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R95 **Russian Economy in 2018. Trends and Outlooks. (Issue 40)** / [V. Mau at al; ed. Editors – Alexei Kudrin, doctor of sciences (economics), Alexander Radygin, doctor of sciences (economics), doctor of sciences Sergey Sinelnikov-Murylev, doctor of sciences (economics)]; Moscow: Gaidar Institute Publishers 2019. – 616 pp. – ISBN 978-5-93255-556-9

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 40th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the socio-political issues and challenges; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer: Lev Yakobson, Doctor of sciences (economics), professor, first pro-rector, NRU-HSE.

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Russia's public sector and privatization policy in 2018¹

6.1.1. Societies and organizations in federal ownership: quantitative dynamics

From 2016, statistical data began to be published in the framework of the System of Public Property Management Efficiency Estimates. It was approved by Decree of the RF Government No 72 dated January 29, 2015, and introduced by way of replacing the public sector monitoring data, collected and released by the Federal State Statistics Service (*Rosstat*) since the early 2000s in accordance with the provisions stipulated in RF Government Decree No 1 dated January 4, 1999 (as amended on December 30, 2002). Among other things, the System contains data on the number of federal state unitary enterprises (FSUEs) and joint-stock companies (JSCs) with RF stakes in their capital. Previously, such data were usually published as part of government privatization programs (from 2011 – for three-year period, and prior to 2011 – for one-year period). In the current *Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019*, relevant data are available only as of early 2016 (*Table 1*), and so in order to describe the processes taking place over the period 2016–2018, one must rely on data in the System of Public Property Management Efficiency Estimates².

¹This section was written by G. Malginov, Gaidar Institute, RANEPa; A. Radygin, Gaidar Institute, RANEPa.

²This section estimates the movement pattern, in nominal terms, of societies and organizations in federal ownership for the corresponding years. For available estimates of the public sector's input in the national economy, see Abramov, A., Aksenov, I., Radygin, A., Chernova, M. *Modern Approaches to Measuring the State Sector: Methodology and Empirics* // *Economic Policy*, 2018, V. 13, No 1 (February), pp. 36–69; 2018, V. 13, No 2 (April), pp. 28–47; and for public sector indices, see <https://ipei.ranepa.ru/laifr>, <https://ipei.ranepa.ru/kgu>

Table 1

The societies and organizations in federal ownership, entered in the Federal Property Register and the System of Public Property Management Efficiency Estimates in 2010–2018

Date	Economic societies with federal stakes, units		Other holders of ownership rights to registered federal property entities, units		
	Stake (share) in capital	special right to participate in company's management ('golden share') without holding any stake ^a	FSUEs	FTEs	FSIs
As of January 1, 2010	3,066/2,950 ^b		3,517 ^b		
As of January 1, 2013	2,356/2,337 ^b	1,800/1,795 ^b	72	20,458	
As of January 1, 2016	1,557/1704 ^b	88/64 ^c	1,488/1,247 ^b	48	16,194
As of April 7, 2016 ^c		1,683/1,620 ^a	1,236	48	16,726
As of July 1, 2016	1,571	82	1,378	47	16,990
As of January 1, 2017	1,356/1,416 ^e	81	1,245/1,108 ^e	48	16,846
As of July 1, 2017	1,247	1,058	53	16,244	
As of January 1, 2018	1,189/1,130 ^e	77	984/862 ^e	50	15,985
As of July 1, 2018	1,060	77	868	50	15,520
As of December 1, 2018	1,068	60	1,016/705 ^f	43	13,424

^a– the special right is not entered in the Register as a separate registered item, however it is mentioned in various materials published by the RF Federal Agency for State Property Management (*Rosimushchestvo*) and in the context of data on state stakes in joint-stock capital;

^b– the number of JSCs and FSUEs as stated in the privatization programs for 2010–2013, 2014–2016, and 2017–2019 (in the latter, the data based on OKVED Codes (All-Russia Classifier of Economic Activities) refer to companies with shares (or stakes) in federal ownership);

^c– according to *Rosimushchestvo*'s data for 2015;

^d– the numerator is the total number of legal entities, including CJSCs and LLCs; the denominator is the number of stakes and shares; from data published in *Rosimushchestvo*'s reports it follows that the difference between the two figures equals the number of JSCs with a 'golden share' without any stake).

^e– based on data published in the 2017 Report and 2018 Report on the implementation of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019;

^f– the denominator is the number of FSUEs entered in the Federal Property Register as of December 4, 2018, according to the report delivered by former head of *Rosimushchestvo* Dmitry Pristanskov at parliamentary hearings at the State Duma concerning amendments to legislation regulating the activities of unitary enterprises.

Source: Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2011–2013; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2014–2016; www.economy.gov.ru, April 23, 2013; the RF Federal Agency for State Property Management (*Rosimushchestvo*)'s Annual Report for 2015; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019; statistical data from the System of Public Property Management Efficiency Estimates, www.gks.ru, March 20, 2016, September 5, 2016; March 20, 2017, September 5, 2017; March 20, 2018, September 5, 2018; 2017 Report on the implementation of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019; 2018 Report on the implementation of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019; materials of *Rosimushchestvo*'s meetings on issues of improving the approaches to federal property management (December 2018), www.rosim.ru, December 6, 2018.

As of July 1, 2018, the Russian Federation held stakes in 1,060 JSCs, was property owner of 868 FSUEs, 50 federal treasury enterprises (FTE), and 15,520 federal state institutions (FSI). If we compare these numbers with the corresponding data for the previous year, it can be noted that the total number of enterprises in each category demonstrated a decline: FSUEs – by 190 units (or 18 percent), JSCs with state stakes – by 187 units (or 15 percent), FSIs – by 724 units (or 4.5 percent). The number of FTEs shrank by 5.7 percent, but when viewed in absolute terms (3 units), this becomes incomparable with the rate of decline in the number of functioning economic entities with other organizational legal forms in federal ownership. The same is true with respect to JSCs with a special right to participate in company’s management (‘golden share’) – their number shrank by 1.3 percent (or by 1 unit). Meanwhile, in H1 2018, the total number of FTEs and JSCs with a ‘golden share’ remained unchanged.

The movement patterns displayed by the entities belonging to the main organizational legal forms over that shorter period of time appeared to be as follows. The number of unitary enterprises lost 11.8 percent, that of economic societies – 10.8 percent, and that of state institutions – 2.9 percent. It is also noteworthy that by early 2018, the number of FSUEs (operated by right of economic jurisdiction) for the first time dropped below 1,000 units, and by mid-2018, the same threshold was passed by the total number of unitary enterprises owned at the federal level, including treasury enterprises.

According to data published by *Rosimushchestvo*, over several months of 2018, the number of economic societies with federal stakes shrank by 4.5 percent, while that of FSUEs increased by nearly 18 percent. The estimated changes in the number of FTEs (by 14 percent) and FSIs (by 16 percent) are not quite exact, because the data applied in the comparison were taken from different sources as of year-end (*Rosimushchestvo*) and beginning of year (*Rosstat*).

Some important information concerning the operation of economic societies with state participation could be derived from the year-end reports on the management of federal stakes in OJSCs and the use of the Russian Federation’s special right to participate in an OJSC ‘s management (‘golden share’).

According to data provided by the Federal State Information System *FGIAS ESUGI* (Register of Assets Held by the Russian Federation) as of August 1, 2018, the Federal Property Register contained information on 1,134 JSCs with federal stakes, including 77 JSCs where the State held the special right to participate in a company’s management granted by ‘golden share’¹.

However, among these 1,134 companies, *Rosimushchestvo* could fully exercise its shareholder rights only in a total of 443 JSCs (or 39.1 percent of all JSCs vs. 40.8 percent in summer 2017; and vs. 52.1 percent in summer 2012), that is, last year’s changes were in line with the steady downward trend (from 2014 onwards) in the relative share of

¹ Summary statement based on the Year-end 2017 Report on the Management of Federal Stakes in OJSCs and the Use of the Russian Federation’s Special Right to Participate in an OJSC’s Management (‘Golden Share’).

those companies where *Rosimushchestvo* was not restricted in exercising its shareholder rights¹.

The composition of the remaining group of entities (691 organizations) was as follows:

- economic societies with state stakes amounting to less than 2 percent of their charter capital, where, in accordance with Item 1 of Article 53 of Federal Law No 208-FZ dated December 26, 1995, ‘On Joint-stock Companies’, no proposals put forth by shareholders can be entered on the agenda of a general shareholder meeting) (296 units, or 26.1 percent of all JSCs);

- economic societies where the ownership rights to state stakes are delegated to other federal bodies of executive authority (FBEAs) and state corporations (for example, the RF Ministry of Defense, State Corporation *Rostec*, *Rosatom*, or JSCs operated under a trust management agreement) (266 JSCs, or 23.4 percent of all JSCs)²;

- economic societies undergoing bankruptcy procedures (in the phase of a bankruptcy proceeding) (104 JSCs, or 9.2 percent of all JSCs);

- economic societies undergoing a liquidation procedure (16 JSCs, or 1.4 percent of all JSCs);

- economic societies currently with no stakes *de facto* in the ownership by the Russian Federation (for example, if an entity has been privatized, or transferred as a contribution to the charter capital of a vertically integrated structure (hereinafter – VIS), or is undergoing the procedure of transfer into federal ownership) (9 JSCs, or 0.8 percent of all JSCs).

Table 2 shows how, in recent years, the relative shares of JSCs where *Rosimushchestvo* is restricted in its shareholder rights have been changing, with the reasons for such restrictions.

¹The absence of restrictions on *Rosimushchestvo*’s ability to exercise its shareholder rights does not mean that the Agency indeed has nothing to do with the management of relevant companies run by sectoral FBEAs, the latter getting involved in that process on the basis of general principles and depending on the actual distribution of powers, as determined in the Provision on the Management of Federal Stakes in OJSC and the Use of the Russian Federation’s Special Right to Participate in an OJSC’s Management (‘Golden Share’) (approved by Decree of the RF Government dated December 3, 2004, No 738).

²It does not seem to be quite correct to place in one and the same group those JSCs where the ownership rights to state stakes are delegated to federal bodies of executive authority (FBEAs) other than *Rosimushchestvo*, state corporations, and companies operated under a trust management agreement, because one of the basic features of a state corporation (SC) as a legal entity (defined by RF legislation as a non-profit organization) is the right of ownership to its property, and, generally speaking, that right should also be exercised with regard to those state stakes that have been transferred to other entities as property contributions to their charter capital.

Table 2

The movement and structure, in 2012–2018, of the group of joint-stock companies with federal stakes in regard to which *Rosimushchestvo* is restricted in exercising its shareholder rights, based on reasons for such restrictions

Total		State stake is less than 2 percent ^a		Shareholder rights transferred to other subjects ^c		Proceeding in bankruptcy		Liquidation procedure		No stakes owned by RF	
units	percent of all JSCs	units	percent of all JSCs	units	percent of all JSCs	units	percent of all JSCs	units	percent of all JSCs	units	percent of all JSCs
As of August 1, 2012											
1258	47.9	434	16.5	387	14.75	156	5.95	55	2.1	226	8.6
As of August 1, 2013											
988	42.3	465/134 ^b	19.95	316	13.55	145	6.2	59	2.5	3	0.1
As of July 7, 2014											
949	45.3	436/78 ^b	20.8	302	14.4	146	7.0	57	2.7	8	0.4
As of August 1, 2015											
884	47.4	373/75 ^b	20.0	291	15.6	151	8.1	60 ^d	3.2	9	0.5
As of August 1, 2016											
858	53.85	349/61 ^b	21.9	297	18.65	150	9.4	48 ^d	3.0	14	0.9
As of August 1, 2017											
769	59.25	276/60 ^b	21.25	306	23.6	135	10.4	36 ^d	2.8	16	1.2
As of August 1, 2018											
691	60.9	296/49 ^b	26.1	266	23.4	104	9.2	16	1.4	9	0.8

^a – in accordance with Item 1 of Article 53 of Federal Law No 208-FZ dated December 26, 1995 ‘On Joint-stock Companies’, no proposals put forth by shareholders can be entered on the agenda of a general shareholder meeting;

^b – the denominator is the number of JSCs where the Russian Federation simultaneously exercises the special right to participate in their management (‘golden share’);

^c – operated by other bodies of executive authority, by state corporations, or by other companies under a trust management agreement;

^d – including JSCs undergoing a reorganization procedure;

^e – JSCs with state stakes that are *de facto* no longer registered as federal property (previously privatized, transferred to the charter capital of a vertically integrated structure, their issues of shares have not been registered, or they no longer operate due to their liquidation or reorganization), but the entry of information thereof in the Register has not yet been properly formalized.

Source: *Rosimushchestvo*’s Year-end Reports on the Management of Federal Stakes in OJSC and the Use of the Russian Federation’s Special Right to Participate in an OJSC’s Management (‘Golden Share’) for 2011–2017; own calculations.

First of all, it should be noted that the number of JSCs, with regard to which *Rosimushchestvo* could exercise only a limited shareholder right, declined in absolute terms relative to 2017 by more than 10 percent (or by nearly 80 units), which is compatible with the annual decline rate over the previous period.

The main factor behind this trend was the shrinkage by 13 percent (by 40 units) of the group of JSCs where the shareholder rights had been transferred to other subjects, that group topping the list a year earlier. An even deeper plunge (by 23 percent) was demonstrated by the number of JSCs undergoing a proceeding in bankruptcy or a liquidation procedure (by more than 55 percent). However, when taken in absolute terms, the shrinkage of these two groups (by 31 and 20 units respectively), similarly to the movement pattern displayed by the group of JSCs where no stakes were *de facto*

owned by the RF (by 7 units), was less pronounced than in the first group. Meanwhile, the number of JSCs where state stakes amounted to less than 2 percent increased by more than 7 percent, and so they once again became the most numerous group in the category of JSCs where *Rosimushchestvo* exercises only a limited shareholder right. This particular movement pattern has determined the increasing relative share of all JSCs with minority state stakes (up to 25 percent) in the overall structure of JSCs with state stakes. However, certain role has also been played by those priorities that governed the privatization process of those JSCs with respect to which *Rosimushchestvo* is not restricted in exercising its shareholder rights (*Table 3*).

Table 3

The movement patterns of the number and structure of JSCs relative to the size of state stakes in their capital and their inclusion in the forecast plans of federal property privatization for 2012–2018

Date	Economic societies (JSCs and LLCs) where RF is shareholder (or participant)									
	total, units	share, percent	of these, with RF stake in charter capital amounting to							
			100 percent		50–100 percent		25–50 percent		2–25 percent	
			units	percent	units	percent	units	percent	units	percent
1	2	3	4	5	6	7	8	9	10	11
As of August 1, 2012 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	1,371/2629**	100.0	886	64.6	76	5.55	211	15.4	198	14.45
As of August 1, 2013 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	1,345/2333**	100.0	874	65.0	83	6.15	185	13.75	203	15.1
– JSCs included in forecast plans of federal property privatization ***	975	100.0	716	73.4	41	4.2	116	11.9	102	10.5
As of July 7, 2014 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	1147/2096**	100.0	709	61.8	66	5.8	171	14.9	201	17.5
– JSCs included in forecast plans of federal property privatization ***	842	100.0	596	70.8	36	4.3	113	13.4	97	11.5
As of August 1, 2015 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	980/1864**	100.0	589	60.1	55	5.6	142	14.5	194	19.8
– JSCs included in forecast plans of federal property privatization ***	668	100.0	469	70.2	18	2.7	90	13.5	91	13.6
As of August 1, 2016 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	735/1593**	100.0	469	63.8	48	6.5	91	12.4	127	17.3
– JSCs included in forecast plans of federal property privatization ***	478	100.0	336	70.3	14	2.9	56	11.7	72	15.1
As of August 1, 2017 – JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	529/1298**	100.0	325	61.4	38	7.2	76	14.4	90	17.0
– JSCs included in forecast plans of federal property privatization ***	278	100.0	176	63.3	11	4.0	51	18.3	40	14.4

Cont'd

1	2	3	4	5	6	7	8	9	10	11
As of August 1, 2018										
– JSCs in regard to which <i>Rosimushchestvo</i> is not restricted in exercising shareholder rights *	443/1134**	100.0	291	65.7	25	5.65	56	12.65	71	16.0
– JSCs included in forecast plans of federal property privatization ***	232	100.0	154	66.4	9	3.9	35	15.1	34	14.6

* – less the following entities: (1) JSCs with state stakes less than 2 percent, (2) JSCs where the shareholder rights on behalf of the RF are exercised by other subjects (other bodies of executive authority, state corporations, or subjects appointed under trust management agreements); (3) JSCs undergoing bankruptcy procedures (in the phase of a bankruptcy proceeding); (4) JSCs undergoing a liquidation procedure, (5) JSCs with state stakes that are *de facto* not registered as federal property (previously privatized or transferred to the charter capital of a vertically integrated structure);

** – the denominator is the total number of JSCs, as entered in the Federal Property Register;

*** – only of those where *Rosimushchestvo* is not restricted in exercising its shareholder rights.

Source: *Rosimushchestvo's* Year-end Reports on the Management of Federal Stakes in OJSC and the Use of the Russian Federation's Special Right to Participate in an OJSC's Management ('Golden Share') for 2011–2017; own calculations.

The relative shares of federal stakes of different size included in the privatization program remained basically the same as in 2015–2017 (*Table 4*)

Table 4

The percentage of JSCs included in the forecast plans of federal property privatization, relative to the total number of economic societies in regard to which *Rosimushchestvo* is not restricted in exercising its shareholder rights, by their state stake size, in 2012–2018, percent

Date	Full ownership (10 percent)	Controlling stake (50–100 percent)	Blocking stake (25–50 percent)	Minority stake (2–25 percent)
As of August 1, 2013	81.9	49.4	62.7	50.2
As of July 7, 2014	84.1	54.5	66.1	48.3
As of August 1, 2015	79.6	32.7	63.4	46.9
As of August 1, 2016	71.6	29.2	61.5	56.7
As of August 1, 2017	54.2	28.9	67.1	44.4
As of August 1, 2018	52.9	36.0	62.5	47.9

Source: *Rosimushchestvo's* Year-end Reports on the Management of Federal Stakes in OJSC and the Use of the Russian Federation's Special Right to Participate in an OJSC's Management ('Golden Share') for 2012–2017; own calculations.

The percentage of companies with minority state stakes included in the privatization program (approximately 48 percent), while having somewhat increased relative to 2017, nevertheless remained lower than the corresponding index for companies with 100-percent state stakes (approximately 53 percent) and blocking state stakes (61.5 percent). The percentage of the latter shrank, while that of companies with controlling state stakes increased (36 percent).

The logical outcome of these changes was the prevalence in the structure of economic societies with state stakes, by late 2018 (*Table 5*), of those with minority state stakes (less than 25 percent of charter capital). They accounted for 47.2 percent of the total number (504 units), while the relative share of JSCs in full state ownership (100 percent of charter capital) for the first time on many years declined (418 units, or 39.1 percent

of all JSCs). The relative share of blocking stakes (25 to 50 percent of charter capital) amounted to 8.25 percent (88 units), and that of majority stakes (50 to 100 of charter capital) – to only 5.45 percent (58 units).

Table 5

The movement and structure of the group of economic societies with state stakes in their capital (less those JSCs where the state holds the special right granted by ‘golden share’ without holding any stake) in 2010–2018

Date	Economic societies (JSCs and LLCs) where RF is shareholder (or participant)									
	total, units	share, percent	of these, with RF stake in charter capital amounting to							
			100 percent		50–100 percent		25–50 percent		less than 25 percent	
			units	percent	units	percent	units	percent	units	percent
As of January 1, 2010	2,950	100.0	1,757	59.6	138	4.7	358	12.1	697	23.6
As of January 1, 2011	2,957	100.0	1,840	62.2	136	4.6	336	11.4	645	21.8
As of January 1, 2012	2,822	100.0	1,619	57.4	112	4.0	272	9.6	819	29.0
As of January 1, 2013	2,356	100.0	1,257	53.35	106	4.5	228	9.7	765	32.45
As of January 1, 2014	2,113	100.0	1,000	47.3	95	4.5	224	10.6	794	37.6
As of January 1, 2015	1,928	100.0	861	44.7	90	4.7	203	10.5	774	40.1
As of December 31, 2015	1,704	100.0	765	44.9	93	5.45	172	10.1	674	39.55
As of December 1, 2018	1,068	100.0	418	39.1	58	5.45	88	8.25	504	47.2

Source: Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2011–2013; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2014–2016; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019; *Rosimushchestvo*’s Annual Reports for 2010–2015, materials of *Rosimushchestvo*’s meetings on issues of improving the approaches to federal property management (December 2018).

The main trend that could be observed in the group of JSCs with state stakes after the switchover, in 2010, to 3-year privatization programs was the notable shrinkage in the relative share of those companies where the state could strongly influence managerial decisions due to participation in the charter capital. So, as of the end of year 2018, the state could exercise corporate control (equal to full ownership or majority stake) over less than 45 percent of all JSCs vs. more than 2/3 by early 2011, about 52 percent by early 2014, and slightly more than 50 percent by early 2016.

If we take a look at the data yielded by the System of Public Property Management Efficiency Estimates that encompass other levels, and not only the federal level, the following picture will emerge (*Table 6*).

According to data collected within the framework of the new system, by mid-2018 the total number of economic subjects belonging to the public ownership category amounted to approximately 60,400 units, which is less by approximately 2,300 units (or by 3.6 percent) than a year earlier, and by approximately 3,200 units less than the corresponding index for mid-2014¹.

¹ The last bulletin of the developments in the public sector of the RF economy covered the period January–September 2014. Here, for the purpose of a medium-term analysis, the data for H1 2014, released as of 1 July 2014, were applied.

Table 6

The number of organizations operating in the public sector of the economy on the records of *Rosimushchestvo*, its territorial branches, and the bodies responsible for the management of public property held by RF subjects in 2013-2014, and the number of economic subjects fully or partially in public ownership in 2016–2018 (as entered in State registration records), by their organizational legal form

Date	Total	FSUEs, including treasury enterprises	State institutions	Economic societies with shares (or stakes) amounting to more than 50 percent of charter capital owned by	
				state	economic societies operating in public sector
As of January 1, 2013	67003 ^a	4,891	56,247	3,501	2,364
As of July 1, 2013	66,131 ^a	4,589	56,100	3,201	2,241
As of January 1, 2014	64,616 ^a	4,408	54,699	3,097	2,412
As of July 1, 2014	63,635 ^a	4,236	54,173	2,988	2,238
As of January 1, 2016	65,587 ^b	4,284	56,693/56,649 ^c	3,888 ^d	...
As of July 1, 2016	65,218 ^b	3,982	56,893/56,856 ^c	3,718 ^d	...
As of January 1, 2017	64,457 ^b	3,719	56,548/56,507 ^c	3,532 ^d	...
As of July 1, 2017	62,655 ^b	3,294	55,414/55,361 ^c	3,353 ^d	...
As of January 1, 2018	61,734 ^b	3,053	54,851/54,814 ^c	3,239 ^d	...
As of July 1, 2018	60,391 ^b	2,763	53,933/53,899 ^c	3,125 ^d	...

^a – including those organizations whose charter documents, after their State registration, do not specify property types, but less those joint-stock companies where more than of 50 percent shares (or stake) are in joint RF and foreign ownership;

^b – including economic subjects with an organizational legal form other than unitary enterprise, state institution, or joint-stock company (production and consumer cooperatives, associations (unions), housing cooperatives, foundations, public companies, etc.);

^c – total number of institutions created by the RF and RF subjects (less state academies of sciences and private institutions, which are listed as institutions in the new System, but must not be taken in account here);

^d – total number of economic societies, the size of their state stake (or share) being irrelevant; data concerning the number of economic societies with controlling state stakes are available only for JSCs with federal stakes.

Source: On the Development of the Public Sector of the Economy of the Russian Federation in 2012 (pp. 7–11), in H1 2013 (pp. 7–11), in 2013 (pp. 7–11), in H1 2014 (pp. 7–11), M., *Rosstat*, 2013–2014; Statistical information on public property management efficiency estimates, www.gks.ru, March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018.

For comparable categories of economic subjects it can be noted that, relative to mid-2017, the number of unitary enterprises declined by approximately 530 units (or more than 16 percent), that of JSCs – by nearly 230 units (or 6.8 percent), and that of state institutions – by approximately 1,500 units (or 2.6 percent). At the same time, by mid-2018 the number of state institutions had become somewhat less than 4 years earlier.

As far as the changes that occurred within a shorter period of time are concerned, over H1 2018 the number of state institutions shrank by 1.7 percent, that of JSCs – by 3.5 percent, and that of unitary enterprises – by 9.5 percent. However, it should be noted with respect to the latter that, according to data released by *Rosimushchestvo*, the total number of state unitary enterprises, including FSUEs and enterprises owned by RF subjects, exceeded 2,900 units – that is, it shrank over the course of the year 2018 quite moderately (approximately by 4 percent). Their relative share in the total number of

unitary enterprises (about 18,500 units) is small, whereas municipal enterprises prevail (more than 15,000 units)¹.

All these facts notwithstanding, it should be borne in mind that a decline in the number of state-owned entities occurred in the main as a result of their reorganization by way of merger, and not privatization, the progress of the latter being rather slow.

6.1.2. Privatization policy

2018 was the second year of the implementation of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019, approved by Directive of the RF Government No 227-r dated February 8, 2017. This was the third 3-year privatization program developed with a view towards a longer planning period established for a forecast plan (or program) of federal property privatization (extended from one to three years) on the basis of the alterations introduced into prevailing legislation on privatization in spring 2010.

As was the case with the previous privatization program, numerous adjustments and alterations were later introduced into the new document. Since the moment of approval of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019, a total of 44 normative legal acts (NLA) pertaining to these issues were adopted, and the frequency of legislation adjustments (the introduction of 29 new NLAs) over the course of last year was almost twice as high as in 2017 (a total of 15 NLAs).

The current privatization program envisages the possibility of privatization of 7 biggest companies by special presidential and governmental decisions, with due regard for the market situation and recommendations of eminent investment consultants. In the framework of preparation for the alienation of shares in VTB Bank (PJSC) and *Sovkomflot* PJSC by the agents specifically commissioned in 2016 for handling their sale (*Renaissance Broker* LLC and *VTB Capital* respectively), proposals are being elaborated as to which methods should be applied in closing the deals. The RF Government did not make any proper decision by the year-end 2018².

According to data from the current report on federal budget execution as of January 1, 2019 (internal sources of deficit financing) available on the RF Federal Treasury's official website, the amount of revenue generated by the sale of shares and other forms of participation in capital held in federal ownership was RUB 12,787.5 million, which is more than twice above the budget revenue target set in the privatization program (RUB 5.6 billion per annum to be generated by privatization deals alone, less the value of shares in biggest companies).

More than half (80 percent) of that sum (RUB 10,330.8 million) was generated in the course of implementing RF Government Directives No 1430-r dated September 2, 2010

¹ www.rosim.ru, December 6, 2018.

² See also Radygin, A.D., Entov, R.M., Abramov, A.E., Aksenov, I.V., Malginov, G.N., Chernova, M.I. Large-scale reluctant privatization: contradictions and challenges under sanctions // *Voprosy Ekonomiki*, 2018, No 8, p. 5-38 (In Russian).

and No 1172-r dated June 9, 2016, and also in accordance with the terms stipulated in the supplementary agreement of June 23, 2016 attached to the 5-year installment buyout agreement, of October 9, 2010, between *Rosimushchestvo* and SSA *Sistema* PJSC concerning 547,312,918 shares in Sistema Shyam Teleservices Limited (now Sistema Smart Technologies Limited)¹. owned by the Russian Federation, to the total value of USD 777 million. That deal was the only one that fell outside of the established privatization procedures. The revenue generated for the federal budget (more than RUB 10.3 billion) amounted to 1/5, and if we add the sum in excess of RUB 8.5 billion received as part of the same deal a year earlier, to about 38 percent of the total value of USD 777 million recalculated in rubles at the exchange rate as of late June 2016.

In 2018, beside that deal, another 46 stakes in JSCs were sold, and the decisions concerning the terms of their privatization were finalized with respect of 21 federal state unitary enterprises (FSUE). The number of sold stakes (or shares in charter capital) stayed at the same level as in 2016 (47 units), although at that time, more than 3/4 of sold stakes (36 units) were those put up for sale in the course of the previous year (2016). Nevertheless, the number of sold stakes in 2018 amounted to only a half of the corresponding index for the ‘crisis’ year 2015 (103 units), which was also the second year of the implementation of the privatization program. Meanwhile, the total value of the deals (RUB 2.86 billion)² lost 45 percent relative to 2017, and so moved far away from the initially established federal budget revenue target (less biggest deals) set in the privatization program (RUB 5.6 billion)³. The number of privatized FSUEs (18 units) somewhat increased, while plunging below the corresponding index for 2013 (26 units) (*Table 7*).

Table 7

Comparative data on the movement of the number of privatization deals involving federal state unitary enterprises and federal stakes in 2008–2017

period	Number of privatized enterprises (entities) formerly in federal ownership (data released by <i>Rosimushchestvo</i>)		
	privatized FSUEs ^a , units	sold stakes in JSCs, units	sold treasury property entities, units
1	2	3	4
2008	213	209 ^b	...
2009	316+256 ^c	52 ^b	...
2010	62	134 ^b	...
2008–2010	591+256 ^c	395 ^b	... ^d
2011	143	317 ^e /359 ^b	3
2012	47 ^f	265 ^c	40
2013	26	148 ^e	22

¹The stake in that joint Russia-India venture was received by the Russian Federation under the 2007 Intergovernmental Agreement by way of redemption of debt against previously issued loans.

² At the same time, in *Rosimushchestvo*’s 2018 Report on the Implementation of the Privatization Program it is stated that the total federal budget revenue from that source amounted to RUB 2.44 billion, including the deals closed in 2017.

³ The budget target for proceeds of sale of shares were not met with respect to the revenues generated by the deal with SSA *Sistema* PJSC.

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1	2	3	4
2011–2013	216	730 ^e	65
2014	33	107 ^e	12
2015	35 ^g	103 ^e	38
2016	60 ^g	179 ^e	282
2014–2016	125 ^g	389 ^e	332
2017	18	47 ^b	77 ^b
2018	21	46	174

a – all preparatory work is completed, and the relevant decisions concerning the terms of privatization are issued;

b – including those stakes (and for 2017 – also treasury property entities) that were put up for sale in the previous year;

c – the number of FSUEs in respect of which the decisions concerning their reorganization into JSCs were made by the RF Ministry of Defense, in addition to those cases where a similar decision was made by *Rosimushchestvo*;

d – according to available information concerning sales of other property entities over that period, 4 immovable military property entities were sold between October 2008 through January 2009; and there were decisions, in late 2010, concerning some other property entities to be put up for sale and the terms of their privatization, the deals being actually closed in 2011;

e – less sales of shares with the participation of investment consultants;

f – estimated value based on data on the total number of FSUEs in respect of which directives concerning the terms of their privatization in the form of reorganization into OJSCs (216 units) were issued, taken from *Rosimushchestvo*'s Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2011–2013, and the year-end results of 2011 and 2013;

g – for several enterprises, the decisions concerning the terms of their privatization were abolished in 2015–2016 and then readopted, so the number of FSUEs with regard to which privatization decisions were made individually over the three-year period is somewhat higher than in the tabulated period-end data for 2014–2016 (125 units).

Source: *Rosimushchestvo*'s annual report for 2008; Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2009, Moscow, 2010; Report of the RF Ministry of Economic Development on the Results of Federal Property Privatization in 2010; Report of The RF Ministry of Economic Development on the Results of Federal Property Privatization in 2011; Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2011–2013; 2014 Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2014–2016, www.rosim.ru, February 19, 2015; 2015 Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2014–2016, www.rosim.ru, February 8, 2016; 2016 Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2014–2016; 2017 Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2017–2019; 2018 Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2017–2019.

The biggest transaction was the sale of all shares in *Stroytrans No 1* JSC (Tyumen) for RUB 432.3 million. The other four out of the five major deals closed that year were the sales of 100-percent stakes in four 4 JSCs situated in the city of Moscow (*Avtobaza MSKh* JSC ('RF Ministry of Agriculture's Vehicle Depot'), *Standard* OJSC (industrial-transport company), and two R&D organizations). Three of these 5 entities were sold through *Auction House of the Russian Federation* (*RAD* OJSC), and the other two – through *VTB Capital* and *Rosimushchestvo*. One of these deals was a rare example of a notable surge of the selling price above the offer price: there were 4 bidders for the

federal stake in *Avtobaza MSKh* JSC, and after seven bids the price gained 35 percent, rising to RUB 401.6 million¹.

However, the results of privatization that followed standard procedures were achieved through the efforts of *RAD OJSC*, the latter selling 28 stakes (out of the 139 stakes earmarked for sale) to the total value of RUB 2.053 billion (71.8 percent of total proceeds). While the actual number of sold stakes increased relative to 2017 (28 units vs. 17 units), the deal value shrank more than by half. The input of the other agent – *VEB Capital Plc*, which had been commissioned to handle the sales of 95 economic societies, was an order of magnitude less. It sold only 2 stakes to the total value of approximately RUB 211 million (in 2017, there were no sales). It is expected that the final results of bidding and of the closure of sales of stakes in 26 JSCs will become available in Q1 2019, including the stakes in 22 JSCs handled by *RAD OJSC*.

In 2018, in contrast to sold stakes (or shares) in economic societies, the sales of treasury property entities demonstrated a positive movement pattern. There were more than 1,300 bids by potential investors, which is more than 2.5 times above the corresponding index for 2017. The number of sold treasury property entities (174 units) increased nearly 2.3 times relative to 2017 (77 units), although it was still below the record high achieved in 2016 (282 units). Nevertheless, for three straight years this index was stably above that of sold stakes (or shares) in economic societies, and last year the difference between the two indices was 3.8 times. The total value of closed deals increased nearly 1.6 times (to RUB 446.5 million).

Such positive shifts could largely be achieved thanks to a more active involvement of independent sellers commissioned to handle the sale of treasury property entities. In accordance with the RF Government Directives, in addition to the already mentioned *RAD OJSC* (commissioned to sell 285 property entities, of which 39 units were actually sold to the total value of RUB 72.1 million), the sales were also handled by the Agency for Direct Investments (*ADI*) (commissioned to sell 73 property entities, to date it sold 20 units to the total value of RUB 70.6 million) and *VEB Capital Plc*. (commissioned to sell 73 property entities, and actually sold 14 units to the total value of RUB 30.8 million). Overall, these agents accomplished the sales of approximately 42 percent of all property entities earmarked for bidding, and generated 39 percent of total proceeds, while in 2017 all the sales were handled by *RAD OJSC* alone (9 units to the total value of RUB 28.60 million, that is, about 10 percent of total proceeds). It is expected that the final results of the sales of 84 property entities will become available in Q1 2019, including the 34 property entities handled by *RAD OJSC* and the *ADI*.

In 2018, in the framework of implementation of 23 Presidential Executive Orders and 10 decisions of the RF Government concerning the creation or expansion of vertically integrated structures (*VISs*), *Rosimushchestvo* set out to establish or expand 12 *VISs*. The 3-year privatization program launched in that sector listed a total of 38 FSUEs, shares in 62 JSCs, and 132 treasury property entities. In 2018, the relevant decisions

¹ www.rosim.ru, August 27, 2018.

concerning the terms of privatization were taken with regard to 8 FSUEs, 4 JSCs, and 41 treasury property entities.

In spite of the complete switchover to an electronic property sales mechanism and substantial non-stop IT services, the progress in the privatization process has been rather slow due to the constraints of declining investment demand coupled with frequent periods of instability in the stock market. As in the previous years, the group of federal property entities earmarked for privatization included many economic societies with low financial and economic performance indices, as well as some companies undergoing bankruptcy procedures. Thus, more than 54 percent of all announced auctions of stakes (or shares) in economic societies, and 56 percent of biddings for treasury property entities, were canceled due to the absence of any bids.

The factor that determines the lack of interest on the part of potential investors in the initial bidding for properties earmarked for privatization is the opportunity to buy those same properties through public offer at half the initial price, after the auctions had been canceled. The hopes that an increasing number of participants in bidding will translate in a more intense competition and higher prices of the property entities put up for sale have proved to be futile.

In such a situation it was only logical for the government to more closely involve independent sellers in the sales of property entities earmarked for privatization, and to rely on their higher marketing competence.

The comprehensive preparatory measures implemented by independent sellers prior to property sales make it possible to attract a large number of investors operating in a given sector, ensure a proper competition level, and achieve a higher selling price. However, the actual results of sale deals closed by independent sellers are by no means always indicative of their better performance. Thus, the success rate of sales of stakes (or shares), measured as the ratio of the number of sold stakes (or shares) to the number of biddings, were approximately the same for Rosimushchestvo and for the independent agents (38–39 percent). In the course of sales of treasury property entities by VEB Capital Plc., the number of canceled biddings was 1.5 times higher than the number of closed sale deals.

Besides, as the RF Government Directives whereby a large quantity of assets was to be transferred to independent sellers were issued only as late as Q1 2018, they launched their pre-sale preparatory measures with respect to an overwhelming majority of those assets in Q2 2018, after all the agent agreements and supplementary provisions thereto had been properly formalized.

The Federal Law on the Federal Budget for 2019–2021 No 459-FZ dated November 29, 2018, similarly to last year's budget law, offers no specific information on the amount of revenues to be generated by privatization neither in the body text, not in the annexes thereto.

At the same time, in the explanatory note attached to the draft law submitted by the government the revenues from privatization of assets in federal ownership were listed alongside government borrowings as a separate source of federal budget deficit

financing. Similarly to the draft budget law for the past year 2018, some of the supplementary materials attached to the draft law did provide data pertaining to the forecast plan (program) of federal property privatization, with a substantiated forecast of federal budget revenue to be generated by privatization; this information can also be found in the explanatory note and the calculated by-function targets for each source of federal budget deficit financing.

The amount of federal budget revenue to be generated by federal property privatization is forecast to be RUB 13.0 billion in 2019 and RUB 10.9 billion in 2020, with no projections for 2021. Its role as a source of federal budget deficit financing will be brought to a minimum: in 2019–2020, the expected privatization-generated revenue is to be less than 1 percent of total planned government borrowing. Compared with the amount of planned proceeds of federal property sales (less the proceeds of biggest deals) stated in the materials attached to the draft law on the federal budget for 2018 and planning period 2019–2020 and submitted last autumn by the RF Government (RUB 12.2 billion in 2019 and RUB 11.4 billion in 2020), the target set for 2019 appears to be somewhat higher, and that for 2020 – somewhat lower.

Judging by the results achieved in 2018 in the course of implementing the current privatization plan, the probability of achieving the planned target for privatization-generated revenue is quite high. The amount of proceeds from the sale of shares in federal ownership and other forms of participation in capital (RUB 12.8 billion) in the Report on Federal Budget Execution is either comparable with the corresponding targets for 2019–2020, or exceeds these targets.

The substantiation for the amount of federal budget revenue to be generated by privatization can be found in the *Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019* adopted in early 2017 by Directive of the RF Government No 227-r, where 7 biggest companies are earmarked to be privatized in the framework of individual schemes. However, as the RF Government has adopted no new decisions concerning the alienation of federal stakes in biggest companies over the period 2019–2021, no targets are set for the proceeds from the sales of such stakes in 2019 and the planning period 2020–2021.

Nevertheless, there do exist certain preconditions for the closure of two deals.

The plans for 2019 include the completion of preparatory measures for the sale of federal stake in *Kristall Production Association JSC* to *Alrosa PJSC* in order to properly maintain the existing gems cutting and polishing complex of the Russian Federation, create appropriate conditions for the development of diamond-cutting enterprises and attract investments that can be spent on their modernization and upgrading. After *Kristall Production Association JSC* had been struck off the list of strategic enterprises and joint-stock companies, the RF Government was assigned the task of ensuring proper control over its financial and economic situation until the 100 percent federal stake was to be completely alienated.

Besides, acting outside the framework of the current privatization program, the private shareholders in *Vnukovo International Airport JSC* filed a request with Rosimushchestvo by way of exercising their right stipulated in the corporate shareholder agreement signed in 2016, whereby the State was obliged to sell all the remaining shares in federal ownership at any moment within 5 years from the date of their consolidation. The closure of the privatization deal with respect to the blocking stake that is still in federal ownership (25.0525 percent) is also expected to take place in 2019.

Another point on the future privatization agenda has to do with amendments that need to be made to the 2008 law ‘On the Specific Features of Alienation of Immovable Property in State or Municipal Ownership and Leased by Subjects of Small and Medium-Sized Entrepreneurship, and the Introduction of Alterations into Some Legislative Acts of the Russian Federation’ (No 159-FZ) with regard to the realization, by small and medium-sized enterprises (hereinafter – MSE), of their preferential right to buy out the properties leased by them. This right consists in purchasing a property entity at a price equal to its market value and determined by an independent valuer in the procedure established by the 1998 law on valuation activity under an installment buyout plan for a period of not less than 5 years, in conformity with the norms and constraints established for MSEs.

It should be reminded that this law, adopted more than 10 years ago, granted this right with respect to leased property entities owned by RF subjects and municipalities. After the introduction of alterations in summer 2018 (by Law No 185-FZ), that norms now also apply to property entities in federal ownership, and the function of enforcing the law is assigned to Rosimushchestvo.

The law can now be applied over an unlimited period of time¹, and presently the starting point for launching an action and applying the relevant norms is the day on which an MSE files a request of realization of its preferential right to buy out the property entity leased by it. In the event of a loss of such right upon a refusal to conclude a purchase-and-sale agreement and a failure to sign it within 30 days from the date of receiving the proposal thereof and (or) the purchase-and-sale agreement², a MSE has been granted the right to file a request with an empowered agency, on condition that as of the date of filing such a request, the leased property entity with respect to which that MSE has previously lost the preferential right for its purchase is being held by the said MSE by right of temporary ownership and (or) temporary use under a lease agreement (or agreements).

In accordance with the 2007 Federal Law ‘On Developing Small and Medium Scale Entrepreneurship in the Russian Federation’, (No 209-FZ in its current version), public authorities of all levels should draw up lists of state and municipal property entities unencumbered by any rights of third parties (with the exception of the right of economic

¹ Previously, the rights granted by the law were effective during a certain period of time, and then could be extended over a next period (from July 1, 2010 to July 1, 2018).

² That period is suspended, if a dispute is initiated with respect to the market-based valuation of the property entity on which its buyout price is based, until the date of entry into force of a court ruling.

jurisdiction, operative management right, or ownership rights of MSE), and revise these lists every year before November 1. These lists should be made public through the mass media and be posted to the official websites of the bodies of public authority that have drawn up such lists, and (or) on the official websites designed to provide information support to MSEs.

The state and municipal property entities entered on those lists are to be held or used on a long-term basis (including at reduced lease rates) by MSEs and organizations belonging to the MSE support infrastructure, and can also be alienated, on a reimbursable basis, and transferred into the ownership of MSEs in accordance with the norms stipulated in the 2008 Law No 159-FZ and the RF Land Code.

The procedure of creating, maintaining, mandatory publication of such lists, as well as the procedure of leasing the state and municipal property entities entered on those lists (including the preferential rights and exemptions granted to MSEs registered as agricultural co-operatives engaged in socially important activities or other priority types of activity as established by state and municipal programs (or subprograms)), are to be regulated by the normative legal acts adopted by a relevant tier of public authority. The lease of land plots is regulated by civil and land legislations.

No sale of the state and municipal property entities entered on such lists is allowed, except in the form of reimbursable alienation of such property entities in order to transfer them into ownership by MSEs in accordance with the norms stipulated in Federal Law No 159-FZ (adopted in 2008) and the RF Land Code. No transfer of the right to such property entities is allowed, or collateral of that right, or its transfer as a contribution to the charter capital of any other economic subject; no transfer to third parties of the rights and obligations arising from the agreements of lease (or sublease) of such property entities, or their sublease, with the exception of sublease of such property entities to MSEs by organizations belonging to the MSE support infrastructure, and also in those cases when a property entity in question constitutes part or parts of premises, building, or structure (not more than 10 percent of its area, and not more than 20 m² of total area), the rights to which belong to the entity that transfers that property entity (in accordance with the 2006 Federal Law ‘On Protection of Competition’, Article 17.1, Part 1, paragraph 14).

In late 2018, Rosimushchestvo approved the list of immovable property entities (except land plots), unencumbered by rights of third parties, to be held and (or) used on a long-term basis by MSEs. It consists of 827 property entities¹.

An analysis of information released by *Rosimushchestvo*’s territorial branches by way of preparation for privatization of new property entities revealed that among the property entities included in the current privatization program there were more than 150 leased immovable property entities. After reviewing the requests submitted by MSEs concerning their desire to realize their preferential right to buy out the federal property entities currently leased by them, *Rosimushchestvo* has prepared special directives regulating the terms of their privatization, and dispatched the corresponding orders to

¹www.rosim.ru, January 1, 2018.

its territorial branches in the localities where said property entities are situated, so that the lessors could properly realize their rights. However, no purchase-and-sale agreements between the lessors (MSEs) and *Rosimushchestvo* or its territorial branches were formalized in 2018.

As far as legal regulation of the privatization process is concerned, an important alteration was introduced into the current privatization law (adopted in 2001) in May 2018, that addressed the buyers of state and municipal property entities (Article 5).

The norm whereby the buyers could not be the legal entities (hereinafter – offshore companies) registered in a country or territory entered on the list, approved by the RF Ministry of Finance, of countries and territories that grant tax exemption regimes and (or) do not disclose information on financial transactions (offshore zones) was in effect for less than a year¹. The amended law stipulates that this norm applies only to those legal entities in that category who do not disclose and report information on their beneficiaries, beneficiary owners and controlling persons in the procedure established by the RF Government.

The text of Article 5 no longer contains any mention of offshore companies. Therefore, it no longer refers to the ‘derivative’ category of legal entities controlled by an offshore company or a group of entities that includes an offshore company. In this connection, the basic norm has remained – that the privatization process cannot involve state and municipal unitary enterprises and institutions, or legal entities with stakes in their charter capital amounting to more than 25 percent that are held by the RF, RF subjects, or municipal formations, except when state or municipal property is a contribution to their charter capital.

The terms ‘group of persons’ and ‘control’, with references to the notions stipulated in the 2006 Federal Law ‘On Protection of Competition’ (Articles 9, 11), are replaced by ‘controlling person’ as understood in the 2008 Federal Law ‘On the Procedure for Facilitating Foreign Investment in Legal Entities Having Strategic Importance for National Defense and State Security’ (Article 5), as well as the terms ‘beneficiary’ and ‘beneficiary owner’ as understood in the 2001 Federal Law ‘On Prevention of Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism’ (Article 3)².

Another alteration introduced into the current privatization law has been the expansion of the property segment to which it does not apply (Article 3). It has been augmented by property held by right of economic jurisdiction, by right of permanent use, or by right of lease, or by FSUE *Russian Post* as of the moment of its reorganization

¹At present, the list consists of 40 countries. However, the Republic of Cyprus – the traditional source of pseudo-foreign investments for the Russian economy over the past quarter century, was removed from that list in 2012.

²At the meeting on February 1, 2016 that addressed privatization issues, the RF President defined, in particular, certain conditions of privatization of companies with state stakes, including the provision whereby the would-be owners of assets earmarked for privatization should belong in Russia’s jurisdiction, and that it was inadmissible to allow ‘grey schemes’, to withdraw assets to offshore zones, and to hide the identity of stakeholders. See <http://kremlin.ru/events/president/news/51249>

on the basis of the Federal Law ‘On the Specific Features of Reorganization of Federal State Unitary Enterprise *Russian Post*, the Fundamental Principles of Operation of Joint-stock Company *Russian Post*, and the Introduction of Alterations to Some Legislative Acts of the Russian Federation’ No 171-FZ dated June 29, 2018.

The Law, which came into force on 1 October 1, 2018, regulates the reorganization of FSUE *Russian Post*, its legal successor being those newly established non-public JSCs where the entire 100-percent stake is held by the RF, and the single stakeholder is named among its governing bodies alongside the board of directors, the council and the director general (Article 8). Its powers are exercised by the federal body of executive authority performing the function of federal property management in accordance with the procedure established by the RF Government, and the scope of its competence is clearly defined (Article 9).

6.1.3. The presence of the state in the economy and the issues of management of economic subjects operating in the public sector

In 2018, some important alterations were introduced in the list of strategic enterprises and joint-stock companies.

As of early December 2018, this list was augmented by only one company (*Promsvyazbank* PJSC). Over the same period, 2 FSUEs were struck off the list of strategic organizations (of these, one will be merged with another unitary enterprise, and the property complex of the other one will be transferred, as a state contribution to the charter capital, to State Corporation *Rosatom*), as well as 5 JSCs.

Among the latter, there are three previously created big vertically integrated structures (VIS), two of them being of nationwide importance. The entire capital (less 1 share) of *Concern Granit-Electron* JSC has been transferred to the charter capital of another VIS - *Tactical Missiles Corporation* JSC by way of payment for the additional placement of shares issued as a result of its increased charter capital, and this move appears to be in line with traditional practices. However, the transfer of 92.3 percent of shares in *United Aircraft Corporation* PJSC (UAC), the 100-percent federal stake in *Roskhimzashchita* OJSC, and federal stakes in another 6 JSCs, including 2 controlling stakes and 4 blocking stakes, as a property contribution to the charter capital of State Corporation *Rostec* appears to be much more arguable.

The corporation, created in 2007, soon began to acquire certain distinct features of a conglomerate without a clearly visible relation to any sector as a result of transfers of hundreds of federal stakes in other JSCs, including those established on the basis of reorganized FSUEs that had been struck off the list of strategic organizations and specializing in a variety of different fields¹. Over the subsequent years, that trend

¹Gradually, sub-holding companies began to emerge inside the State Corporation (e.g., *High Precision Systems*, *Technodinamika*, *Techmash*). Some of them were created by special governmental decisions (e.g., *United Engine Corporation*), others emerged as separate entities before they were transferred to *Rostec* (e.g., *Russian Helicopters*). There were some precedents of a transfer of previously established

became even stronger. Suffice to say that the group of organizations transferred to *Rostec* by *Rosimushchestvo* over the course of last year included Production Corporation *UralVagonZavod* JSC and *NPO Microgen* (a reorganized unitary enterprise, previously subordinated to the RF Ministry of Health); FSUE *PO More* Shipyard in the Crimea is also being reorganized into a JSC. All these developments run contrary to the well-defined activity profiles of entities established more than 10 years ago as independent VISs (*UAC PJSC*, *Roskhimzashchita OJSC*).

Over the course of the year 2018, *Rosimushchestvo* was implementing measures designed to build other types of integrated structures. When applied with respect to *Roscosmos*, *Rosatom*, *Transneft* PJSC and *UAC PJSC*, and *GLONASS* JSC, these involved the implementation of some previously adopted major decisions (at the level of Presidential Executive Orders), mainly aimed at the enlargement of these entities. As far as other VISs are concerned (*Russian Railways OJSC*, *ROSGEO* JSC, *Tactical Missiles Corporation* JSC, Concern *VKO Almaz–Antey*, *United Shipbuilding Corporation (USC)*), the measures were aimed at upgrading these structures on the basis of new decisions adopted during the previous calendar year.

Among these, we should note *USC*: its charter capital has been augmented by a minority stake in *Zelenodolsk R&D Bureau* JSC situated in the Republic of Tatarstan, while a controlling stake in the latter, alongside a minority stake in *A.M. Gorky Zelenodolsk Plant* JSC, is to be transferred into the Republic's ownership, on condition that the decisions concerning the alienation of shares in these JSCs after the expiry of a five-year period should be coordinated with the RF Government; that their core activities should remain unchanged; and that over the period until 2023, investments should be attracted, including from private sources, for the purpose of comprehensive production capacity development and modernization of *Zelenodolsk R&D Bureau* JSC - in an amount not less than RUB 150 million, and *A.M. Gorky Zelenodolsk Plant* JSC - in an amount not less than RUB 300 million. In this connection, the RF Government has been assigned the task of finalizing the agreements between the Russian Federation, the Republic of Tatarstan, and the two JSCs concerning the development of the latter, making provisions in these agreements for specific measures designed to boost their R&D potential, to pool their available intellectual, industrial and financial resources in order to implement shipbuilding projects, and to ensure modernization of their production capacities through investments attracted by the region. The implementation of this project coupled with the potential interest of *Rostec* in shipbuilding assets may translate into adjustments of the government industrial policy in that sector - from support of 'national champions' towards diversification of centers and formats of government presence in the national economy.

Another major state corporation - *Vnesheconombank* - is undergoing the process of restructuring. After alterations were made in late 2018 to the 2007 law whereby its activity is regulated (No 452-FZ), its name was changed into *VEB.RF*.

VISs (Concern *Avtomatika*, *Vega Radio Engineering* Corporation, Concern *Sozvezdie* JSC, *Control Systems* JSC).

Within the charter capital of VEB.RF (not less than RUB 70 billion), two components were identified: the ‘formed’ component, and the component yet to be formed in accordance with the normative legal act of the RF Government by way of subsequent additional property contributions by the State, to be specified as follows:

- the composition of property earmarked as an additional contribution, including subsidies;
- the planned contribution cap (if necessary – distributed by year, with the description of procedure and timeframes for altering the contribution distribution procedure in those cases when the additional property contributions are not transferred in full in a given year);
- the procedure and timeframes for property contributions, and the conditions thereof, including but not limited to reducing the capital adequacy ratio to an acceptable minimum, as established in the State Corporation’s financial policy memorandum, and increased by one percentage point, and to altering other financial sustainability indices of VEB.RF as envisaged in the said normative legal act of the RF Government, and the procedure for confirming compliance with the said conditions;
- the targeted use of the additional property contributions: the funding of projects implemented by VEB.RF (including the creation of reserves to cover potential losses incurred in the course of implementing those projects), the decisions concerning VEB.RF’s participation in their funding having been adopted by the empowered managerial and collegial executive bodies of VEB.RF after the entry into force of the said normative legal act of the RF Government. The targeted use of the additional property contributions should not be understood as funding of the projects implemented by VEB.RF by way of implementing the nationwide, strategic or priority decisions of the RF President and the RF Government concerning the national economy, that are not compatible with the main directions, indices, constraints, or principles of investment and financial activity followed by VEB.RF;
- the requirements concerning an efficient use of the additional property contributions.

Several separate articles address the specific role of the state corporation in the functioning of development institutions, while the Accounts Chamber of the Russian Federation and other state bodies exercise control and supervision not only over the activity of VEB.RF, but also over that of those development institutions that receive support from VEB.RF, the source of that support being the federal budget.

The alterations introduced in the 2003 law on foreign trade regulation provides a framework whereby VEB.RF, with respect to exports, on the basis of the RF Government’s decisions coordinates the activity of the Russian Export Center, the Russian Agency for Export Credit and Investment Insurance (EXIAR), State Specialized Russian Export-Import Bank JSC (Eximbank of Russia), and some other development institutions.

In the event of a transfer, by decision of VEB.RF Supervisory Board, of the 100 percent stake in the Russian Export Center’s charter capital into federal ownership, the

sole shareholder of the Center will be the Russian Federation, while the Center's charter capital can be increased at a later date by federal contributions, if the Russian Agency for Export Credit and Investment Insurance should become less financially sustainable, and the RF Government should determine, in a procedure similar to that established for the charter capital of VEB.RF itself, the transfer of those additional property contributions.

Earlier, in late 2017, the norms were introduced whereby it became possible to create, under the state corporation's supervisory board, special committees for preliminary consideration of certain issues, including standing committees (on strategy, audit, human resources, reimbursement, and other issues), as well as collegiate bodies, appointed by the supervisory board and the chairperson. Besides, the norms regulating the procedure for approving certain types of deals by the state corporation's executive bodies were added.

Last year, the activity of biggest companies with state stakes in the corporate control market was rather slack, but it became evident that the criteria for estimating the feasibility of negotiated deals should be more transparent – both from the point of view of the interests of the State and in the contest of the participating companies' development strategies.

The purchase by VTB Bank of a 29.1-percent stake in the retail chain *Magnit* for RUB 138 billion from its former major stakeholder, which was one of the most important events of 2018, was followed by another major deal only 3 months later – the sale of a 11.8-percent stake, without disclosing the deal value, to Marathon Group, an investment company specializing in the main in pharmaceutical infrastructure.¹ The indirect presence of the State in the retail sector, in a degree that is not sufficient for actually influencing the corporate governance procedures there, has given rise to some questions – and questions also arise in connection with a shrinkage of state participation in other companies involved in those types of economic activity where the presence of the State has been traditional (in foreign countries as well).

State Corporation *Rostec* reduced its participation in *Kalashnikov Concern* to the level of a blocking stake by selling 26 percent of shares to *TransKomplektHolding* for RUB 1.5 billion. The future development of *Kalashnikov Concern*, which for a long time has been a symbol of the national firearms industry, will have to do with its current rebranding strategy and reorientation to the production of means of transport².

While moving on to the issues of managing joint-stock companies with state participation, we may note the strictest executive discipline visible in the organization of annual general shareholder meetings. The meetings were held by 47 out of 48 JSCs entered on the Special List approved by Directive of the Government of the Russian Federation No 91-r dated January 23, 2003, where the standpoint of the State as a shareholder on a number of the most important issues was determined at the government

¹<https://www.kommersant.ru/doc/3549909>,

<https://www.rbc.ru/business/24/05/2018/5b0410ca9a79476f56976cc5>

²<https://lenta.ru/news/2018/02/15/ak/>

level); by all the JSCs not included in the Special List, where the RF was the sole shareholder, and 88.7 percent of those JSCs that were not included in the Special List and with state stakes amounting to more than 2 percent but less than 100 percent of their charter capital.

In accordance with the decisions of the RF Government issued with regard to annual general shareholder meeting, in the course of the corporate year 2017, a total of 190 candidates for the boards of directors (supervisory boards) of JSCs entered on the Special List were approved¹, including 189 professional attorneys (instead of 182 persons recommended by the special Commission (attached to *Rosimushchestvo*) assigned the task of selection of independent directors, representatives of the shareholder interests of the RF, and independent experts to be elected to the managerial and control bodies of joint-stock companies), 64 independent directors (out of a total of 68 recommended persons) and 143 civil servants (instead of 148 as recommended by the Commission)².

The overall number, in absolute terms, of state representatives in the boards of directors of JSCs entered on the Special List somewhat increased relative to 2017 thanks to the inflow of civil servants. The total number of professional directors – that is, professional attorneys and independent directors taken together - remained the same. At the same time, the trend that first appeared after the period 2014–2015 – that of an increasing relative share of civil servants and professional attorneys alongside a shrinkage of the relative share of independent directors in companies’ managerial bodies – once again revealed itself (*Table 8*).

Table 8

The movement and structure of state representatives in the managerial and control bodies of JSCs entered on the Special List, in 2009–2018

Year	JSCs, units	State representatives in boards of directors (supervisory boards)								In audit commissions: independent experts, number
		total		civil servants		professional attorneys		independent directors		
		number	percent	number	percent	number	percent	number	percent	
2009	36	342	100.0	163	47,7	120	35.1	59	17.2	...
2010	49/59 ^a	386	100.0	193	50,0	117	30.3	76	19.7	...
2011	51	416	100.0	181	43,5	150	36.1	85	20.4	...
2012	57	434	100.0	141	32,5	205	47.2	88	20.3	15
2013 ^b	63	452	100.0	127/122 ^c	28,1	228/245 ^c	50.4	97/102 ^c	21.5	27
2014	51	402	100.0	106/104 ^c	26,4	199/197 ^c	49.5	97/90 ^c	24.1	45
2015 ^b	50	390 100,0	118	30.3	178	45.6	94	24.1	54	
2016 ^b	50	404	100.0	136	33.7	189	46.8	79	19.5	65/66 ^a
2017 ^e	48	385	100.0	131	34.0	179	46.5	75	19.5	56
2018 ^f	47/48	397/405	100,0	143	36.0	190	47.9	64	16.1	65

a – data are also available on the election of professional directors to the managerial bodies of 59 JSCs;

¹ Less *State Transport Leasing Company PJSC (STLC*, the shareholder rights belong to the RF Ministry of Transport) and *MIT Corporation JSC* (the shareholder rights belong to State Corporation *Roscosmos*); and including *FGC UES PJSC*.

²The final decisions concerning the appointment of candidates for the managerial and control bodies of JSCs entered on the Special List are approved by the RF Government.

b – including OJSC *Novorossiysk Commercial Sea Port*, where only civil servants were elected to the board of directors and the audit commission;

c – other data are also available concerning the by-category distribution of state representatives (presented in the denominator), which probably are preliminary estimates, although the number of professional directors (professional attorneys and independent directors) for 2014 released by *Rosimushchestvo* (287) corresponds to the total number for all the groups (presented in the denominator);

d – later data for a larger number of JSCs are shown in the denominator;

e – including *Novorossiysk Commercial Sea Port* OJSC and *FGC UES*; as of August 1, 2017, these companies had not yet established their boards of directors and audit commissions in the course of their 2017 annual general shareholder meetings, and so we applied the extraordinary general shareholder meetings data as of September 15, 2017 in accordance with RF Government Directive No 4643p-P13 dated July 3, 2017;

f – the total number of state representatives in boards of directors in the denominator is higher than the sum of state representatives by category (civil servants, professional attorneys, independent directors), which also corresponds to the lower number of JSCs on the Special List.

Source: Year-end Reports on the Management of Federal Stakes in OJSCs and the Use of the Russian Federation’s Special Right to Participate in an OJSC’s Management (‘Golden Share’) for 2011–2017; own calculations.

Over the period 2014–2018, in the group of companies not included in the Special List, the number of civil servants per company increased from 2.04 to 3.04, while the number of professional directors declined from 5.62 to 5.29¹ (the number of professional attorneys increased from 3.86 to 4.04, but that of independent director declined from 1.76 to 1.33).

In 2018, civil servants prevailed in the structure of audit commissions (118 persons vs. 65 independent experts, or 64.5 percent), but the number of the latter increased, once again hitting its record high of 2016. Over the last 5 years, their per company number jumped more than 1.5 times (from 0.88 in 2014 to 1.35 in 2018).

As for the structure of the managerial bodies of companies not included in the Special List (*Table 9*), it should be said that in 247 JSCs, where the state ownership of a controlling or blocking stake ensured that state representatives took up a total of 1,371 seats on the boards of directors (or supervisory boards) of JSCs,² more than half of them were professional directors – 782 persons, or 57 percent, while the number of civil servants was 589, or 43 percent. In 39 JSCs with the RF stakes in their charter capital amounting to less than 25 percent, 100 percent of persons representing the interests of the State on the boards of directors (or supervisory boards) were civil servants (83 board members). However, even in spite of the effects produced by that factor, the total number of civil servants participating in the boards of directors (or supervisory boards) of the JSCs off the Special List dropped relative to 2017, when their number had been 704.

¹ Data released by *Rosimushchestvo*.

² Less (1) those JSCs where the State does not hold a blocking stake (62 units) and (2) those JSCs where the State holds a controlling or blocking stake, but the decisions concerning the appointment of professional directors and independent experts have not been passed for various objective reasons (77 units).

Table 9

The movement and structure of state representatives in the managerial and control bodies of JSCs off the Special List, in 2009–2018

Year	JSC, units	State representatives on boards of directors (supervisory boards) (other than civil servants)						In audit commissions: independent experts, number
		total		professional attorneys		independent directors		
		number	percent	number	percent	number	percent	
2009	233	431	100.0	310	71.9	121	28.1	...
2010	389	707	100.0	493	69.7	214	30.3	...
2011	512	1,109	100.0	830	74.8	279	25.2	...
2012	822	1,860/1,869*	100.0	1,350	72.6	510/519*	27.4	23**
2013	637/245***	1,715	100.0	1,092	63.7	623	36.3	335
2014	683/159***	2,094	100.0	1,382	66.0	712	34.0	498
2015	527/151***	1,660	100.0	1,267	76.3	393	23.7	330
2016	479/123***	1,535	100.0	1,346	87.7	189	12.3	353
2017	297/107***	978	100.0	864	88.3	114	11.7	325
2018	247/77***	782	100.0	703	89.9	79	10.1	332

* – data are also available on the election of 1,869 professional directors, including 519 independent directors;

** – data are also available on the election of 21 private individuals as representatives in audit commissions;

*** – the denominator is the number of those JSCs where the State holds a controlling or blocking stake, but the decisions concerning the appointment of professional directors and independent experts have not been passed for various objective reasons.

Source: Year-end Reports on the Management of Federal Stakes in OJSCs and the Use of the Russian Federation’s Special Right to Participate in an OJSC’s Management (‘Golden Share’) for 2011–2017; own calculations.

As follows from data presented in *Table 9*, in 2017, while the total number of professional directors notably shrank in absolute terms (by 1/5), the relative share of professional attorneys in that group continued to increase, and their relative share in the total number of state representatives (beside civil servants) shrank to 10 percent. The number of independent experts in audit commissions in 2018 slightly increased relative to 2017 – approximately to the same level as in 2013 and 2015.

The per company number of professional directors on boards of directors (or supervisory boards) dropped from 3.29 to 3.16 (the 2015 level), while that of independent experts sitting on audit commissions increased from 1.09 to 1.34, thus rising 1.8 times above its 2014 level.

After the extensive adjustment of the governance mechanism for JSCs with state stakes a year earlier, it underwent no noteworthy alterations in 2018.

In order to establish personal responsibility of state representatives in the executive bodies of JSCs for their failure to properly protect state interests, a draft law has been submitted to parliament whereby certain amendments to the RF Code of Administrative Offenses are suggested. The RF Government is currently considering draft laws regulating the insurance of responsibility of those members of the board of directors of a JSC with a state stake who occupy deputy positions in government agencies or who are civil servants.

As far as standardization of the governance procedures for all companies with state participation is concerned, we should make note of the following draft documents that were under consideration over the course of last year:

- the criteria of selecting candidates for membership in the single (collegiate) executive body, the board of directors (or supervisory board), and the audit commission of a JSC;
- a model program of alienation of non-core assets of a JSC off the Special List, the stake held in its capital by the RF being more than 50 percent;
- methodological recommendations for reimbursement of CEOs of state corporations, state-owned companies, and economic societies whose core activity outlined in their charter is funded from the budget, and the stake held in their capital by the RF is more than 50 percent, including those entered on the Special List;
- methodological guidelines for applying the key performance indicators for state corporations, state-owned companies, and economic societies whose core activity outlined in their charter is funded from the budget, and the stake held in their capital by the RF is more than 50 percent (at present, the wording of the guidelines as amended in 2014 is in effect).

In the framework of implementation of the norms stipulated in the new Corporate Governance Code (CGC), introduced in 2014, *Rosimushchestvo* in its capacity of a shareholder analyzed the annual reports of 12 biggest state-owned companies for the corporate year 2017, approved by their annual general shareholder meetings in 2018, from the point of view of their compliance with the principles and recommendations stipulated in the CGC.

On the basis of that analysis, as well as the information submitted by those state-owned companies at *Rosimushchestvo*'s request, it can be said that all the 12 JSCs indeed entered in their annual reports information concerning their implementation of the norms and principles stipulated in the Code.

As shown by the analysis of the reports submitted by JSCs, the overall roadmap implementation index for the provisions stipulated in the CGC as of late summer 2018 was approximately 90 percent, just as a year earlier.

The highest rate of implementation of the Code's provisions has been noted with regard to the following 3 sections:

- corporate secretary of a JSC (96 percent vs. 100 percent in 2017, 60 percent in 2016);
- shareholder rights and equal opportunities for exercising these rights (93 percent, just as a year earlier, in 2016 – 86 percent);
- risk management and internal control systems (also 93 percent).

The implementation indicators for another 4 sections of the CGC (board of directors, reimbursement of the members of a board of directors, executive bodies and other CEOs, corporate information disclosure, information policy, and significant corporate acts) were above 70 percent.

The dividend policy was shaped by the requirement to comply with the budget assignment, one of its parameters being that the amount earmarked for the payment of dividends could not be less than 50 percent of a company's year-end net profit calculated in accordance with the International Financial Reporting Standards (hereinafter – IFRS).

From 2016 onwards, the RF Government has been issuing some separate decisions whereby JSCs with federal stakes in their capital were obliged to earmark for the payment of dividends not less than 50 percent of their net profit, thus making it possible for the RF Ministry of Finance to introduce certain adjustments while preparing the draft of a federal budget law. At the same time, as before, the RF Government Directive No 774-r dated May 29, 2006 (as amended in May 2017) sets forth the norm whereby not less than 25 percent of their profit should be earmarked for the payment of dividends.

Rosimushchestvo, in the course of its year-end campaign of 2017 for the launch of annual general shareholder meetings by JSC, adopted a set of necessary and sufficient measures designed to maximize the amount of dividend-generated federal budget revenue with due regard for the current market situation, external and internal factors, relevant government decisions, and the necessity to implement long-term economic development programs. These efforts translated into a revenue level that was above the planned target set in the federal budget law. Almost the entire amount of dividends on federal stakes received at year-end 2017 was paid by the JSCs included in the Special List.

Meanwhile, by the alterations introduced into RF Government Decree No 739 dated December 3, 2004, whereby the powers of federal bodies of executive authority (FBEA) to exercise their ownership rights to property of FSUEs are regulated, the minimum amount of a transfer to the federal budget for the latter was increased from 25 to 50 percent of their disposable profit after taxes and other mandatory payments (less incomes and expenditures resulting from revaluation of their marketable securities and related to the incomes and expenditures taken into account when calculating the amount of tax on profit of organizations). The relevant decisions should be made by those FBEAs that exercise authority over those companies, irrespective of their being included in a privatization program.

Similarly to the procedure that regulates the payment of dividends by JSCs with state stakes, in those cases when a FSUE is required to file financial reporting, including consolidated reports, in accordance with the IFRS, the amount of its profits due to be transferred to the federal budget cannot be less than 50 percent of its net profit calculated on the basis of data entered in said reports. If that amount is higher than the amount of net profit calculated on the basis of data entered in the accounting (financial) reports submitted by that unitary enterprise, the amount of dividends is derived from its retained earnings. However, it must be added that the official cap on dividends for JSCs, set in May 2017, amounts to only 25 percent.

6.1.4. The budgetary effect of government property policy

In 2018, in contrast to the situation over the previous year, the movement of federal budget revenues that had to do, in one or other way, with public property was positive. There is evident growth of revenues generated both by the use of public property (renewable sources) and by privatization and the sale of property (non-renewable sources).

Tables 10 and 11 show data taken from the reports on federal budget execution, in particular the revenues generated by the use of public property and the sale of public property entities belonging only to some specified categories of tangible property¹.

¹ Here, we do not consider the federal budget revenues generated by payments for the use of natural resources (including biological water resources, revenues from the use of forest fund, and the extraction of mineral resources), compensation of the losses incurred by the agricultural production sector as a result of confiscation of agricultural land, revenues generated by financial operations (revenues from placement of budget funds (revenues from federal budget residuals and their investment: from 2006 onwards, these include the revenues from the management of the RF Stabilization Fund (and from 2009 onwards – the Reserve Fund and the National Welfare Fund)); revenues from investment of monies accumulated in the course of trading RF stocks in the auction market); interest on budget-funded domestic loans, covered by the federal budget; interest on government loans (monies received from the governments of foreign countries and foreign legal entities as interest payments on RF government loans); money transfers from legal entities (enterprises and organizations), RF subjects, municipal formations received as interest and guarantee payments on loans received by the RF from foreign governments and international financial organizations; revenues from paid services rendered to the population or monies received by way of compensation of government expenditures; transfers of the RF Central Bank's profits; certain categories of payments from state and municipal enterprises and organizations (patent duties and registration fees for official registration of software, databases, integral microcircuit topologies; and other revenues which until 2004 were part of mandatory payments of state organizations (except revenues generated by the operations of Joint Venture *Vietsovpetro* (from 2001) and transfers of part of profits generated by FSUEs (from 2002); revenues from the implementation of product share agreements (PSA); revenues from the disposal of confiscated and other property earmarked as government revenue (including property transferred to state ownership in the procedure of inheritance or gift, or treasure trove appropriation); revenues generated by lotteries; other revenues from the use of property and rights in federal ownership (revenues from the execution of rights to the results of intellectual activity (R&D and technologies) intended for military, special or dual use; revenues generated by the execution of rights to the results of scientific and technological research held by the RF; revenues generated by the exploitation and use of property relating to motor roads, motor road levies imposed on transport vehicles registered in the territories of other states; execution of the Russian Federation's exclusive right to the results of intellectual activity in the field of geodesy and cartography; fees for the use of spatial data and materials that are not subject to copyright, kept in the Federal Fund of Spatial Data; and other revenues from the use of property in the ownership of the Russian Federation); revenues generated by organizations from the permitted types of economic activity and earmarked for transfer to the federal budget; revenues from realization of government reserves of precious metals and precious stones.

By contrast with the previous years, the law on federal budget execution for 2015–2017 contains no aggregate data listed under each revenue classification code or sub-code, or listed according to the classifications of transactions in the public administration sector on revenue side (these are listed only by their classification code for each revenue administrator). Therefore, we used data from the reports on

Table 10

**Federal budget revenues generated by the use of public property
(renewable sources) in 2000–2018, millions of rubles**

Year	Total	Dividends on shares (2000–2018) and revenues generated by other forms of participation in capital (2005–2018)	Payment for lease of land in state ownership	Revenues generated by lease of property in state ownership	Revenues from transfer of part of net profits of FSUEs after taxes and other mandatory payments	Revenues generated by Joint Venture <i>Vietsovpetro</i>
2000	23,244.5	5,676.5	–	5,880.7	–	11,687.3 _a
2001	29,241.9	6,478.0	3,916.7 _b	5,015.7 _c	209.6 _d	13,621.9
2002	36,362.4	10,402.3	3,588.1	8,073.2	910.0	13,388.8
2003	41,261.1	12,395.8	10,276.8 _e		2,387.6	16,200.9
2004	50,249.9	17,228.2	908.1 _f	12,374.5 _g	2,539.6	17,199.5
2005	56,103.2	19,291.9	1,769.2 _h	14,521.2 _i	2,445.9	18,075.0
2006	69,173.4	25,181.8	3,508.0 _h	16,809.9 _i	2,556.0	21,117.7
2007	80,331.85	43,542.7	4,841.4 _h	18,195.2 _i	3,231.7	10,520.85
2008	76,266.7	53,155.9	6,042.8 _h	14,587.7 _i	2,480.3	–
2009	31,849.6	10,114.2	6,470.5 _h	13,507.6 _i	1,757.3	–
2010	69,728.8	45,163.8	7,451.7 _h	12,349.2 _j	4,764.1	–
2011	104,304.0	79,441.0	8,210.5 _h	11,241.25 _j	4,637.85	773.4
2012	228,964.5	212,571.5	7,660.7 _k	3,730.3 _i	5,002.0	–
2013	153,826.25	134,832.0	7,739.7 _k	4,042.7 _i + 1,015.75 _m	6,196.1	–
2014	241,170.6	220,204.8	7,838.7 _k	3,961.6 _i + 1,348.5 _m	7,817.0	–
2015	285,371.1	259,772.0	9,032.3 _k	5,593.8 _i + 1,687.8 _m	9,285.2	–
2016	946,723.35/ 254,328.3 _n	918,969.1/ 226,574.1 _n	9,412.4 _k	5,843.25 _o + 3,026.7 _m	9,471.9	–
2017	275,168.2	251,327.0	9,825.1 _k	5,318.4 _o + 2,857.7 _m	5,840.0	–
2018	333,397.8	312,565.8	9,784.8 _k	1,988.6 _o + 2,922.6 _m	6,136.0	–

a – according to data released by the RF Ministry of Property Relations, in the Law on Federal Budget Execution for 2000 this item was not specified separately; instead, the amount of payment received from state-owned enterprises was entered (RUB 9,887.1 million) (without any components being specified);

b – the amount of lease payments (a) for the use of agricultural land and (b) for the use of land plots in the territories of towns and settlements;

c – the amount of revenues from the lease of property consolidated to (a) scientific research organizations, (b) educational establishments, (c) healthcare institutions, (d) state museums, state cultural and arts institutions, (e) archival institutions, (f) the RF Ministry of Defense, (g) organizations subordinated to the RF Ministry of Railways, (h) organizations providing research-related services to the academies of sciences with the status of a state entity, and (i) other revenues from the lease of property in state ownership;

d – according to data released by the RF Ministry of Property Relations, in the Law on Federal Budget Execution for 2001 this item was not specified separately, this value turned out to be the same as the amount of other revenues received as part of payments transferred by state and municipal organizations;

e – total amount of revenues generated by the lease of property entities in public ownership (without specifying the amount of lease payments for land);

f – the amount of lease payments (a) for the use of land plots in the territories of towns and settlements (b) for the use of land plots in federal ownership after the delineation of titles to land plots between different tiers of government;

federal budget execution as of January 1, 2016; January 1, 2017; and January 1, 2018 (annual data), and the monthly report on federal budget execution as of January 1, 2019.

g – the amount of revenues from the lease of property consolidated to (a) scientific research organizations, (b) educational establishments, (c) healthcare institutions, (d) state cultural and arts institutions, (e) state archival institutions, (f) institutions of the federal postal service of the RF Ministry of Communications and Informatization, (g) organizations providing research-related services to the academies of sciences with the status of a state entity, and (h) other revenues generated by the lease of property in federal ownership;

h – the amount of lease payments after the delineation of titles to land plots between different tiers of government and revenues generated by the sale of right to conclude lease agreements in respect of land plots in federal ownership (with the exception of land plots held by federal autonomous institutions (2008–2011) and budget-funded institutions (2011));

i – the amount of revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them, and property held by right of economic jurisdiction by FSUEs: properties transferred for operative management to organizations with the status of a state entity: (a) scientific research institutions, (b) organizations providing research-related services to the Russian Academy of Sciences and to sectoral academies of sciences, (c) educational establishments, (d) healthcare institutions, (e) federal postal service institutions of the Federal Communications Agency, (f) state cultural and arts institutions, (g) state archival institutions, and (h) other revenues generated by the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them, and property held by right of economic jurisdiction by FSUEs¹ (for the period 2006–2009 – less revenues from the permitted types of economic activity and revenues from the use of federal properties situated outside RF territory, which are received abroad, and which were not listed as a separate revenue item in the previous years²);

j – the amount of revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (with the exception of federal autonomous institutions and budget-funded institutions): properties transferred for operative management to organizations with the status of a state entity: (a) scientific research institutions, (b) organizations providing research-related services to the Russian Academy of Sciences and to the ‘branch’ academies of sciences, (c) educational establishments, (d) healthcare institutions, (e) state cultural and arts institutions, (f) state archival institutions, (g) properties held by right of operative management by the RF Ministry of Defense its subordinated institutions (2010), (h) properties in federal ownership disposed of by the Executive Office of the RF President (2010), and (i) other revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (less revenues from the permitted types of economic activity and revenues from the use of federal properties situated outside RF territory, which are received abroad);

k – the amount of lease payments after the delineation of titles to land plots between different tiers of government and revenues generated by the sale of right to conclude lease agreements in respect of land plots in federal ownership (with the exception of land plots held by federal budget-funded institutions and autonomous institutions), and (a) lease payments received for the lease of land plots in federal ownership, situated in public motor road precincts of federal importance (2012–2018), (b) payments for

¹For the period 2008–2009, there is no mention of FSUEs as sources of revenues generated by the lease of property consolidated to them by right of economic jurisdiction, while the revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them do not include revenues generated by property held by autonomous institutions.

²According to data released by the RF Ministry of Property Relations, the revenues from the use of federal properties situated abroad (less the revenues received by the Russian partner in Joint Venture *Vietsovpetro*) amounted to RUB 315 million in 1999 and RUB 440 million in 2000. Thereafter, the major role in organizing the commercial use of federal immovable property situated abroad was assigned to FSUE *Goszagransobstvennost*.

the execution of agreements on the establishment of servitude with regard to land plots situated within public motor road precincts of federal importance for the purposes of building construction (or reconstruction), capital repairs and exploitation of road service entities, installation and exploitation of utility networks, installation and exploitation of elevated advertising structures (2012 and 2014–2018), and (c) payments received in the framework of agreements on the establishment of servitude with regard to land plots in federal ownership (2015–2018);

l – the amount of revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (with the exception of budget-funded institutions and autonomous institutions): properties transferred for operative management to organizations with the status of a state entity: (a) scientific research institutions, (b) educational establishments, (c) healthcare institutions, (d) state cultural and arts institutions, (e) state archival institutions, (f) other revenues from the lease of property held by right of operative management by federal treasury institutions, (g) federal bodies of state authority, the Bank of Russia, and the managerial bodies of RF government extrabudgetary funds, (h) federal treasury institutions (2015 only) (less revenues from the use of federal properties situated outside RF territory, which are received abroad);

m – the amount of revenues from the lease of RF treasury property (with the exception of land plots);

n – less the revenues generated by the sale of the stake in *Rosneft* (RUB 692,395 billion) (less interim dividend payments);

o – for the period 2016–2018, we apply aggregate data, without identifying by-sector groups of institutions. The more general classification consist only of 2 revenue categories, distinguished depending on the recipient of revenues generated by lease of property (federal bodies of state authority, the Bank of Russia and the managerial bodies of RF government extrabudgetary funds, and federal treasury institutions).

Source: Laws on federal budget execution for the period 2000–2014; reports on federal budget execution as of January 1, 2016; January 1, 2017; and January 1, 2018 (annual data); and the monthly report on federal budget execution as of January 1, 2019, www.roskazna.ru; own calculations.

In 2018, the aggregate revenues generated by renewable sources increased by more than 21 percent relative to the previous year.

This was achieved in the main due to the receipts of dividends in the federal budget (RUB 312.6 billion), which increased by almost a quarter, and rose above the previous record high of 2015 (RUB 259.8 billion). The receipts of part of profits paid by unitary enterprises, after having shrunk in 2017 by more than 5 percent, increased once more, while still staying below their 2013 level in absolute terms (RUB 6.1 billion).

The amount of revenue generated by lease of land plots remained practically unchanged (approximately RUB 9.8 billion)¹. At the same time, the aggregate revenues generated by lease of federal property (approximately RUB 4.9 billion) demonstrated a sharp plunge (by 40 percent). This happened as a result of shrinkage, by more than

¹The amount of lease payments for land plots, just as a year earlier, includes lease payments received for the lease of land plots in federal ownership situated in public motor road precincts of federal importance, payments for the execution of agreements on the establishment of servitude with regard to land plots situated within the easement areas of general-use motorways of federal importance for the purposes of building construction (or reconstruction), capital repairs and exploitation of road service entities, installation, relocation, restructuring, and exploitation of utility networks, and installation and exploitation of elevated advertising structures; and payments for the execution of agreements on the establishment of servitude with regard to land plots in federal ownership which are specified for the first time in the budget reports for 2015.

60 percent (to less than RUB 2.0 billion) of the revenues from lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (with the exception of budget-funded institutions and autonomous institutions). The revenues generated by lease of property which is held by the RF Treasury (except land plots), on the contrary, somewhat increased (by 2.3 percent), amounting to more than RUB 2.9 billion. For the first time since they had been identified in budget reports (from 2013 onwards) as a separate entry, they began to prevail in the aggregate structure of revenues generated by lease of federal property.

As in the previous year, dividends held a dominant position in the structure of renewable federal budget revenue sources (approximately 94 percent vs. 91 percent a year earlier). The relative share of lease payments for land plots amounted to 2.9 percent; that of payments for property lease – to 1.5 percent; and that of profits transferred by FSUEs – to 1.8 percent. Their aggregate relative share declined relative to 2017.

While proceeding to an analysis of federal budget revenues generated by the privatization and sale of state property (*Table 11*), it should be noted that, from 1999 onwards, the revenues from the sale of such assets (state stakes, and over the period 2003–2007 – also land plots¹) have been treated as a source of funding to cover budget deficit.

Table 11

Federal budget revenues generated by the privatization and sale of property (non-renewable sources) in 2000–2018, millions of rubles

Year	Total	Sale of shares in federal ownership (2000–2014) and other forms of state participation in capital (2005–2018) ^a	Sale of land plots	Sale of miscellaneous properties
2000	27,167.8	26,983.5	–	184.3 ^b
2001	10,307.9	9,583.9	119.6 ^c	217.5+386.5+0.4 (ITA) ^d
2002	10,448.9	8,255.9 ^e	1,967.0 ^f	226.0 ^g
2003	94,077.6	89,758.6	3,992.3 ^h	316.2+10.5 ⁱ
2004	70,548.1	65,726.9	3,259.3 ^j	197.3+1,364.6+0.04 (ITA) ^k
2005	41,254.2	34,987.6	5,285.7 ^l	980.9 ^m
2006	24,726.4	17,567.9	5,874.2 ⁿ	1,284.3 ⁿ
2007	25,429.4	19,274.3	959.6 ^o	5,195.5 ^p
2008	12,395.0	6,665.2+29.6	1,202.0 ^q	4,498.2+0.025 (ITA) ^r
2009	4,544.1	1,952.9	1,152.5 ^q	1,438.7 ^r
2010	18,677.6	14,914.4	1,376.2 ^q	2,387.0+0.039 (ITA) ^r
2011	136660.1	126207.5	2425.2 ^q	8,027.4 ^r
2012	80,978.7	43,862.9	16,443.8 ^q	20,671.7+0.338 (ITA) ^r
2013	55,288.6	41,633.3	1,212.75 ^q	12,442.2+0.310 (ITA) ^r
2014	41,155.35	29,724.0	1,912.6 ^q	9,517.7+1.048 (ITA) ^r
2015	18,604.1	6,304.0	1,634.55 ^q	10,665.5+0.062 (ITA) ^r
2016	416,470.5	406,795.2	2,112.7 ^q	7,562.6+0.012 (ITA) ^r
2017	21,906.7	14,284.5	1,199.6 ^q	6,421.3+1.3 (ITA) ^r
2018	28,251.3	12,787.5	1,660.6 ^q	13,803.0+0.2 (ITA) ^r

^a – treated as an internal source of funding to cover the federal budget deficit, amount to RUB 29.6 million for 2008 (as stated in the Report on Federal Budget Execution as of 1 January 2009); this is a federal budget revenue item, but it is absent in the 2008 Law of Federal Budget Execution;

^b – revenues generated by privatization of entities in public ownership and treated as an internal source of funding to cover the federal budget deficit;

¹Data for the period 2003–2004, including revenues generated by sale of leasing right.

c – revenues generated by the sale of land plots and the right to lease land plots in state ownership (with special entry concerning those land plots in which privatized enterprises are situated), treated as federal budget revenues;

d – the amount of revenues generated by (1) the sale of property in federal ownership, treated as an internal source of funding to cover the federal budget deficit, (2) revenues generated by (a) the sale of apartments, (b) the sale of state-owned production and non-production assets, transport vehicles, other equipment and tangible assets, and (3) revenues generated by the sale of intangible assets (ITA), treated as federal budget revenues;

e – including RUB 6 million generated by the sale of shares held by RF subjects;

f – revenues generated by the sale of land and intangible assets, their amount not specified as a separate entry, treated as federal budget revenues;

g – revenues generated by the sale of property in public ownership (including RUB 1.5 million generated by the sale of properties held by RF subjects), treated as an internal source of funding to cover federal budget deficit;

h – this figure includes revenues generated by (1) the sale of land plots in which immovable property entities are situated, which prior to their alienation were federal property, the proceeds being transferred to the federal budget, (2) the sale of other land plots, as well as the sale of the right to conclude lease agreements in respect of those land plots, (3) the sale of land plots after delineation of titles to land plots, as well as the sale of the right to conclude lease agreements with respect to those land plots, the proceeds being transferred to the federal budget; these are treated as an internal source of funding to cover the federal budget deficit;

i – the sum of (1) revenues generated by the sale of properties in federal ownership, treated as an internal source of funding to cover the federal budget deficit, and (2) revenues generated by the sale of intangible assets, treated as federal budget revenues;

j – this figure includes the revenues generated by: (1) the sale of land plots prior to delineation of public titles to land plots, in which immovable property entities are situated, which prior to their alienation were federal property, the proceeds being transferred to the federal budget, (2) the sale of other land plots, as well as the sale of the right to conclude lease agreements in respect of those land plots, (3) the sale of land plots after delineation of titles to those land plots, as well as the sale of the right to conclude lease agreements with respect to those land plots, the proceeds being transferred to the federal budget; these are treated as an internal source of funding to cover federal budget deficit;

k – the sum of (1) revenues generated by the sale of properties in federal ownership, treated as an internal source of funding to cover the federal budget deficit, (2) revenues generated by (a) the sale of apartments, (b) the sale of equipment, transport vehicles and other tangible assets, the proceeds being transferred to the federal budget, (c) the sale of the products of ships recycling industry, (d) the sale of property held by state unitary enterprises and state institutions, as well as the sale of military property, (e) the sale of the products of recycled armaments, military technologies and ammunition, (3) revenues generated by the sale of intangible assets (ITA); these are treated as federal budget revenues;

l – this figure includes the revenues generated by: (1) the sale of land plots prior to delineation of titles to land plots, in which immovable property entities are situated, which prior to their alienation were federal property, (2) the sale of land plots after delineation of titles to land plots, the proceeds being transferred to the federal budget, (3) the sale of other land plots, which prior to delineation of titles to land plots between different tiers of government were public property, and which are not earmarked for housing construction (this subdivision is true only with regard to data for 2006), treated as sources of funding to cover federal budget deficit;

m – revenues generated by the sale of tangible and intangible assets (less federal budget revenues generated by disposal and the sale of confiscated property and other property treated as government revenue), this figure includes revenues generated by (a) the sale of apartments, (b) the sale of property held by FSUEs, (c) the sale of property held by right of operative management by federal institutions, (d) the sale of military property, (e) the sale of the products of recycled armaments, military technologies

and ammunition, (f) the sale of other properties in federal ownership, (g) the sale of intangible assets; these are treated as federal budget revenues;

n – revenues generated by the sale of tangible and intangible assets (less revenues received as profit share in the framework of product share agreements (PSA) and federal budget revenue generated by the disposal and sale of heirless property, confiscated property, or other property earmarked as government revenue), this figure includes revenues generated by (a) the sale of apartments, (b) the sale of property held by FSUEs, (c) the sale of property held by right of operative management by federal institutions, (d) the sale of military property, (e) the sale of the products of recycled armaments, military equipment and ammunition, (f) the sale of other properties in federal ownership; these are treated as federal budget revenues;

o – revenues generated by the sale of land plots after delineation of titles to land plots formerly in federal ownership, treated as sources of funding to cover federal budget deficit;

p – revenues generated by the sale of tangible and intangible assets (less revenues received as profit share in the framework of product share agreements (PSA) and federal budget revenues generated by the disposal and sale of heirless property, confiscated property, or other property earmarked as government revenue, and revenues from the sale of timber confiscated from timber poachers), this figure includes revenues generated by (a) the sale of apartments, (b) the sale of property held by FSUEs, (c) the sale of property held by right of operative management by federal institutions, (d) the sale of redundant movable and immovable military properties and other properties held by federal bodies of executive authority that involve military service, and services that are equated to military service, (e) the sale of military-purpose products from the stores of federal bodies of executive authority within the framework of cooperation in the field of military technologies, (f) revenues generated by the sale of other properties in federal ownership; these are treated as federal budget revenues;

q – revenues generated by the sale of land plots in federal ownership (less land plots held by federal autonomous and budget-funded institutions (data for 2011–2012)), treated as federal budget revenues; prior to 2015, these also include payments for the enlargement of private land plots resulting from their redistribution, as well the redistribution of land plots in federal ownership;

r – revenues generated by the sale of tangible and intangible assets (less revenues received as profit share in the framework of product share agreements (PSA), and federal budget revenue generated by the disposal and sale of heirless property, confiscated property, or other property earmarked as government revenue, and revenues from the sale of timber confiscated from timber poachers) (data for 2008–2011), revenues generated by the release of tangible assets from the state reserve of special raw materials and divisible materials (in the part of revenues generated by the sale, temporary lending, and other uses thereof); and with regard to data for 2012–2016, also revenues generated by the sale of timber produced as a result of measures designed to safeguard, protect, reproduce forests in the framework of government order for the implementation of such measures without the sale of forest plantations for timber production, and timber produced as a result of use of forests situated in the lands belonging to the Forest Fund of the Russian Federation, in accordance with Articles 43–46 of the RF Forest Code; revenues generated by commodity intervention from the reserve stocks held in the federal intervention fund of agricultural products, raw materials and foodstuffs, revenues generated by the release of tangible assets from the state reserve, revenues generated by the involvement of convicts in reimbursable labor (in the part of sales of finished products), revenues generated by the sale of products requiring special storage conditions); this figure also includes revenues generated by (a) the sale of apartments, (b) the sale of property held by right of operative management by federal institutions (with the exception of autonomous institutions and budget-funded institutions (data for 2011–2018), less revenues generated by the activities of institutions situated abroad (2015–2018), (c) the sale of redundant movable and immovable military properties and other properties held by federal bodies of executive authority that involve military service, and services that are equated to military service, (d) the sale of the products of recycled armaments, military equipment and ammunition, (e) the sale of products intended for military use and entered on the list of properties held by federal bodies of executive authority in the framework

of cooperation in the field of military technologies (data for 2008 and the period 2010–2018), (f) the sale of scrapped armaments and other military hardware in the framework of the Federal Target Program of Industrial Recycling of Armaments and Military Equipment (2005–2010), (g) revenues generated by the sale of immovable property held by budget-funded and autonomous institutions (2014–2018), (h) revenues generated by the sale of other properties in federal ownership, and revenues generated by the sale of intangible assets (ITA); these are treated as federal budget revenues.

Source: Laws on federal budget execution for the period 2000–2014; reports on federal budget execution as of January 1, 2016; January 1, 2017; and January 1, 2018 (annual data); and the monthly report on federal budget execution as of January 1, 2019, Report on Federal Budget Execution as of 1 January 2016 (annual report), www.roskazna.ru; own calculations.

When taken in absolute terms, the amount of property-generated federal budget revenues from non-renewable sources in 2018 jumped by 29 percent. However, the revenues generated by the sale of shares declined by 10.5 percent (to RUB 12.8 billion). Relative to the period after 2010, this would be a record low but for the index for 2015 (RUB 6.3 billion).

At the same time, the revenues generated by the sale of land plots moved in the other direction, rising more than 38 percent and amounting to RUB 1.66 billion vs. RUB 1.2 billion a year earlier, which roughly corresponds to their level in 2015, but is still less than the corresponding indices for 2014 and 2016. Meanwhile, the amount of revenues from the sale of miscellaneous properties jumped even higher (more than twice), and their index in absolute terms (RUB 13.8 billion) is a record high of the entire period since 2012. Similarly to the results of 2015, the relative share of revenue from that particular source turned out to be highest (approximately 1/2). The sale of shares accounted for more than 45 percent (in 2017 – approximately 2/3), and the sale of land plots – for less than 6 percent (in 2017 – 5.5 percent).

The aggregate federal budget revenue generated by the privatization (or sale) and use of state property in 2018 (*Table 12*) increased nearly 22 percent relative to the previous year.

Table 12

**The structure of property-generated federal budget revenues
from miscellaneous sources, 2000–2018**

Year	Aggregate revenue generated by privatization (or sale) and use of state property		Privatization-generated revenues (non-renewable sources)		Revenues generated by use of state property (renewable sources)	
	millions of rubles	percent of total	millions of rubles	percent of total	millions of rubles	percent of total
1	2	3	4	5	6	7
2000	50,412.3	100.0	27,167.8	53.9	23,244.5	46.1
2001	39,549.8	100.0	10,307.9	26.1	29,241.9	73.9
2002	46,811.3	100.0	10,448.9	22.3	36,362.4	77.7
2003	135,338.7	100.0	94,077.6	69.5	41,261.1	30.5
2004	120,798.0	100.0	70,548.1	58.4	50,249.9	41.6
2005	97,357.4	100.0	41,254.2	42.4	56,103.2	57.6
2006	93,899.8	100.0	24,726.4	26.3	69,173.4	73.7
2007	105,761.25	100.0	25,429.4	24.0	80,331.85	76.0
2008	88,661.7	100.0	12,395.0	14.0	76,266.7	86.0
2009	36,393.7	100.0	4,544.1	12.5	31,849.6	87.5
2010	88,406.4	100.0	18,677.6	21.1	69,728.8	78.9

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1	2	3	4	5	6	7
2011	240,964.1	100.0	136,660.1	56.7	104,304.0	43.3
2012	309,943.2/ 469,243.2*	100.0	80,978.7/ 240,278.7*	26.1/ 51.2*	228,964.5	73.9/ 48.8*
2013	209,114.85	100.0	55,288.6	26.4	153,826.25	73.6
2014	282,325.95	100.0	41,155.35	14.6	241,170.6	85.4
2015	303,975.2	100.0	18,604.1	6.1	285,371.1	93.9
2016	1,363,193.85/ 670,798.85**	100.0	416,470.5	30.6/ 62.1**	946,723.35/ 254,328.35	69.4/ 37.9**
2017	297,074.9	100.0	21,906.7	7.4	275,168.2	92.6
2018	361,649.1	100.0	28,251.3	7.8	333,397.8	92.2

* – including the proceeds received by the RF Central Bank as a result of the sale of a stake in *Sberbank* (RUB 159.3 billion), which is probably an overestimation of the actual aggregate share of non-renewable sources, because the budget did not receive the full amount of those proceeds, but their amount less the balance sheet value of that particular asset plus the costs incurred in the deal of sale. Consequently, the share of renewable sources is, on the contrary, somewhat underestimated;

** – less the revenues generated by the sale of shares in *Rosneft* (RUB 692,395 billion) (less interim dividend payments).

Source: Laws on federal budget execution for the period 2000–2014; reports on federal budget execution as of January 1, 2016; January 1, 2017; and January 1, 2018 (annual reports); Report on Federal Budget Execution as of January 1, 2019 (monthly report), www.roskazna.ru; own calculations.

Their index in absolute terms (RUB 361.65 billion) was below only the records highs of 2012 and 2016, when the deals of sale of stakes in biggest companies (*Sberbank* and *Rosneft*) were closed¹. Meanwhile, in 2018 there were no such deals, and the ratio of non-renewable to renewable sources in the structure of aggregate revenues generated by the privatization (or sale) and use of public property remained the same as a year earlier.

The relative share of non-renewable sources in the structure of aggregate revenues generated by the privatization (or sale) and use of public property was less than 8 percent. The revenue generated by the use of public property, having surged above 92 percent, in absolute terms hit a record high of the entire period since the early 2000s, while the revenues generated by the privatization and sale of property amounted to slightly more than a half of the corresponding index for 2013, at the same time being above the indices for 2007–2010 and 2015.

It should be noted that in the budget reports, the RF Central Bank's revenues generated by its stake in the capital of *Sberbank of Russia* PJSC are not identified as a separate entry; according to the materials attached to the drafts of federal budget laws prepared by the RF Government, these are treated as non-tax revenues.

6.1.5. The government program *federal property management* : new amendments (version) and current results

A condensed statement of the government policy in the sphere of property management in its current phase is the Government Program (GP) *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014, to

¹When taken less the proceeds received by the RF Central Bank as a result of the sale of a stake in *Sberbank*, the index for 2012 moves below the aggregate federal budget revenue generated by the privatization (or sale) and use of public property in 2018.

replace the original GP with the same title that had been in effect for approximately 14 months¹.

By RF Government Decree No 367-14 dated March 30, 2018, other important alterations were introduced in the program adopted in 2014, and it was approved in its new (third) version².

The GP has been prolonged until 2020, while in its previous version it was to be completed in 2019, and so its second phase (2016–2020) is now extended over a period of 5 years. Below we analyze in more detail the changes in the volume of budget funding and its proportional distribution (*Table 13*).

Table 13

**Budget allocations to the Government Program
Federal Property Management
in 2013–2020, millions of rubles**

period	GP 2013*		GP 2014 (original version)		GP 2014 (version 2017/2018)	
	total	Including additional funding	total	Including under Subprogram <i>Improvement of the Efficiency of Government Property Management and Privatization</i>	total	Including under Subprogram <i>Improvement of the Efficiency of Government Property Management and Privatization</i>
2013	5,474.3	5,896.9	23,629.8	5,673.8	23,287.2	5,474.3
2014	5,251.4	9,666.6	22,093.5	5,436.1	22,093.5	5,436.1
2015	5,275.1	9,842.7	27,537.6	5,298.9	27,938.9	5,408.5
2016	5,469.8	11,180.5	25,261.0	5,138.9	24,854.5	4,465.8
2017	5,775.8	8,028.8	26,903.6	5,158.6	22,971.3	4,127.6
2018	6,192.0	7,869.2	29,605.5	5,531.4	22,491.1/23,047.6**	4,046.0/4,058.0
2019					22172.6/22621.5**	3991.6/4069.4
2020					22944.5**	4131.2
total	33,438.4	52,484.8	155,031.1	32,237.7	165,809.1/189,759.0**	32,949.8/37,170.8

* – only the amount of funding allocated to the Subprogram Improvement of the Efficiency of Government Property Management and Privatization. The budget allocation data for Subprogram Government Material Reserve Management are classified;

** – as approved in 2018.

Source: Government Program *Federal Property Management*, approved by RF Government Directive No 191-r dated February 16, 2013; Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (original version, as approved on March 31, 2017 and March 30, 2018).

After the amount of allocations to the implementation of the GP in its previous version was reduced by 15–24 percent in 2017–2018 relative to its original version, their

¹ Approved by RF Government Directive No 191-r dated February 16, 2013. For more details on GP 2013, see Malginov, G., Radygin, A. Public sector and privatization // Russian Economy in 2012. Trends and Outlooks (Issue 34). Moscow, IEP. 2013, p. 468–475.

² For an analysis of the GP as approved in spring 2017, see Malginov, G., Radygin, A. Federal property and privatization policy // Russian Economy in 2017. Trends and Outlooks. Moscow, IEP. 2018, p. 435–452.

growth in accordance with the latest version amounted to 2–2.5 percent in 2018–2019. Overall in the course of 8 years (2013–2020), the volume of financial resources allocated from the federal budget to the implementation of the GP is to amount to RUB 189.8 billion, which is by approximately RUB 24 billion, or 14.5 percent, more than the amount envisaged in the previous version of the GP for a 7-year period (2013–2019).

The allocations under the GP, as a result of its prolongation, to Subprogram 1 *Improvement of the Efficiency of Government Property Management and Privatization* will amount to more than RUB 4.2 billion. The volume of funding earmarked for the ‘extra’ year 2020 is less, by approximately 11 percent, than the average annual volume of allocations envisaged in the new version of the GP (relative to the corresponding allocation target set in the previous version, it will decline by 12 percent, and relative to the original version – by approximately 23 percent). Similarly to the original version, the bulk of budget allocations will go to the Subprogram *Government Material Reserve Management*. The Subprogram *Improvement of the Efficiency of Government Property Management and Privatization* will receive less than 20 percent of the total allocation target for the period 2013–2020 (and approximately 18 percent in 2019–2020).

However, it should be borne in mind that throughout the entire discourse, it is the allocation targets, and not the actual amount of budget spending, that are the focus of attention. The corresponding budget projections in the law on federal budget for 2019–2021 turned out to be approximately 30 percent less than the targets set in the GP certificate: RUB 15.8 billion in 2019, and RUB 16.1 billion in 2020. At the same time, the amount of allocations to Subprogram 1 has turned out to be somewhat higher than the targets set in its certificate: RUB 4,092.5 million in 2019, and RUB 4,155.5 million in 2020. As a result, the relative share of the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization* will amount to approximately 1/4 of the total amount of funding allocated to the GP.

While the goals that were previously set in the GP have remained unchanged, in its new version the targets and indicators of the GP’s progress are the average rate of decline in the number of organizations with state stakes and federal treasury property entities (as percentage) – these remained unchanged, but in the original version of the GP there was also another indicator – the dynamics of the hi-tech development of federal property management methods.

The expected results, according to the new version of the GP, are the adoption, by 2020, of a new forecast plan (program) of federal property privatization and the main directions of federal property privatization for 2020–2022 (instead of the completion, in 2019, of the current reform in the system of federal property sales), and an increase in the rate of decline in the number of federal treasury property entities from 3 percent in 2013 to 29.5 percent in 2020 (instead of 24 percent in 2019).

The total number of quantitative targets set for the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization* remained the same (14); in the original version adopted in 2014 there were 16 targets, and since then, their actual content has also changed.

Among the targets aiming at optimization of the composition and structure of federal property, the indicator of the relative share of treasury property entities for which a target function was assigned has been eliminated (with respect to FSUEs, this was done in 2017).

And instead of the indicator of decline in the number of treasury property entities (with the exception of entities in RF exclusive ownership), measured as a percentage of their number in 2012, the indicator of the relative share (percentage) of federal treasury property entities involved in economic turnover in the total number of federal treasury property entities as of the end of a reporting year is now applied (less land plots, shares in the charter (or share) capital of economic societies and partnerships, other highly valuable movable property entities with initial per unit cost below RUB 500,000/200,000, and current assets (irrespective of their value), entered on records as single entities)¹.

Besides, a new indicator was introduced – the relative share (percentage) of the powers of *Rosimushchestvo* executed through the use of the Federal State Information System *FGIAS ESUGI* (Register of Assets Held by the Russian Federation). In this connection, it should be reminded that in the GP's original version adopted in 2014, there were two indicators linked to the use of *FGIAS ESUGI*: the relative share of economic societies with a 100-percent stake owned by the RF and state organization with a less-than-100-percent stake owned by the RF, whose accounting systems and tax records were fully integrated in *FGIAS ESUGI*, in the total number of organizations in the relevant category (both these indicators were eliminated in 2017).

The definition of the indicator of the amount of federal budget revenue generated by profit derived from the ownership of shares in the charter (or share) capital of economic societies and partnerships, or by dividends paid on shares in federal ownership, and actually received, relative to its target set for a given reporting year, was significantly altered so as to make it more precise. The original definition was supplied with a note that in this connection, a decision by the RF Government to the effect that dividends are not to be paid should be taken into account; now the content of that note has been expanded, and in addition to a government decision, also government directives concerning the percentage of net profit to be earmarked for the payment of dividends by each JSC, and concerning the difference between the actual amount of net profit received by a JSC and its planned target, should be taken into account.

The expected results of Subprogram 1 have largely remained the same, as far as their content is concerned. It differs from its 2017 version only in that it now lacks one specific target – a decline in the number of treasury property entities owned by the Russian Federation (less land plots). At the same time, with respect to all treasury property entities, land plots including, a general increase of the relative share of such

¹Because this definition is obviously difficult to apply due to its complexity, in the materials published on *Rosimushchestvo*'s official website, its shorter version sometimes used: 'treasury-owned capital construction entities not involved in economic turnover'.

entities involved in economic turnover is proclaimed (without any specific figures provided).

The text of the GP was amended as follows.

The government policy priorities and goals, which have been shaped not only by the Concept of long-term socioeconomic development of Russia until 2020 (approved by RF Government Directive No 1662-r dated November 17, 2008) and the Federal Law ‘On Strategic Planning in the Russian Federation’, but also by presidential and governmental decisions, are now concretized, to some extent, by the following elaboration: ‘including with respect to accelerated development of priority territories’.

The list of measures designed to improve the efficiency of federal property sales and to enhance the involvement of federal property entities in commercial turnover, including privatization instruments, has been shortened.

The following items were struck off the list:

- creation of mechanisms for elaborating plans and schedules regarding the sale of shares in big companies with state stakes in a medium-term perspective, prepared with due regard for the results of a preliminary analysis of their investment potential, markets, demand, investor needs, regulatory environment; and also, whenever necessary, implementation of measures designed to increase the capitalization index and investment attractiveness of the property entities to be alienated; alteration of the business model, strategy and corporate governance quality of companies, and the tariff- and tax-related and social aspects of regulation;

- implementation of a system of motivations for the key participants in a sale (the CEOs of a company earmarked for privatization and the seller);

- elaboration, with due regard for international best practices, of formal procedures of pre-sale preparation and alienation of shares in big companies with state stakes that could be attractive for investors, in accordance with RF Government decisions, in order to attract investments, and promote competition, modernization and technological development of the national economy;

- regular monitoring of the planning, preparation and closure of deals entered in the federal property roadmaps approved by the RF Government;

- better information backing of sales of federal property through regular online publications, and gradual elimination of printed announcements concerning the involvement in economic turnover of federal property entities;

- ‘post-privatization’ monitoring of the sold entities, and control of the fulfillment of their obligations by the new owners.

In this connection, the following goals related to optimizing the content and structure of the federal property complex are no longer to be achieved:

- creation of a system of motivations for the sellers and CEOs of companies with state stakes earmarked for privatization;

- creation of roadmaps for the pre-sale preparation and sale of big federal property entities that are attractive for investors;

– creation of a system for control and monitoring of the implementation of roadmaps for the pre-sale preparation and sale of big federal property entities that are attractive for investors;

– completion of the implementation of roadmaps for increasing the investment attractiveness of federal property entities to be alienated.

Some alterations were also made to the list of measures designed to boost performance in the sphere of federal property management.

There is no longer any mention of the requirement that the companies still with federal stakes should gradually go public through entering the organized securities market. At the same time, it is now required that professional directors and independent experts should be elected to the managerial and control bodies of biggest companies as well.

Besides, the text has been technically edited in many ways. Among the most important alterations are the use of the terms ‘phase I’ and ‘phase II’ instead of the specific dates mentioned in the previous version (2015 and 2019 versions respectively), and the equivalent use of the terms ‘roadmap’ and ‘plan of measures’.

The new version of the GP, similarly to its predecessor, contains a number of annexes, the most interesting component of which are the numerical data (indicators). Their publication makes it possible not only to compare different versions, but also to estimate the success achieved in the program’s implementation (*Tables 14–18*).

Table 14

The progress of the GP *Federal Property Management* in 2014–2017 and indicators for the period until 2020, in the part of determining target functions (relative share of assets with a determined target function)

Indicator	2014		2015		2016		2017		2018	2019	2020
	plan	fact	plan	fact	plan	fact	plan	fact			
Relative share of economic societies with shares (or stakes) in federal ownership, percent	35	61	45	68	50	65.5	100	99.8	100	100	100
Relative share of FSIs, percent	–	20.5	–	32	5	49	60	60.6	100	100	100

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 30, 2018); *Rosimushchestvo*’s reports for 2014–2017, www.rosim.ru.

Table 15

The progress of the GP *Federal Property Management* in 2014–2017 and indicators for the period until 2020, in the part of optimization of its content and structure

Indicator	2014		2015		2016		2017		2018	2019	2020
	plan	fact	plan	fact	plan	fact	plan	fact			
1	2	3	4	5	6	7	8	9	10	11	12
Annual decline in number of JSCs with state stakes relative to previous year, not less than, percent	15	8.8	12	12	6	20.9	5	14.6	6	7	8

Cont'd

1	2	3	4	5	6	7	8	9	10	11	12
Annual decline in number of FSUEs relative to previous year, not less than, percent	12	6.3	13	12	15	9.7	20	22.2	13	13	13
Reduction in area of treasury-owned land plots not involved in economic turnover, relative to total area of treasury-owned land plots in 2012 (except land plots withdrawn from turnover or those subject to turnover restrictions), percent	10	21.5	15	17	20	33.9	25	35	30	35	40
Relative share of treasury property entities involved in economic turnover in total number of treasury property entities as of end of reporting year (less land plots, shares, stakes (or contributions) in charter (share) capital of economic societies and partnerships, other highly valuable movable property entities with initial per unit cost below RUB 500,000/200,000, and current assets (irrespective of their value), entered on records as single entities)*, percent									18	18.5	19

* – a new indicator that appeared in the 2018 version of the GP.

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 30, 2018); *Rosimushchestvo*'s reports for 2014–2017, www.rosim.ru.

Table 16

The progress of the GP *Federal Property Management* in 2014–2017 and indicators for the period until 2020, in the part of public asset management instruments (in fact, only JSCs with state stakes)

Indicator	2014		2015		2016		2017		2018	2019	2020
	plan	fact	plan	fact	plan	fact	plan	fact			
1	2	3	4	5	6	7	8	9	10	11	12
Relative share of civil servants in managerial and controlling bodies of JSCs with state stakes, percent	30	29.6	30	27	30	28.7	50	495	50	50	50

Cont'd

1	2	3	4	5	6	7	8	9	10	11	12
Relative share of JSCs (those entered in the Special List, and other JSCs with controlling RF stakes) with indicators in their long-term development programs oriented to boosting labor productivity and creation and modernization of high-productivity jobs, percent*	–	–	–	–	–	–	70	71.5	80	90	95

* – a new indicator that appeared in the 2017 version of the GP.

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 30, 2018); *Rosimushchestvo's* reports for 2014–2017, www.rosim.ru.

Table 17

The progress of the GP *Federal Property Management* in 2014–2017 and indicators for the period until 2020, in the part of hi-tech development of federal property management methods

Indicator	2014		2015		2016		2017		2018	2019	2020
	plan	fact	plan	fact	plan	fact	plan	fact			
Relative share of federal property entities in Federal Property Register in total number of identified property entities to be entered in Register (over current year), percent	80	100	80	80	80	80.2	80	81.5	80	90	90
Relative share of public services rendered in electronic form in total number of services rendered by <i>Rosimushchestvo</i> , percent	35	98	50	98	65	93.3	100	100	100	100	100
Relative share of powers executed by <i>Rosimushchestvo</i> through the use <i>FGIAS ESUGI</i> , percent*									45	60	75

* – a new indicator that appeared in the 2018 version of the GP.

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 30, 2018); *Rosimushchestvo's* reports for 2014–2017, www.rosim.ru.

These data reliably underline the fact that after the adoption of a new version of the GP, according to the year-end results of 2017, almost all indicators were close to their target values, or had surged above those target values. One particularly illustrative example is the indicator of annual decline in the number of economic subjects with state stakes relative to the previous year. If for JSCs that movement pattern could be observed as early as 2016, in the case of FSUEs an accelerated rate was noted for the first time only since the launch of the GP. The rate of shrinkage of treasury-owned land plots not involved in economic turnover relative to the total area of treasury-owned land plots in 2012 corresponds to the planned target for 2019. In a similar fashion, the ratio of value of sold property entities in state ownership to their valuation index determined for the purpose of their sale also corresponds to its planned target for 2018. The budgetary effect

indicators rose above their planned targets: with respect to the sale of shares (or stakes) in economic societies – by 4 percent, and with respect to dividends – by more than 7 percent.

Table 18

**The progress of the GP *Federal Property Management* in 2014–2017
and indicators for the period until 2020, in the part
of budgetary effect**

Indicator	2014		2015		2016		2017		2018	2019	2020
	plan	fact	plan	fact	plan	fact	plan	fact			
Relative share of federal budget receipts over reporting year generated by sale of shares and stakes in charter capital of economic societies, as percentage of planned amount of receipts set in RF Government directive that approved forecast plan (program) of privatization for given year (except receipts generated by sale of shares in biggest JSCs),* percent	–	–	–	–	–	–	100	104	100	100	100
Federal budget revenue received as profit derived from stakes in charter capital of economic societies and partnerships, or dividends on shares in federal ownership, as percentage of planned target for reporting year (with due regard for RF Government concerning non-payment of dividends),* percent	–	–	–	–	–	–	100	107.1	100	100	100
Ratio of value of sold property in state ownership to its valuation for purposes of sale,* percent	–	–	–	–	–	–	30	40.5	40	50	70

* – a new indicator that appeared in the 2017 version of the GP.

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 30, 2018); *Rosimushchestvo*'s reports for 2014–2017, www.rosim.ru.

In the new (2018) version of the GP, the content of the normative legal package to be adopted has been somewhat adjusted. While in the previous version it was intended to introduce amendments to two presidential executive orders (concerning constraints on privatization and the list of strategic organizations) and one federal law (concerning the procedures for determining heirs to property in the course of escheatment process), the new version envisages the adoption, by a government directive, of the privatization program for 2020–2022 and the amendment of the law on unitary enterprises

(concerning regulation of the sale of their property), and the issuance of a government decree on the improvement of federal property records.

* * *

Thus, in 2018, the situation in the sphere of ownership relations was shaped by the following basic trends.

The number of unitary enterprises and JSCs with state stakes in their capital, according to data from a variety of sources, was well in line with the multi-year downward trend displayed by the movement pattern of the number of economic subjects in federal ownership. A detailed analysis revealed a number of negative trends like a shrinkage in the relative share of companies where the State, in its capacity of a shareholder, could exercise full-scale corporate control, as a result of an increase in the relative share of minority stakes, and also a shrinkage in the relative share of those companies where *Rosimushchestvo* could fully exercise its shareholder rights.

There were no instances of sale of big assets (included in the current privatization program for 2017–2019) on the basis of individual government decisions. The biggest deal with significant budgetary effect was the 2-year (2017–2018) installment buyout, under an individual plan, of a stake in a Russia-India joint venture in the telecommunications sector by SSA *Sistema* PJSC. However, the total budget target for revenue generated by the sale of shares proved to be unachievable, and the same was true of the federal budget revenue target (less biggest sale value) set in the privatization program. The movement patterns of sales of stakes in JSCs in accordance with standard procedures and reorganizations of unitary enterprises into JSCs remained basically the same as in 2017.

As for the sales of treasury property entities, both the number of bids by investors and the number of actually closed deals more than doubled. In this connection, we may speak of an increasingly significant involvement of independent sellers, who for several straight years have been playing a major role in the sales of shares (or stakes) in economic societies.

The provisions of the law on privatization were made significantly more liberal: the ban, introduced in 2017, on property purchase by an offshore company now applies only to those offshore companies which do not disclose information on their beneficiaries, beneficiary owners and controlling persons in the procedure established by the RF Government.

The process of creation, by the government, of vertically integrated structures and consolidation of state corporations has continued. The decision concerning the transfer to State Corporation *Rostec* of several VISs created more than 10 years ago, previously entered on the list of strategic organization, and specializing in certain industrial sectors, can be viewed as a new development in this sphere.

As far as state representatives in the managerial bodies of companies with state stakes are concerned, their group continued to display a trend toward an increasing relative

share of civil servants and professional attorneys and a shrinking share of independent directors. The improvement of instruments to be applied in managing the economic subjects operating in the public sector was reduced in the main to elaboration of various draft documents.

In the structure of federal budget revenue generated by privatization (or sale) and use of state-owned property, just as a year earlier, renewable sources played a dominating role. In 2018, as was the case both in 2015 and in 2017, their relative share hit a record high of the entire period since the early 2000s (more than 90 percent).

Meanwhile, most of revenue growth expressed in absolute terms came from the sources associated with the activity of commercial organization with state participation (dividends and the transfer of part of their profit by unitary enterprises), while lease payments for land and other property were stagnating or shrinking, with the exception of revenues generated by the leasing of treasury property entities. The latter, from the moment of their identification as a separate entry in budget reports, began to prevail in the aggregate proceeds of federal property leasing.

Among non-renewable revenue sources, growth was displayed by revenues generated by the sale of land plots and miscellaneous properties. The revenues generated by the latter were more substantial, even surging above the shrinking revenues from the sale of shares (or stakes) in economic societies.

The tradition of annual amendment of the Government Program *Federal Property Management* was continued. It was prolonged for one more year (until 2020), and the amount of funding allocated to both its subprograms was increased accordingly; however, the actual amount of these allocations is determined by laws on federal budget.

The major changes in the set of indicators for estimating the course of implementation of the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization* had to do with treasury property entities; as was previously done with respect to unitary enterprises, the indicator for determining their target function was abolished, and the indicator of shrinkage of the ‘non-land’ component of the group of treasury property entities is now presented in a new format. The results of implementation of this Subprogram, after the alterations introduced in 2017, demonstrate that the established targets were met or exceeded by nearly all the indicators.
