. Petersburg**

	No. 2 (%)		
	1996	1997	1998
Expenditure			
State administration	14.2	18.4	-0.3
Law enforcement and security	-15.2	10.8	29.7
Scientific and technical progress	86.2	11.8	7.0
National economy	-16.9	-14.8	-8.3
Industry, energy and construction	11.2	-100.0	-
Agriculture and fishing	-11.8	56.7	-40.5
Environment protection	-39.6	0.6	-31.9
Transport and communications	-1.2	-8.9	-0.8
Market infrastructure		-65.6	-100.0
Housing and public utilities	-22.9	-14.3	-14.9
Emergence and natural disaster	-34.7	19.6	-5.8
Social and cultural expenditures	-4.4	10.4	6.9
Education	-1.7	3.2	18.7
Culture and arts	-21.5	20.0	1.8
Mass media	62.7	-32.9	259.3
Health and physical culture	-16.1	3.4	2.3
Social policy	22.0	36.9	-9.4
Other expenditure	97.4	-16.8	-29.4
Budgetary support	-	-	-
Subsidies	-	-	-
Grant	-	-	-
Transfer	-	-	-
Mutual settlement	-	-	-
Budget loans	-98.1	-184.5	-164.8
Loan to budget	-98.1	-100.0	-
Settlements by budget	-100.0	-	-
Budget loan to organizations	-	-	-5.6
Settlements by organizations	-	-	-45.1
Not elsewhere classified	160.4	-10.8	-9.0
Debt services	127.1	-22.4	-13.0
Other	-215.4	246.6	10.9
Targeted budgetary fund	-	-100.0	-
Regional road fund	-	-	-
Regional ecology fund	-	-	-
Total expenditure	-2.6	-4.6	12.2
Budgetary balance	-78.9	77.7	172.7

Source: Own calculation by using Table 3 and GDP deflators.