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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 41th 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: global economic and political challenges and national responses, economic growth and economic crisis; 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.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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6.1. The public sector and privatization in Russia in 2019¹

6.1.1. Economic subjects in federal ownership

From 2016, statistical data began to be published in the framework of the System of Public Property Management Efficiency Estimates (hereinafter – System of Estimates). It was approved by Decree of the RF Government No 72 dated January 29, 2015, to replace the public sector monitoring data, collected and released by the Federal State Statistics Service (*Rosstat*) since the early 2000s in accordance with RF Government Decree No 1 dated January 4, 1999 (as amended on December 30, 2002). The System of Estimates contains data on the number of federal state unitary enterprises (FSUEs) and joint-stock companies (JSCs) with RF stakes in their capital, which had been previously published, as a rule, in the government privatization programs for the next period (from 2011 – for three-year period, and prior to 2011 – for one-year period). Such data can also be found in the newly adopted forecast plan (program) of federal property privatization (FPP), as well as in the Main Directions of Federal Property Privatization for 2020–2022 approved by RF Government Directive No 3260-r dated December 31, 2019.

Together with data from the Federal Property Register and the System of Public Property Management Efficiency Estimates, the relevant data are shown below (*Table 1*).

As of January 1, 2019, the Russian Federation was property owner of 700 FSUEs and held stakes (was participant) in 1,130 economic societies.

When these numbers stated in the new privatization program are compared with the data published in the corresponding documents for the previous periods, it can be noted that the number of FSUEs shrank by nearly 44% on the beginning of 2016, and fivefold on the beginning of 2010; and that of JSCs – by 1/3 and by nearly 62%, respectively. Similarly to the dynamics observed over the previous period between the adoption of the two programs, the number of FSUEs was declining at an accelerated rate compared with that of JSCs with RF stakes.

Table 1

Societies and organizations in federal ownership entered in the Federal Property Register and the System of Public Property Management Efficiency Estimates in 2010–2019

Дата	Economic societies with federal stakes, units	Other holders of ownership rights to registered federal property entities, units
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	Stake (share) in capital	Special right to participate in company's management (‘golden share’) without holding any stake ^a	FSUEs	FTEs	FSIs ¹
as of January 1, 2010	3,066/2,950 ^b		3517 ^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/ 1,704 ^b	88/ 64 ^c	1,488/1,247 ^b	48	16,194
As of April 7, 2016 ^c		1,683/1,620 ^d	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	78	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 January 1, 2019	1,084/ 1,130 ^b	76	792/ 700 ^b	48	15,140
As of July 1, 2019	1,059	73	712	48	14,942

^a – 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*) in the context of data on state stakes in joint-stock capital;

^b – number of JSCs and FSUEs as stated in the privatization programs for 2010–2013, 2014–2016, 2017–2019 (data based on OKVED Codes (All-Russia Classifier of Economic Activities) refer to companies with shares (or stakes) in federal ownership), and 2020–2022 (number of economic societies);

^c – according to data published in *Rosimushchestvo*'s report 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 released by *Rosimushchestvo* it follows that the difference between the two figures equals the number of JSCs with a ‘golden share’ without any stake, but there is no explicit statement of that fact);

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

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; URL: www.economy.gov.ru, April 23, 2013; 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, URL: www.gks.ru, March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020–2022.

In spite of the declining number of commercial organizations that have to do with some form of federal ownership, it would be worthwhile to note that the actual data on their number still differs depending on its source. The number of economic societies as of the beginning of 2016 and 2019 as stated in the privatization programs was higher than that derived from the System of Estimates, while the corresponding ratio for FSUEs was exactly opposite. Another and more vivid proof of the questionable reliability of published data has been provided by the fact that the number of JSCs and LLC with stakes held by the RF (or where the RF was a participant) was the same in *Rosimushchestvo*'s reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization for last year and the year before last: 1,130 units as of January 1, 2018 and January 1, 2019,² which was unlikely, if only because of the privatization program's progress over the period 2018–2019.

¹ Federal state institutions.

² This is the number that is also stated in the new Privatization Program for 2020–2022, approved late in 2019.

Now let us look at the category of economic societies with various degrees of state participation, which is more numerous and at the same time more important from the point of view of their role in the economy¹ (Table 2).

Table 2

The movement patterns of the number and structure of economic societies (JSCs and LLCs) relative to the size of state stakes in their capital (less JSCs subject to special right ('golden share') without a RF stake) in 2010–2019

Date and source	Economic societies (JSCs and LLCs) where RF is shareholder (or participant)									
	total, units	share, %	of these, with RF stake in charter capital amounting to							
			100%		50–100%		25–50%		less than 25%	
			units	%	units	%	units	%	units	%
RF Government (forecast privatization plans), <i>Rosimushchestvo</i> (register and annual reports)										
As of January 1, 2010 ^a	2,950/ 2,949	100.0	1,757/ 1,688	59.6	138/ 167	4.7	358/ 377	12.1	697/ 717	23.6
As of January 1, 2011 (RI report)	2,957	100.0	1,840	62.2	136	4.6	336	11.4	645	21.8
As of December 31, 2011 (RI report)	2,822	100.0	1,619	57.4	112	4.0	272	9.6	819	29.0
As of January 1, 2013 ^b	2,337/ 2,356	100.0	1,256/ 1,257	53.7/ 53.3	100/ 106	4.3/ 4.5	227/ 228	9.7/ 9.7	754/ 765	32.3/ 32.5
As of January 1, 2014 (RI report)	2,113	100.0	1,000	47.3	95	4.5	224	10.6	794	37.6
As of January 1, 2015 (RI report)	1,928	100.0	861	44.7	90	4.7	203	10.5	774	40.1
As of January 1, 2016 (FPP)	1,704 ^c	100.0	765	44.9	93	5.4	172	10.1	674	39.6
As of January 1, 2019 (FPP)	1,130 ^d	100.0	368	32.55	30	2.65	95	8.4	637	56.4
Rosstat (System of Public Property Management Efficiency Estimates, JSCs only)										
As of January 1, 2016	1,557	100.0	816 ^e		52.4 ^e		174	11.2	567 ^f	36.4 ^f
As of July 1, 2016	1,571	100.0	711 ^e		45.3 ^e		189	12.0	671 ^f	42.7 ^f
As of January 1, 2017	1,356	100.0	575 ^e		42.4 ^e		128	9.4	653 ^f	48.2 ^f
As of July 1, 2017	1,247	100.0	514 ^e		41.2 ^e		108	8.7	625 ^f	50.1 ^f
As of January 1, 2018	1,189	100.0	488 ^e		41.0 ^e		102	8.6	599 ^f	50.4 ^f
As of July 1, 2018	1,060	100.0	448 ^e		42.3 ^e		87	8.2	525 ^f	49.5 ^f
As of January 1, 2019	1,084	100.0	442 ^e		40.8 ^e		85	7.8	557 ^f	51.4 ^f
As of July 1, 2019	1,059	100.0	429 ^e		40.5 ^e		85	8.0	545 ^f	51.5 ^f

^a – the denominator is the number of JSCs as stated in the privatization program for 2010–2013, the numerator is the total number of JSCs and LLC, as entered in the Federal Property Register as of February 17, 2012;

^b – the denominator is the number of JSCs as stated in the privatization program for 2014–2016, the numerator is the total number of JSCs and LLC stated in *Rosimushchestvo*'s Year-end Report for 2013;

^c – the number of JSCs as stated in the FPP for 2017–2019 (the data based on OKVED Codes (All-Russia Classifier of Economic Activities) refer to companies with shares (or stakes) in federal ownership);

^d – the number of economic societies;

^e – the total number of JSCs with federal stakes of more than 50% (without counting separately the JSCz with 100-% federal stakes), and their relative share;

^f – the estimated total number of JSCs with federal stakes and the number of such JSCs in other categories, based on the federal stakes in their charter capital.

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; URL: 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, URL: www.gks.ru, March 20, 2016,

¹ Previously, this group of companies could be described in more detail on the basis of information 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'), which were published by *Rosimushchestvo* from 2012 until recently.

September 5, 2016; March 20, 2017, September 5, 2017; March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020–2022; own calculations.

The relative share of JSCs in full state ownership (100% of charter capital) declined 52% on 2016, and nearly fivefold since 2010. Close to this figure is the decline index observed in the group of JSCs with blocking state stakes (25% to 50% of charter capital): by 45% on the beginning of year 2016, and nearly fourfold since 2010. The deepest plunge of this index was observed for JSCs with controlling state stakes (50% to 100% of charter capital): more than threefold on 2016, and almost fivefold on the beginning of year 2010. And the least shrinkage was demonstrated by the group of JSCs with minority state stakes (25% or less of charter capital): by 5.5% on the beginning of year 2016, and by 8.6% on the beginning of year 2010.

As a result, the structure of economic societies by the size of state stake in their charter capital underwent some significant changes.

While as of January 1, 2010 and January 1, 2016, those of them where the State as a shareholder exercised full corporate control¹ accounted for more than 64% and about half of all companies with RF stakes, respectively, by early 2019 their relative share amounted already to only 35%. Over the period of 9 years (2010–2018), the share of economic societies with blocking state stakes shrank from approximately 12% to 8.4% (at the beginning of 2016 – 10.1%). The relative share of companies with minority state stakes, on the contrary, was constantly increasing: from 23.6% in 2010 to 56.4% in early 2019 (vs approximately 1/3 at the beginning of 2013, and almost 40% at the beginning of 2016). But it should be remembered that the data in the privatization programs for 2011–2013 and 2014–2016 included only JSCs, and those from the subsequent programs covered all the companies with federal stakes. However, the other economic societies (LLCs) play only a minor role in the group of companies with state participation.²

Besides, an analysis of Rosstat's data published in the framework of the System of Public Property Management Efficiency Estimates has generally confirmed everything that is said above, despite reflecting a slight moderation. Over 3 years (2016–2018), the number of JSCs with federal stakes amounting to at least half of their capital fell by 46%, and their relative share decreased from 52.4% to less than 41%. The number of JSCs with federal blocking stakes more than halved, and their relative share shrank from 11.2% to about 8%. Accordingly, the share of all the other joint-stock companies with federal stakes increased from 36.% to 51.4%. In H1 2019, these trends became even more prominent.

According to more recent data released by Rosstat as of July 1, 2019, the Russian Federation was a shareholder in 1,059 JSCs, and the owner of property of 712 FSUEs, 48 federal treasury enterprises (FTE), and 14,942 federal state institutions (FSI).

When these data are compared with the corresponding data obtained a year earlier, it can be noted that the number of FSUEs decreased by 156 units (or 18%), and that of FSIs – by 578 units (or 3.7%). Interestingly, the number of JSCs with state participation remained practically unchanged (declining by just 1 unit), while that of JSCs where the State held the special right

¹ Summary statement based on the total number of JSCs with 100% and majority stakes held by the State.

² According to *Rosimushchestvo's* Year-end Report for 2015, as of the end of that year only 20 LLCs out of the total of 1,704 economic societies had been entered on the Federal Property Register; of these, there were only 11 companies in full state ownership (where the State held a 100% stake) or with a majority state stake (50% to 100%) in their capital.

to participate in a company's management granted by 'golden share' lost 4 units (5.2%). The number of FTEs decreased by 2 units (4%) and remained stable in H1 2019.

During this shorter period, the movement patterns displayed by the number of units in each of the main categories of organizational legal forms were as follows. The number of unitary enterprises decreased by 10.1%, that of JSCs with state stakes by 2.3%, and that of state institutions by 1.3%. It is worth noting that in H2 2018, there was an increase in the number of JSCs with state stakes.

An analysis of data in the System of Public Property Management Efficiency Estimates, which are not limited to the federal level alone, has yielded the following patterns (*Table 3*).

Table 3

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 subjects of the Russian Federation in 2013-2014, and the number of economic subjects 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% of charter capital owned by	
				State	economic societies operating in public sector
As of January 1, 2013	67,003 ^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	...
As of January 1, 2019	59,608 ^b	2,608	53,394/53,360 ^c	3,054 ^d	...
As of July 1, 2019	58,839 ^b	2,366	52,901/52,870 ^c	2,972 ^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% shares (or stake in charter capital) 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 law companies, etc.);

^c – total number of institutions created by the RF and subjects of the Russian Federation (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 shares in charter capital) 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, URL: www.gks.ru, March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019.

According to data collected within the framework of the new System of Estimates, by mid-2019 the total number of economic subjects belonging to the public ownership category amounted to approximately 58,800 units, which is less by approximately 15,500 units (or by

2.6%) than a year earlier, and by approximately 4,800 units less than the corresponding index for mid-2014.¹

For some categories of economic subjects it can be noted that, relative to mid-2018, the number of unitary enterprises declined by approximately 400 units (or 14.4%), that of economic societies – by approximately 150 units (or 4.9%), and that of state institutions – by approximately 1,000 units (or 1.9%).

As far as the changes that occurred within a shorter period of time are concerned, over H1 2019 the number of unitary enterprises shrank by 9.3%, that of economic societies – by 2.7%, and that of state institutions – by nearly 1.0%.

In this connection, 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 only in a small minority of cases it resulted from their privatization.

6.1.2. Privatization policy

In 2019, the implementation period 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, was over. 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 that 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 58 normative legal acts (NLA) pertaining to these issues were adopted, of which 14 were issued in 2019 vs 29 in 2018, and 15 in 2017. The frequency of legislation adjustments over the course of last year was comparable with that in 2017. If we compare the FPP for 2017–2019 (overall) with the previous privatization program for 2014–2016 (a total of 90 NLAs), the number of adjustments and alterations shrank nearly 1.5 times, but it was still higher than that noted for the privatization program for 2011–2013 (the introduction of 51 new NLAs).

When the FPP for 2017–2019 is compared (in general) with the previous privatization program for 2014–2016 (in the course of which 90 NLAs were adopted), it becomes obvious that the number of adjustments and alterations was about 1.5 times less, but still higher than that noted for the implementation period of the program for 2011–2013 (51 NLAs).

Initially, the FPP for 2017–2019 envisaged 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, including 4 JSCs where the State ceased to be a shareholder (*OJSC Novorossiysk Commercial Sea Port*, *OJSC United Grain Company* (UGC), *Oka Non-ferrous Metals Processing Plant*, and *Kristall Production Association*). In 2019, that group was joined by *Adler Trout Breeding Farm* and *Makhachkala Commercial Sea Port*, the latter having been struck of the list of FSUEs earmarked for privatization in an ordinary procedure.

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.

For 3 companies (VTB Bank (PJSC), *Sovkomflot* PJSC, and *Alrosa* PJSC), a reduction of the state stake in their capital was allowed. In the framework of preparation for the alienation of shares in VTB Bank (PJSC) and *Sovkomflot* PJSC, the agents specifically commissioned in 2016 for handling their sale (*Renaissance Broker* LLC and *VTB Capital* respectively) continued to develop their proposals as to which methods should be applied in closing the deals. The RF Government did not make any proper decision in this respect, although from November 2019, measures have been taken to publicly place 25% of ordinary shares in *Sovkomflot* PJSC with a view to their further alienation from federal ownership.

In actual practice, only one deal was closed with regard to the biggest companies placed on the corresponding list within the framework of the FPP. 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, on the basis of RF Government Directive No 2027-r dated September 11, 2019, the preparatory measures for the sale of the 100% federal stake in *Kristall Production Association* JSC to *Alrosa* PJSC were successfully completed. The total deal price was RUB 1,886 billion.

Four times more money (RUB 7,845.6 million) was generated in the course of implementing RF Government Directives No 1430-r dated September 2, 2010 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. The revenue generated for the federal budget (about RUB 7.85 billion) turned out to be lowest compared with the revenues received in the previous years (more than RUB 8.5 billion in 2017, and RUB 10.3 billion in 2018).

According to data from the monthly report on federal budget execution as of January 1, 2020 (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 11,527.5 million, and thus it can be concluded that the two aforesaid deals accounted for almost 85% of this particular budget revenue category.

In its other aspects, the final year of the third privatization program turned out to be much less successful. In 2019, in addition to the property sale deals arranged according to individual schemes, a total of 51 stakes (or shares in charter capital) of economic societies (JSCs) were sold to the value of RUB 2.06 billion rubles. The number of sold stakes (or shares in charter capital) increased only slightly on the period 2017–2018 (46–47 units), but the total value of the deals (RUB 2,064.6 million) plunged on 2018 by almost 28%, and shrank more than 2.5 times on 2017.

As far as privatization of federal state unitary enterprises (FSUEs) is concerned, the annual data for the period 2017–2019 (81 units)² differ significantly from those that had been published earlier.³ So, the information on the number of FSUEs for which the decisions concerning the

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.

²Including the 6 FSUEs that in 2019 were struck off the Forecast Plan (Program) of Federal Property Privatization for 2017–2019.

³On the basis of data taken from *Rosimushchestvo*'s Reports on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2017–2019, in 2017 and 2018 decisions concerning the terms of their privatization were made with regard to 18 and 21 state-owned enterprises, respectively.

terms of their privatization were finalized specifically in 2019 cannot be considered to be fully reliable (*Table 4*).

Table 4

Comparative data on the movement of the number of privatization deals involving federal state unitary enterprises and federal stakes in 2008–2019

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
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 ^c	22
2011–2013	216	730 ^e	65
2014	33	107 ^c	12
2015	35 ^g	103 ^c	38
2016	60 ^g	179 ^c	282
2014–2016	125 ^g	389 ^c	332
2017	69	47	77
2018	4	46	173
2019	8	51	171
2017–2019	81	144	421

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

^b – including those stakes 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 – available information concerning sales of other property entities over that period is reduced to that concerning the 4 immovable military property entities sold between October 2008 and January 2009, and the decisions, issued 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; *Rosimushchestvo*'s reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2014–2016 for 2014, 2015, 2016; *Rosimushchestvo*'s reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2017–2019 for 2017, 2018, 2019. URL: www.rosim.ru,

Overall, in the course of implementing the FPP for 2017–2019, more than 450 bidding procedures involving the sale of state stakes (shares in charter capital) and 1,400 biddings for treasury properties took place.

Over 3 years, the sales of state stakes in economic societies other than biggest ones generated more than RUB 10.3 billion, of which RUB 5,396.14 million was received in 2017, RUB 2,857.05 million in 2018, and RUB 2,064.64 million in 2019.

The greatest contribution to this financial result was made by the sales of 77 stakes (out of a total of 153 stakes earmarked for sale) to the total value of about RUB 8.4 billion (82 % of total proceeds), handled by *Auction House of the Russian Federation (RAD OJSC)*. The total year-end deal value index for 2019 (RUB 1.474 billion) turned out to be an absolute record low of the entire 3-year period (2017 – RUB 4.84 billion; 2018 – RUB 2.053 billion), although the number of sold stakes (32 units) was the highest (2017 – 17 units, 2018 – 28 units). The contribution made by the other agent – VEB Capital Plc, which had been commissioned to handle the sales of 120 economic societies, amounted to much *less*. It sold only 16 stakes to the total value of approximately RUB 780 million, and most of these deals were closed in 2019 (14 units to the total value of RUB 568.8 million). It was expected that the final results of bidding and of the closure of sales of stakes in 52 economic societies, handled in the main by independent sellers, would become available in Q1 2020. Over 3 years (2017–2019), those sellers accounted for almost 65% of all sold stakes (shares in charter capital) (or 93 units) and for more than 91% of total proceeds, which amounted to approximately RUB 9.4 billion.

In 2019, the biggest transaction was the sale of all shares in the hotel *Shakhter* in Moscow, to the value of RUB 198.6 million. The other 6 out of 7 deals of various magnitude, closed that year to the value of not less than RUB 100 million, were the sales of properties situated in the city of Moscow and in Moscow Oblast (including Production Association *Fine Organic Synthesis, Spectroyexpluatacia* JSC, a bakery plant, a learning center, and a publishing house). Thus, more than 45% of the total proceeds of standard sales were generated by deals involving stakes in JSCs situated in the region around the capital city, where the fact of property ownership per se creates rich opportunities for deriving income in addition to (or instead of) the core activity of a business. Out of those 8 deals, 4 were handled by *Auction House of the Russian Federation (RAD OJSC)*, and 4 – by VEB Capital Plc.

The competition level was not high. Overall, there were 132 biddings for the stakes (shares in charter capital) earmarked for privatization, and 194 bidders, i.e., 1.5 bidders per proposed deal. If we disregard the 65 biddings that were canceled due to the absence of any bids, this index will surge to 2.9. In 2019, the highest interest on the part of potential investors was focused on the stakes in the following JSCs that were sold without their price being disclosed: Yaroslavl Fuel Enterprises (100%, 24 bids); Leasing Company ROSSAKHALIZING (Yakutsk, 10%, 16 bids); *Olimp* (Vladikavkaz, 30.23%, 11 bids).

In 2019, as far as privatization of RF treasury property is concerned, the number of sales of treasury property entities (171 units) remained at the same level as in 2018 – 173 units (in 2017–77 units); there were more than 800 bids by potential investors (vs 1,300 in 2018). Nevertheless, as before, the number of sold treasury property entities was stably above that of sold stakes (or shares) in economic societies, and last year there was a 3.4 times difference between the two indices. The total value of closed deals increased nearly 1.7 times (to RUB 755.4 million).

In contrast to deals of sale of stakes (or shares) in economic societies, in this segment the dominating role belonged to *Rosimushchestvo*. In 2019, it handled the sales of nearly 2/3 of all property entities (111 units) and accounted for more than 53% of the total deal value (RUB 403.35 million). This result was achieved, among other things, due to the efforts of *Rosimushchestvo*'s territorial branches, which in the framework of the ongoing privatization plan handled the sales of 78 treasury properties to the total value of RUB 261.9 million. The delegation to them of the powers pertaining to privatization (or alienation) of federal property entities results in shorter pre-sale preparation procedures and boosts the interest of regional investors, including small businesses and individual entrepreneurs, in bidding for these properties.

The territorial branches of *Rosimushchestvo* were also closely involved in the realization, by small and medium-sized enterprises (hereinafter – MSE), of their preferential right to buy out the properties leased by them, in accordance with Federal Law No 159-FZ dated July 22, 2008 ‘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’, which was subsequently amended in 2018. After analyzing the information submitted by the territorial branches and reviewing the requests submitted by MSEs concerning their desire to buy out the federal property entities currently leased by them, *Rosimushchestvo* prepared special directives regulating the terms of their privatization, and dispatched the corresponding orders to its territorial branches in the localities where said property entities are situated, so that the lessors could properly realize their rights. Over the reporting period, 22 purchase-and-sale agreements with the lessors (MSEs) were concluded to the total deal value of RUB 155.42 million, given that the current privatization program targeted more than 150 leased immovable property entities.

The role of independent sellers in handling the deals involving treasury properties has become somewhat less prominent. The already mentioned *RAD OJSC* sold 39 units to the value of RUB 301.6 million (in 2018 – 39 units to the value of RUB 72.1 million; in 2017 – 9 units to the value of RUB 28.60 million); the Agency for Direct Investments (ADI) sold 18 units to the value of RUB 47.1 million (in 2018 – 20 units to the value of RUB 70.6 million); and *VEB Capital Plc.* sold 3 units to the value of RUB 3.31 million (in 2018 – 14 units to the value of RUB 30.8 million). It was expected that the final results of the sales of 133 property entities would become available in Q1 2020, including the 12 property entities handled by independent sellers.

Overall, in the course of 3 years (2017–2019), *RAD OJSC* sold 87 units out of the 285 property entities earmarked for sale in accordance with RF Government Directives, to the total value of RUB 402.3 million, the ADI sold 38 out of 73 properties to the value of RUB 117.7 million, and *VEB Capital Plc.* sold 17 out of 205 properties to the value of RUB 34.1 million. Taken together, they accounted for the sales of approximately 1/3 of all properties and for 37% of the total proceeds (RUB 1.5 billion).

In 2019, the success of realization of state stakes (or shares in charter capital) and treasury property entities, calculated as the ratio between the number of sold assets and the number of biddings, stayed approximately at the same level (37–38%). Because of absence of any bids, more than 54% of the announced biddings for treasury property entities and 61% of biddings for stakes (or shares) in economic societies were cancelled. Traditionally, the main reasons for this state of affairs were the absence of real economic activity and low financial and economic potential indices.

The comprehensive pre-sale preparatory measures implemented by independent sellers prior to property sales are more time-consuming, and so the cases when bidding had to be postponed were quite frequent. At the same time, it becomes possible to attract a larger number of potential buyers and achieve better results of the privatization procedures.

In 2019, the success rate of sales of stakes (or shares) in economic societies, measured as the ratio of the number of sold stakes (or shares) to the number of biddings, was higher for the independent agents (40%) than for *Rosimushchestvo* (29%). That gap was even wider for treasury property entities (51% vs approximately 1/3). However, in the course of sales of treasury property entities by *VEB Capital Plc.*, the number of canceled biddings was twice as

high as the number of closed sale deals, while for the ADI both these indices were practically equal.

In 2017–2019, in the framework of implementation of 27 Executive Orders of the RF President and 17 Directives of the RF Government concerning the creation or expansion of vertically integrated structures (VISs), *Rosimushchestvo* set out to establish 14 VISs. The 3-year privatization program launched in that sector listed a total of 40 FSUEs, shares in 66 JSCs, and 135 treasury property entities. As of the year-end of 2019, the relevant decisions concerning the terms of privatization were taken with regard to 28 FSUEs, 60 JSCs, and 132 treasury property entities; for 5 VISs, the relevant measures have not yet been completed.

On the whole, the results of the third 3-year privatization program (for 2017–2019) turned out to be much more modest than the results of the second program (for 2014–2016).

While in 2017–2019 the sales of stakes (or shares) in 144 economic societies were completed, 421 treasury property entities were sold, and relevant decisions concerning the terms of their privatization were adopted for 81 FSUEs, over the period 2014–2016 the corresponding deals involved 389 stakes (or shares) in economic societies, 332 treasury property entities, and 125 FSUEs. The number of sold stakes (shares in charter capital) fell by nearly 2/3, and that of privatized FSUEs – by more than 1/3. At the same time, the number of sold treasury property entities gained nearly 27%. The total proceeds of sales of stakes (or shares in charter capital) in economic societies other than biggest ones (RUB 10.3 billion) amounted to 58% less than in 2014–2017 (more than RUB 24.8 billion), not counting the effects of inflation. The progress with regard to creation of vertically integrated structures (VISs) was likewise less impressive. As far as the integrated assets are concerned, there was a sharp plunge in the number of treasury property entities (132 units vs 702 units) and JSCs (60 units vs 141 units), while the number of FSUEs privatized in the framework of VIS remained almost unchanged (28 units vs 30 units).

In the **new Privatization Program** approved by Directive of the RF Government No 3260-r dated December 31, 2019, similarly to the previously existing document, there is no direct and explicit statement of the government policy goals in the field of privatization. There is a reference to the achievement of goals envisaged in the RF Government Program (GP) *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014, and the improvement of federal property management mechanisms in accordance with Section XII of the Concept of Budget Spending Efficiency Improvement in 2019–2024, approved by RF Government Directive No 117-r dated January 31, 2019. In respect of the assets included in the Privatization Program it is specified that the relevant enterprises (or organizations) in federal ownership are not natural monopolies or organizations belonging to the defense complex. In principle, this is the continuation of the basic guideline stipulated in Executive Order of the RF President No 596 dated May 7, 2012, *On Long-term Government Economic Policy*. It should be reminded that the Executive Order envisaged that by 2016, the State should completely withdraw from the capital of companies operating in the ‘non-raw’ sector, companies that were not subjects of natural monopolies, or organizations belonging to the defense complex. However, the new FPP does not mention the fact of belonging to the ‘non-raw’ sector.

The additional exceptions are as follows: (1) joint-stock companies (JSCs) and enterprises entered on the list of strategic organizations, (2) minority federal stakes in JSCs, as well as shares in JSCs affiliated to the core companies of vertically integrated structures, to be later redistributed among the latter, and (3) organizations registered outside of the territory of the Russian Federation. Generally speaking, all these organizations were mentioned in a similar context in the privatization program for 2017–2019, although the second group was defined

more narrowly as minority stakes in JSCs affiliated to the core companies of VISs, with the purpose of their subsequent transfer to the charter capital of those core companies. A comparatively new phenomenon is the mention, among of types of property earmarked for privatization, of shares in JSCs transferred gratis to legal entities or individuals, or transferred into federal ownership as a result of reorganization of economic societies, or by a court ruling, and of heirless property.

The predictions of the possible effects of property privatization on structural changes across the national economy are purely formal, because they simply visualize the quantitative distribution of state-owned economic subjects earmarked for privatization by type of economic activity.

The list of biggest companies to be privatized by special presidential and governmental decisions, with due regard for the market situation and recommendations of eminent investment consultants, includes 4 companies (JSCs) in respect of which the State is planning to withdraw from their capital (*Makhachkala Commercial Sea Port*, *Adler Trout Breeding Farm*, *Novorossiysk Commercial Sea Port*, and Foreign Trade Association *Almazjuvelirexport*), and 4 companies where the state stakes will be reduced: in two (*Sovkomflot PJSC* and *Rosspirtprom JSC*) – to 75 % + 1 share, and in the other two (*VTB Bank (PJSC)* and *Kizlyar Brandy Factory JSC*) – to 50 % + 1 share.

The list of assets earmarked for privatization within the framework of individual schemes partly overlaps the forecast plan of federal property privatization for 2017–2019 (in its most recent version) and the other previously adopted programs. In reality, *Almazjuvelirexport* can indeed be considered to be a new asset of national importance. However, the possibility of its full privatization depends on one condition – that of transfer to another empowered organization of the powers to export precious metals and precious stones currently granted to Gokhran of Russia, as well as the powers to export uncut and cut diamonds granted to the state reserves of precious metals and precious stones held by subjects of the Russian Federation, and the powers to sell representative consignments of uncut natural diamonds. The announced reduction of the stakes held by the State in *Sovkomflot PJSC* and *VTB Bank (PJSC)*¹ will still make it possible to exercise government control over these two companies, although in the previous program it was stipulated that the government would only be able to retain its influence on their corporate governance procedure by keeping a blocking stake.

The list of assets to be privatized following standard procedures (Part 2 of the Program) consists of 86 FSUEs, 186 JSC, 13 LLCs, and 1,168 treasury property entities; these will be treated in the same way as it has been done in recent years. Compared with the initial versions of the previously adopted privatization programs, the number of commercial organizations earmarked for privatization is lowest – this is true for unitary enterprises (114 units in the FPP for 2011–2013; 514 units – in the FPP for 2014–2016; and 298 units in the FPP for 2017–2019), as well as for economic societies (854 units, including 35 CJSCs and 10 LLCs, in the FPP for 2011–2013; 440 units, including 4 CJSC, in the FPP for 2014–2016; and 487 units, including 10 CJSC, in the FPP for 2017–2019). The number of property entities of other types, on the contrary, is highest compared with the previous forecast plans (73 units in the FPP for 2011–2013, 94 units in the FPP for 2014–2016, and 1,041 units in the FPP for 2017–2019).

As far as privatization possibilities for certain assets are concerned, special conditions have been introduced with regard to the terms of their privatization after the restrictions thereof have

¹ For a bank, it is established that a share in excess of 50 % of capital should be recognized as an ordinary registered share.

been lifted in the established procedure (in the group of unitary enterprises); the reorganization into a JSC of several unitary enterprises and the alienation of state stakes in JSCs in the event when no other government decision thereof is adopted before early 2021; the timelines for completing the privatization procedures in coordination with the federal body of executive authority responsible for proper coordination and regulation of the relevant activities; alienation of shares after the performance of the functions of an asset manager has been terminated (for some JSCs); and implementation of a privatization procedure and the transfer of a property entity to the RF Treasury. With regard to other privatized assets, their transfer to different integrated structures is specified, including the reorganization of a group of unitary enterprises into a JSC with a subsequent transfer of a 100% stake to state corporations (SC) *Roscosmos*, *Rosatom*, *Rostec*, or the transfer to the charter capital of Russian Railways OJSC, United Shipbuilding Corporation (USC), Shipbuilding & Shiprepair Technology Center JSC, and some other property entities held by the RF Treasury.

The new privatization program, similarly to the previous one, mentions the possibility of adopting presidential and government decisions on privatization by way of reducing the size of a state stake in the charter capital of an economic society, when additional shares are issued, and the proceeds of their sale are used for an additional capitalization of that economic society, with due regard for the various aspects of its long-run development and the investment needs associated with its development strategy, as well as capital adequacy ratio (the latter applies to banks).

In the course of presentation of the Forecast Privatization Plan at a meeting of the RF Government, the then RF Minister of Economic Development noted that due to a surplus in the federal budget for 2020–2022, privatization of state-owned companies is viewed not as a source of budget financing, but as a tool of structural transformations in the economy designed to achieve the following three goals: (1) boost competition, (2) attract resources for the development of companies, and (3) improve the quality of corporate governance in those companies. In this connection, he pointed to the following instruments to be applied in the achievement of these goals: rapid privatization of non-strategic assets, reduction of the size of state stakes in the capital of some companies by way of additional issues of shares, and involvement of private shareholders in the managerial bodies of state-controlled economic societies.¹

The amount of federal budget revenue to be generated by federal property privatization in 2020–2022 (less the value of shares in biggest companies) is forecast to be RUB 3.6 billion per annum (the total projection being RUB 10.8 billion). In the previous privatization programs, the corresponding projection was RUB 5.6 billion per annum over the period 2017–2019 (a total of RUB 16.8 billion), RUB 3 billion per annum over the period 2014–2016 (a total of RUB 9 billion), RUB 6 billion for 2011, and RUB 5 billion each for 2012 and for 2013 (a total of RUB 16 billion). There are no quantitative projections as to the amount of planned proceeds of federal property privatization by way of sales of shares in biggest companies, which are highly attractive for investors, on the basis of a special government decision; such projections were absent in all the previous 3-year privatization programs, with the exception of the first one (for 2011–2013).

Thus, as far as budget targets for the revenues to be generated by privatization are concerned (other than biggest deals), we may note their shrinkage by more than 1.5 times compared with

¹ URL: https://www.economy.gov.ru/material/news/pravitelstvo_odobrilo_plan_privatizacii_na_2020_2022_gody.html, December 25, 2019.

previous 3-year privatization program for 2017–2019, although their amount is still somewhat higher than the corresponding projections in the program for 2014–2016. However, they could probably be adjusted at a later point, especially in view of the recent alterations in the structure of the Russian government, where *Rosimushchestvo* is now subordinated to the RF Ministry of Finance.

Meanwhile, the Federal Law on the Federal Budget for 2020–2022 No 380-FZ dated December 2, 2019, 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, nor 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 laws for 2016–2019 and in contrast to the corresponding documents adopted prior to that period, 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.

The amount of federal budget revenue to be generated by federal property privatization is forecast to be RUB 11.3 billion in 2020, and RUB 3.6 billion per annum over the period 2021–2022. Its role as a source of federal budget deficit financing will be brought to a minimum: in 2020–2022, the expected privatization-generated revenue is to be less than 1% of total planned government borrowing. Based on the preliminary results of the implementation of the FPP for 2019, the probability that this scenario of privatization-generated revenue may come true can be estimated to be high. Moreover, for the period 2021–2022 it is expected that the budget target for privatization-generated revenue set in the new privatization program (less the value of shares in biggest companies) will be fully achieved.

This year, some alterations have been introduced into the current privatization law (adopted in 2001).

Firstly, we may note the more widespread participation of private sellers in the privatization procedures involving not only federal property entities, but also properties owned by subjects of the Russian Federation and municipalities. The possibilities for their selection at a local level are reduced to the list of 23 legal entities, which are granted the right to organize, on behalf of the State, sales of privatized federal property entities and (or) to perform the functions of a seller; the list was approved by the RF Government in 2010 (as amended in 2017).

Secondly, the mechanism of selling property at an auction, in the framework of a tender, and a sale without announcing a price was adjusted so as to eliminate the possibility to file applications in writing, and to introduce instead the procedure of open bidding. The winner can no longer be notified by a written notification issued to their attorney against a confirmation signature by the latter. Instead, the notifications should be sent personally to the winner by one or other method on the day when the results of a property sale are established.

The norms concerning the recognition, as the winner in a tender (in the event of a price offer tie), of the earliest bidder and the placement of bids by participants in a public offer of state or municipal property by raising their bid cards after the announcement of an initial price offer or an underbid price were recognized to be null and void.

With regard to the realization, by a lessor, of the right to buy out the federal or municipal property entity being leased under a contract concluded prior to the entry into force of the

current privatization law (adopted in 2001), it is now possible only to do this within the timelines established in the contract if the latter also stipulates the buyout price, the timeframe thereof, and the payment procedure.¹

The sale of state or municipal property by any permitted method (except the transfer of state or municipal property as a contribution to the charter capital of a JSC and the sale of shares in the framework of trust management) is effectuated in an electronic form.

Thirdly, the following criteria have been altered:

(1) the criteria imposing restrictions on closing a deal by a unitary enterprise without the consent of the owner of its property, from the date of entering into force of the forecast plan (program) of federal property privatization and until the date of State registration of the newly created economic society (10-fold amount of minimum charter capital of a FSUE instead of 50,000-fold amount of minimum wage);

(2) the criteria establishing the possibility of holding inter-regional and all-Russia specialized auctions for sale of shares (net assets of a JSC must amount to 500-fold to 3,000-fold established minimum charter capital of a public JSC as of the moment of issuing that decision, instead of the corresponding minimum wage index);

(3) the criteria whereby a similar alteration is introduced (50-fold minimum charter capital of a public JSC instead of 50,000-fold minimum wage) for the value of a property entity, when during the voting on the issues of property alienation, transfer as a collateral or lease, or the commitment of other acts that may result in property alienation, the winner in a tender is subject to restrictions until the ownership right to shares in a JSC (or a stake in the charter capital of a LLC) is transferred to him during the voting in the managerial bodies of those companies.

Some important alterations were introduced into the Provision on the selection of legal entities for organizing, on behalf of the Russian Federation, a sale of a privatized federal property entity and (or) performing the functions of a seller, approved by Directive of the RF Government No 748 dated June 26, 2017.²

Under the previous procedure, beside the adoption, by the RF Ministry of Economic Development, of a decision concerning the selection procedure and the establishment of a commission for that purpose, there used to be two phases of selection proper; instead, the current Provision establishes only one phase.

It is also established that in the event of the issuance of an assignment, by the RF Government, that the method of sale of privatized federal property should be changed, if the consent thereto has been obtained from the legal entity commissioned to act as a sale organizer and (or) perform the functions of a seller, a new selection procedure is not required. The RF Ministry of Economic Development, which was previously empowered to make the decision concerning a termination of the selection procedure during any of its phases on the bases of

¹ Previously, there existed a possibility to buy out a leased property entity within 6 months from the date of entering into force of the 2001 law, if the lease agreement that granted the right of a buyout did not specify the amount of a buyout payment, the timeframe and procedure of payment in the form of a transfer of the leased state or municipal property entity as a contribution to the charter capital of a JSC created jointly with the lessor, the latter being granted a preferential right to buy shares in the said JSC (if the market value of the leased property entity was above the cap of 10,000 minimum wages established by the Federal Law), or if an additional agreement has been concluded whereby the terms of a buyout, its timeframe and payment procedure were established (if the market value of the leased property entity was not in excess of the cap of 10,000 minimum wages established by the Federal Law).

² For more details concerning the content of that document and its analysis, see Russian economy in 2017. Trends and Outlooks. Moscow, Gaidar Institute, 2018, p. 396–403.

instructions or assignment issued by the RF President of the RF Government, may now do this only before the results of the selection procedure have been established.

The commission set up by the RF Ministry of Economic Development is now chaired by the director of the Ministry's responsible department (previously its chair was to be a deputy minister); the powers of *Rosimushchestvo* have been expanded, its representatives are now included in the commission on a mandatory basis, and a deputy director of the responsible department is appointed to be the commission's deputy chair.

The application, in addition to a cover letter stating an interest, on behalf of the State, in organizing a sale of a privatized federal property entity and (or) performing the functions of a seller, and the information entered in one of the two available model forms¹ must include, among other things, a specific downward coefficient to be applied to one or other federal property entity (or the lot number). The letter stating the offer is verified by the signature of the person empowered to sign the letter on behalf of the legal entity, as well as the other documents attached to the application for participation in the selection procedure.

The downward coefficient is set in the interval from 1 to 0, and is to be applied to the cap compensation for organizing, on behalf of the Russian Federation, of a sale of a privatized federal property entity and (or) performing the functions of a seller, including all the necessary organizational expenses (among other things, the cost of services outsourced to legal entities and the mandatory payments established in accordance with the RF Tax Code). The cap compensation to be paid to a legal entity cannot be higher than: 2%, adjusted downward through the application of the aforesaid coefficient, in the event of organizing a deal by offering shares on the stock market; 2%, adjusted downward (but not below RUB 100,000), in the event of organizing a deal in the form of an auction or a public offer; and in other cases, 1%.

Consequently, the protocol of opening the envelopes with applications for participation in the selection procedure, as well as the selection commission's protocol of the results of the selection procedure, must contain, as part of the relevant information, also the information concerning the downward coefficient, and the list of grounds for rejecting an application must be augmented by the instance of a situation when these are absent.

Not later than 10 workdays from the date of opening the envelopes with applications for participation in the selection procedure, the commission considers the applications from the point of view of their compliance with the established requirements for such applications and generates the estimates for each legal entity by assigning appropriate scores (points).

The scores are determined by assigning points to each offer based on two model forms.

While the set of criteria for assessing an offer in *Form 1* was left unchanged (three blocks),² that included in *Form 2*, which had previously consisted of two blocks, is now reduced to one block.

It includes the following criteria: (1) number (units) and (2) value volume (thousands of rubles) of the biddings for privatized state and (or) municipal property entities (with a verified protocol of bidding results) that had taken place over 3 calendar years prior to the selection procedure, (3) number (units) of the biddings for other property entities (beside sales of state

¹ If within the framework of the RF Government assignment a legal entity is required to have had experience of placing shares in the stock market, the information must be submitted only in Form No 1; in a general case, Form 2 is submitted.

² (I) information of the legal entity's professional experience (II) the list of its staff and other individuals and legal entities participating in organizing the property sale, pre-sale preparation and closure of the deal, (III) experience of cooperation with government bodies.

and municipal property entities in accordance with RF privatization legislation) that had taken place over the last calendar years preceding the selection procedure (confirmed by copies of the relevant documents, specifying the source where the information on the bidding had been published and the protocol on the property sale results), and (4) number (units) of the public law entities interacting with the legal entity commissioned to organize and conduct the bidding for a state and (or) municipal property entity (confirmed by copies of the relevant contracts). It can be noted that these qualitative criteria (which also have a quantitative dimension) are more specific and objective than those previously applied (in the format of two blocks),¹ and their composition is now close to the content of information entered into Form 1, in cases when a legal entity is required to have experience of placing shares on the stock market.

In order to determine the winner in the selection procedure, the selection commission assesses and compares the applications submitted by legal entities, and assigns to them score points.

The aggregate score of each application during the selection procedure is derived by applying a formula where the final score assigned to a legal entity is determined by the sum of two coefficients: (1) based on the offer assessment, and (2) by applying a downward coefficient.

The first coefficient is calculated as the ratio of the number of points assigned to a legal entity relative to 100, and then multiplied by 0.6. The second coefficient is calculated as the difference between 1 and the absolute value of the downward coefficient multiplied by 0.4.

The winner in the selection procedure is recognized to be the legal entity with the highest aggregate score based on the results of the selection procedure. In the event of a tie, the selection commission issues the decision that a second application should be submitted.

The results of considering the applications by the selection procedure from the point of view of their compliance with the established requirements, as well as the resulting score of the legal entities, are properly formalized during the selection commission's meeting and entered into the protocol of the selection procedure results, which must state as follows: (a) the list of legal entities that have submitted applications; (b) the legal entities whose applications have been rejected by the selection commission, with substantiated reasons for each rejection; (c) the list of legal entities that have passed the selection procedure, with their assigned points based on the assessment of their offers adjusted downward through the application of the downward coefficient, and their final scores; (d) the winner in the selection procedure.

The introduction of a combined formula for determining the winner, which accounts not only for the professional potential and qualifications of each applicant, but also for their particular offer in the framework of a given deal, has made it possible to eliminate the second phase of the selection procedure, which previously required that a request concerning the value of the downward coefficient should be mailed to the legal entities that have been selected.

The amount of compensation to be paid to the winner depending on the method of sale is determined as the marginal values adjusted downward through the application of the downward

¹ Block (I) consisted of only 2 criteria: (1) individuals (not more than 3) responsible for organizing and coordinating the deal at the top level (top CEOs), (2) analytical department (the staff responsible for the company's analytical support (their experience should be described in an annex). Block (II) was reduced to one criterion – cooperation with the RF government, administrations of subjects of the Russian Federation (or state bodies acting as their assignees) in organizing privatization deals over the last 5 years (listing all the deals participated by that legal entity as a bidding organizer (seller) for the purpose of state property privatization, and the value volume of closed deals in millions of rubles).

coefficients suggested by the legal entities,¹ with the floor set at RUB 100,000, in the event of a sale at an auction or by a public offer.

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

Over the past year, some important alterations were also introduced into the list of strategic enterprises and joint-stock companies. Over the course of 2019, it was augmented by 1 FSUE and 2 JSCs. Over the same period, 7 FSUEs were struck off the list of strategic organizations; of these, 5 will be merged with another unitary enterprises; one will be reorganized into a JSC with the subsequent transfer of all but one of its shares to the charter capital of Concern *VKO Almaz-Antey*, by way of offsetting the value of placement on the market of an additional issue of its shares in order to increase its charter capital; and the property complex of another enterprise will be transferred, as a state contribution to the charter capital, to State Corporation *Rosatom*).

Some relatively insignificant adjustments (compared with 2018) to the list of strategic organizations were followed by other important changes that influenced the other economic subjects operating in the public sector.

First on all, we should note the creation of two public law companies.

The emergence of the first of them has had to do with the so-called ‘trash reform’ and the Environment National Project. The company *Russian Environmental Operator*, designed to build a comprehensive system for management of municipal solid waste (MSW), was created by Executive Order of the RF President No 8 dated January 14, 2019 in order to set up a comprehensive system for handling MSW and ensure its proper management, prevent the harmful effects of such waste on human health and environment, involve it into the economic turnover as a raw material and other types of materials, and recycle it in order to create new products and energy, as well as for the purpose of resource saving. The functions and powers of the company’s founder on behalf of the State will be executed by the RF Ministry of Natural Resources and Environment.

Another similar economic subject, the Military Building Company, was created by Executive Order of the RF President No 504 dated October 18, 2019. Its founder is the RF Ministry of Defense. The company’s declared goals are the activities and services that have to do with preparing documentation for territory planning prior to the installment of military and social infrastructure entities, and the engineering research, architectural and building construction blueprints, construction, reconstruction, capital repairs and technical upgrading of the said entities. One of the first sites where the Military Building Company may focus its efforts could become the completion of the construction project *Vostochny Cosmodrome* (spaceport) in Amur Oblast.

Both these companies hold their property by right of ownership, and use it in the course of their activity in order to perform their delegated functions and execute their powers; one of the sources of their property has been the contribution made by the Russian Federation. The companies are allowed to conduct commercial activities. Their managerial bodies are the supervisory board, board of directors, and director general.

¹ The cap on the compensation to be received by a legal entity cannot exceed 2% in the event of a deal in the form of placement of shares on the stock market, an auction, public offer; and 1% in all other cases.

After the adoption, in 2016, of the Law on Public Law Companies (No 236-FZ), the Russian Environmental Operator and the Military Building Company became the first organizations of this type created by Executive Orders of the President. In 2017, by a special law, the non-commercial organization (NCO) 'Foundation for the Protection of the Rights of Citizens – Participants in Shared Construction Projects' was reorganized into a public law company with the same name.

Another important innovation was Executive Order of the President No 480 dated October 3, 2019, which addressed the telecommunications sector.

By that Executive Order, it was allowed to increase the charter capital of the public joint-stock company (PJSC) *Rostelecom* by way of an additional issue of ordinary shares, to be placed by closed subscription for the benefit of VTB Bank (PJSC), on condition that the Russian Federation should control it jointly with State Corporation (Major Financial Development Institution) VEB.RF and VTB Bank by holding more than 50% ordinary shares in *Rostelecom*, while keeping in direct RF ownership not less than 33.2% of its capital. In this connection, it should be reminded that previously, the Executive Order of the RF President issued in 2012 set the same state corporate control threshold for *Rostelecom* (50%), but at that time only two controlling stakeholders were determined (the State and *Vnesheconombank*), without specifying the size of stake to be held by each of them.

The new format of corporate control by the State is maintained by (1) the prolongation of the shareholder agreement between the Russian Federation and State Corporation VEB.RF, whereby the procedures of corporate governance and shareholder voting for *Rostelecom* PJSC are established, and (2) the signing of a shareholder agreement between the Russian Federation and VTB Bank concerning the shares in *Rostelecom* acquired by the latter, whereby the state control with due regard for the first shareholder agreement is ensured. The new shareholder agreement, in addition to regulating the procedure of exercising the rights secured by shares in *Rostelecom* PJSC, must impose a ban on the disposal by VTB Bank, directly or indirectly, of part of the newly acquired shares over a period of 4 years from the date of entering into the said shareholder agreement, with the right to their subsequent alienation by RF Government decision, while granting the State the preferential right to acquire these shares.

The introduction of these mechanisms should be viewed in the context of approval of the RF Government's proposal that the stake held by *Rostelecom* PJSC and its affiliation – *Mobitel* LLC – in the charter capital of T2 RTK Holding LLC should be increased to 100%.

From the point of view of the presence of the State in the economy and the implementation of its structural policy, the following developments should be noted.

A noteworthy event in the corporate control market was the sale, at the end of last year, of *TransContainer* JSC. *Russian Railways* OJSC, which had held the control stake in that JSC (50% + 2 shares), sold it for RUB 60.3 billion (the initial offer price being RUB 36.16 billion).¹ In principle, that deal may be placed in the same category with the other deals whereby the State (represented by *Russian Railways* OJSC) fully withdrew from the capital of a transport company (*Freight One*, *Central Suburban Passenger Company*). However, in case of *TransContainer* JSC, VTB Bank has still remained one of its shareholders, although it holds a stake that falls short of a blocking one (24.5%).

As of October 1, 2019, an entry was made into the Single State Register of Legal Entities (EGRUL) concerning *Russian Post* JSC created by way of reorganization of the FSUE with the same name. The substantiation for corporatization of the postal service was the special law

¹ URL: <https://www.rbc.ru/newspaper/2019/11/28/5ddd0ed29a79473514434ee2>.

adopted in 2018 (No 171-FZ). All the shares in the JSC were placed on the account of the Russian Federation, to be represented by *Rosimushchestvo*, which will be exercising shareholder rights on behalf of the State in the framework of the approved charter. This government department will continue the procedure of formalizing the ownership rights to immovable property, the latter then to be transferred as an additional contribution to the charter capital of *Russian Post* JSC. The first tranche was to consist of 28,900 immovable property entities; overall, as of February 1, 2019, the company was making use of more than 51,000 immovable property entities and 44,000 land plots.¹

On the basis of *Russian Newspapers* JSC, it is planned to create a vertically integrated structure. It was proposed that it should incorporate 9 print services enterprises, in respect of which the ongoing privatization measures have been suspended. Besides, there have been proposals that a state corporation in the medical sector² and a public law company for co-investment in the liquefied gas production sector ('LGP projects')³ should be created.

By way of implementing the decisions previously adopted by *Rosimushchestvo*, stakes in *Zelenodolsk R&D Bureau* JSC and *A.M. Gorky Zelenodolsk Plant* JSC (the latter in the shipbuilding sector) were transferred into the Republic of Tatarstan's ownership; besides, as a property contribution, 97.5% of shares in *Innopolis* JSC was transferred to Autonomous Non-commercial Organization *Innopolis University* (Republic of Tatarstan)⁴.

When speaking of the legal innovations addressing the management of economic subjects in the public sector, we should make a special note of the changes in the legal base concerning unitary enterprises.

At the very end of the year 2019, the amendments to the 2002 law (No 161-FZ) that had been discussed for nearly two years, were finally adopted.

Some fundamental alterations were introduced into the list of grounds for creating a unitary enterprise. In contrast to the previously existing provisions, it has become uniform, without separating the enterprises managed by right of economic jurisdiction or by right of operative management (treasury enterprises).

Unitary enterprises may be created in the following cases: (1) when this deed is established by federal laws and legal acts of the RF President or the RF Government, (2) to secure the activity of federal bodies of executive authority (FBEAs) performing the functions pertaining to elaboration and implementation of government policy in the sphere of defense and state security,⁵ (3) to operate in the sectors of natural monopolies, (4) to ensure proper living conditions for the population of the Far North regions and regions of a similar status, (5) to operate in the spheres that have to do with cultural activities, the arts, cinematography, and preservation of the cultural heritage, (6) to operate outside of the territory of the Russian

¹ URL: <https://www.rosim.ru>, 01.10.2019, 19.07.2019, 15.02.2019.

² URL: <https://www.rbc.ru/society/28/02/2020/5e590e0b9a79474b2cb33543>.

³ The Arctic's development will be heated up by liquefied natural gas. RBC, 18.10.2019, No 163 (3118), p. 11–12. [In Russian].

⁴ A higher educational establishment specializing in the field of information technologies and robotics.

⁵ In the law, the text of that chapter is lengthy and lists all the corresponding sectors and fields (defense, intelligence service, mobilization and mobilization preparedness in the RF, transport security, international relations of the RF, state security, internal affairs, civil defense, protection of the population and territories from natural and manmade disasters, fire security, water transport security, the functions of the RF National Guard, and the functions of federal bodies of executive authority responsible for government administration in the field of national security of the RF, and the material, technical and financial provision of the activity of the supreme bodies of state authority in the RF).

Federation, (7) to engage in activities that involve handling radioactive waste, including its deep geological disposal; activities involving the use of seaport infrastructure exclusively in federal ownership; and granting to unitary enterprises the status of a federal nuclear organization.

Besides, in cases when it is necessary to eliminate the consequences of an extraordinary situation or a threat to normal life of the people, the decision on creating or maintaining a unitary enterprise engaged in activities that fell outside of the scope of activities described above can be adopted by the national government on the basis of a substantiated request submitted by a superior government official of a subject of the Russian Federation, which must be properly considered, and the relevant decision issued, within a period not longer than two months.

A unitary enterprise cannot be created by way of reorganization of an entity of another organizational legal form.

The adoption of any decisions concerning the creation of unitary enterprises is now linked to the requirements to act consistently with the requirements of antimonopoly legislation; for this end, a separate chapter (7.1) was introduced into the 2006 law on protection of competition (No 135-FZ).

The norm stipulated in that chapter (Article 35.1) imposes a direct ban on their creation and operation in competitive markets in cases that fell outside of the scope outlined earlier. Meanwhile, the activity of unitary enterprises in the competitive commodity markets of the Russian Federation is permitted in principle. However, the proceeds received by a unitary enterprise from such an activity must not exceed 10 % of its total proceeds received over the last calendar year, and this restriction does not apply to the activity of enterprises created on the basis of federal laws, legal acts of the RF President or the RF Government that has to do with securing the functions of FBEAs in the sphere of defense and state security, or activities that involve handling radioactive waste, including its deep geological disposal, activities involving the use of seaport infrastructure exclusively in federal ownership, and activities that have to do with granting to unitary enterprises the status of a federal nuclear organization.

The creation of a new unitary enterprise (or an alteration of its permitted types of activity) requires a resolution by an antimonopoly agency; the latter within 30 days issues its resolution concerning that act being consistent or inconsistent with antimonopoly legislation. If the former is the case, the resolution will be valid over the period of one year from the date of its issuance by the antimonopoly agency.

A unitary enterprise that has been created, or its permitted types of activity altered in violation of the established ban, and it is not carrying on the prescribed types of activity, must be liquidated by a ruling issued by an antimonopoly agency, or by a lawsuit filed by the latter in a judicial procedure. In the event of a lawsuit concerning the liquidation of a unitary enterprise, filed by an antimonopoly agency, being accepted for consideration by a court of justice, any transactions with that enterprise during the period until the issuance of a lawful court ruling may be concluded only with the consent of its founder.

Beside the right to issue resolutions, the antimonopoly agency has been granted the powers pertaining to issuance of written warnings, while the bodies of state authority of all levels are forbidden not to enforce proper measures pertaining to reorganization or liquidation of a unitary enterprise operating in a competitive commodity market, or creation of such an enterprise, with the exception of cases envisaged in the law.

The enterprises that had been created prior to the entry into force of the new legal norms, i.e. before the beginning of the year 2020, which operate in competitive markets, are subject to liquidation or reorganization by their founder's decision before January 1, 2025. In the event of

failure to adopt and implement such decisions, the enterprises must be liquidated in a judicial procedure on the basis of a lawsuit filed by an antimonopoly agency.

In the event of a transformation of a certain commodity market in the Russian Federation into a competitive market, including its transformation from its former natural monopoly status, an antimonopoly agency issues an order to the founder of the unitary enterprise operating in the said commodity market concerning the necessity of its liquidation or reorganization, specifying the timelines for adopting such a decision, and the timelines for carrying out the measures necessary for its implementation.

By way of reviewing this package of legal innovations, we should note that it is based on the notion (which has been rather widespread over recent decades) that the activity of unitary enterprises is a threat to competition because of the ‘toxic nature’ of that particular organizational legal form (its close relation to authorities, poor performance). Thus, the law relies on an evidently oversimplified ‘dichotomy’ between natural monopolies and competitive markets. Meanwhile, the contemporary theory of economics, when studying the latter, singles out not only purely competitive markets, but also some intermediate types (monopolistic competition and oligopoly). In those markets, the activity of state-controlled economic subjects may become one of the factors that sustain competition – of course, only if they are prevented from creating barriers that prevent ‘others’ from entering ‘their’ markets. In this connection, there arises one more issue – that of delineating the borders of such markets, and the situation in those markets will depend on the ways that this issue may be resolved.

In spite of the rather radical character of these innovations, one cannot expect any rapid changes in the sphere of competition protection. The situation that has been shaping in the national economy over the course of recent decades vividly demonstrates that by reducing the participation of the State in the economy, or at least its direct participation, we do not automatically boost competition, which is proved by statistics (see below) and the fact of repeated efforts on the part of authorities to deal with these issues, one example being the recent alterations to legislation.

The total number of unitary enterprises in this country, which in the early 2000s exceeded 80,000, shrank more than 50-fold over the last two decades, and their share in GDP declined from 4.1% in 2000 to 1.6% in 2017.¹ There have been, quite frequently, the instances of preferential treatment of economic subjects without any state stakes in their capital; government officials can participate in business activities by proxy, using for personal gain their powers and family connections. Lack of proper competition and misuse of market situation can also be observed in those sectors where the State has long ceased to be a relevant producer of goods (or work, or services), because the issues of market de-monopolization, competition, transparency of government procurement orders are mostly self-sustaining and self-reproducing.

It is logical to expect that the reorganized unitary enterprises will stay in their new organizational legal forms (economic societies and institutions) in certain commodity (work, services) markets. As for the actual disappearance of unitary enterprises, for example as a result of their liquidation – it can translate into a lower competition level, thus protecting private companies from competition in a situation where sales are guaranteed, in a certain sense. However, a positive effect for small and medium-sized businesses can also be possible, and

¹ Privatization 30 years later: the scope and performance of the public sector / A.D. Radygin, R.M. Entov, A.E. Abramov, M.I. Chernova, G.N. Malginov. M., Delo Publishing House, RANEP, 2019, p. 24.

they can be regarded as those that can benefit most from the ousting of unitary enterprises, due to the introduction of a cap on their proceeds in competitive commodity markets.

In their ultimate version, the innovations turned out to be milder and more realistic than those stipulated in the draft law approved in first reading and based on the text submitted by the government in late 2018. The list of exceptions that permit the functioning of unitary enterprises has been extended, and the definition of the grounds for the creation, by FBEAs, of new unitary enterprises has been made more precise.

While with regard to the federal level the suggested amendments can mitigate the potential risks associated with a more limited spread of unitary enterprises, this is not true for the level of regions and municipalities. Suffice to say that the business activity aimed at sustaining the population's lifestyle at a proper level, which is very relevant for the Far North regions, can also be in demand in other parts of Russia. One example is the low-volume markets, where the budget potential and the incomes or consumers are insufficient to properly stimulate local private contractors to engage in certain activities regularly and profitably, and where it is unlikely that such contractors can be attracted from other territories.

Meanwhile, the new prohibitive and restrictive norms are primarily focused on the local level. According to data in the System of Public Property Management Efficiency Estimates, as of July 1, 2019 there were 760 FSUEs,¹ including 48 treasury enterprises (6.3%), and 1,606 enterprises owned by subjects of the Russian Federation, including 93 treasury enterprises (5.8%). And according to more recent data, released by the Federal Tax Service, on the number of legal entities entered into the Single State Register of Legal Entities (EGRUL), as of January 1, 2020 there existed, nationwide, 13,801 unitary enterprises, including 757 federal unitary enterprises (5.5%), 1,581 unitary enterprises owned by subjects of the Russian Federation (11.5%), and 11,459 municipal unitary enterprises (83%).²

The prolongation of the transition period to 5 years offers a chance of avoiding too many measures being implemented rapidly and simultaneously, which is inevitably fraught with the risks of murky activities and losses of assets by creating a motivation, for the CEOs and government officials alike, to act on the spur of a moment when regulating their existing debts, including their liabilities to their personnel and the state budget, because of having limited time to sell property and to underestimate their assets, which for most part have low liquidity.

As for the reorganization of unitary enterprises into other organizational legal forms, it can create certain preconditions for improving the situation.

A reorganization into a joint-stock company (with a subsequent sale of 100% or less of its shares) may theoretically improve the quality of corporate governance. However, it is unlikely that real advantages (compliance with legislation on joint-stock companies (JSC) and securities, proper promotion and attraction of investments though entry on the stock market), can be actually gained from such a reorganization, especially at a local level. There is also a high risk that the corporate environment may inherit the specific problems of a unitary enterprise and thus deteriorate in response to the increased pressure on the mechanism designed to represent the interests of the State in economic societies (an increased number of state representatives in

¹ Among these, the most prominent ones are as follows: by type of economic activity – R&D (140 units), agriculture, forestry, hunting, fishery and fish-breeding (129 units), manufacturing industries (102 units); and by government department – those subordinated to the RF Ministry of Education and Science (152 units), the RF Ministry of Industry and Trade (91 units), the RF Ministry of Defense (58 units), and the RF Ministry of Agriculture (57 units).

² URL: https://www.nalog.ru/rn50/related_activities/statistics_and_analytics/forms/8376083/.

the managerial bodies of a JSC, while it is desirable that they should have sufficient qualification and be able to properly use the corporate governance mechanisms).

More promising are the hopes that financial flows will be reliably controlled in case of reorganizing a unitary enterprise into a state or municipal institution. In this case, the rather tough procedures stipulated in budget legislation will begin to be systematically enforced. In this connection, there may arise the question as to the necessity of some additional budget funding, as well as the high probability of the owner's subsidiary responsibility to fulfill the existing obligations, which are differentiated by type of institution (similarly to treasury enterprises). The other options for reorganizing unitary enterprises (into LLCs and NCOs) are not very popular.

It may prove useful to liquidate those unitary enterprises that do not have any core activity other than leasing out their miscellaneous properties. The transfer of such property to the treasury opens up opportunities for their gradual privatization as independent property entities on general conditions, or their subsequent use in the small and medium-sized business development programs by transferring them into ownership and (or) long-term use (including at a reduced rent rate), with the possibility of realization, by MSEs, of their preferential right of buyout of leased properties. This, in its turn, may become an incentive for developing new methods of doing business and boosting competition. However, in this connection it is necessary to remember that the property complexes held by unitary enterprises may contain some properties that are subject to privatization restrictions, and so their transfer to the treasury will entail the necessity to finance their upkeep, and this factor will remain relevant in case of their reorganization into a joint-stock company.

In addition to all these innovations that address the fundamental principles of the operation of unitary enterprises, there exists one more innovation that has to do with the regulation of their financial operations.

It should be reminded that in accordance with the amendments introduced in 2017, the federal unitary enterprises of strategic importance for the military-industrial complex and RF state security, as well as the economic societies controlled by them directly or indirectly, are granted the right to open accounts, to receive covered letters of credit, to conclude account bank agreements and deposit bank agreements with credit institutions, and to purchase their securities only if a given credit institution is compliant with a certain set of requirements and is entered in the list (published and reviewed on a monthly basis on the RF Central Bank's official website) specifying the amount of its equity and its mandatory participation in the deposit insurance system.

The well-known problems plaguing the banking system were the reason why the regulatory norms have been introduced to cope with the situations when a credit institution may begin to experience such problems.

It has been established that within the period of implementing the plan (approved by the Bank of Russia's Board of Directors) for the enforcement, by a bank placed onto the aforesaid list, of the measures designed to prevent its bankruptcy, the latter may carry on certain operations (or transactions) with federal unitary enterprises of strategic importance for the military-industrial complex and RF state security, as well as the economic societies controlled by them directly or indirectly, irrespective of their being compliant (or not compliant) with certain requirements, on condition that the Bank of Russia's Board of Directors has adopted a decision concerning the uninterrupted operation of that bank throughout the period of implementing the aforesaid plan.

In such a case, during that period the bank is not to be struck off that list, and if the bank has been struck off it, the bank must once again be entered onto that list by the Bank of Russia not later than within 5 workdays following the date of making the decision concerning the guaranteed uninterrupted operation of that bank throughout the period of implementing the plan for the RF Central Bank's participation in enforcing the measures designed to prevent its bankruptcy.

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, it was augmented by provisions stipulating that FBEAs, with regard to the FSUEs under their jurisdiction entered onto the list of such enterprises (approved by the RF Government),¹ are authorized to appoint or dismiss their directors, and to reimburse them by paying year-end bonuses with the consent of the deputy chairpersons of the RF Government responsible for coordinating the activities of the relevant FBEAs.

No significant alterations were made to the mechanism of managing a JSC with state participation. In 2 JSCs, the powers to exercise the shareholder rights on behalf of the State were delegated to the branch FBEAs, including the rights of the RF Ministry of Agriculture in respect of *Rosagrolizing* (the corresponding provisions having been properly approved).

6.1.4. The budgetary effect of government property policy

In 2019, in contrast to the trends observed over the previous year, the movement of federal budget revenues that had to do, in one or other way, with public property was multi-vectored. There was evident growth of revenues generated by the use of public property (renewable sources), while those generated by privatization and sale of property (non-renewable sources) declined significantly.

Tables 5 and 6 below demonstrate 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 property.²

¹ The RF Ministry of Economic Development was assigned the task to prepare for the government the lists of relevant FSUEs, as well as federal state institutions and autonomous institutions.

² 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 for 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), subjects of the Russian Federation, municipal formations received as interest and guarantee payments on loans received by the Russian Federation 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 *Vietsoyvetro* (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

Table 5

**Federal budget revenues generated by the use of public property
(renewable sources) in 2000–2019, millions of rubles**

Year	Total	Dividends on shares (2000–2019) and revenues generated by other forms of participation in capital (2005–2019)	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 from other sources (in 2000–2007 and 2011 – those generated by Joint Venture <i>Vietsovetro</i> ; and in 2018–2019 – those generated by property transferred as pledge or to trust management)
1	2	3	4	5	6	7
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

Cont'd

1	2	3	4	5	6	7
2012	228,964.5	212,571.5	7,660.7 ^k	3,730.3 ^l	5,002.0	–
2013	153,826.25	134,832.0	7,739.7 ^k	4,042.7 ^l +1,015.75 ^m	6,196.1	–
2014	241,170.6	220,204.8	7,838.7 ^k	3,961.6 ^l +1,348.5 ^m	7,817.0	–
2015	285,371.1	259,772.0	9,032.3 ^k	5,593.8 ^l +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	333,396.13	312,565.8	9,783.0 ^k	1,988.6 ^o +2,922.6 ^m	6,136.0	0.13
2019	465,945.25	441,613.0	12,053.2 ^k	1,292.55 ^o +3,239.2 ^m	7,616.9	130.4

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 Russian Federation; revenues generated by the exploitation and use of property relating to motor roads, motor road levies imposed on transport vehicles registered in the territory 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 their permitted types of economic activity and earmarked for transfer to the federal budget; and 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 2015–2018 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 annual reports on federal budget execution as of January 1, 2016; January 1, 2017; January 1, 2018; and January 1, 2019, and the monthly report on federal budget execution as of January 1, 2020.

^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 payments 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;

^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 ‘branch’ sectoral academies, (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 of 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’ (sectoral) academies, (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 and 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

¹ For 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.

² According 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*.

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 of 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 (2012–2019), (b) payments for 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 2014–2019), and (c) payments received in the framework of agreements on the establishment of servitude with regard to land plots in federal ownership (2015–2019);

^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 of 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 2016–2019, we apply aggregate data, without identifying by-sector groups of institutions. The more general classification consists 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; January 1, 2018; and January 1, 2019 (annual data); and the monthly report on federal budget execution as of January 1, 2020, URL: www.roskazna.ru; own calculations.

In 2018, the aggregate revenues generated by renewable sources increased by nearly 40% relative to the previous year. This was achieved in the main due to the receipts of dividends in the federal budget (RUB 441.6 billion), which increased by 41%, thus rising above the previous record high of 2018 (RUB 312.6 billion). The receipts of part of profits paid by unitary enterprises gained more than 24%. However, when taken in absolute terms (RUB 7.6 billion), this index was just close to its 2014 level.

The amount of revenue generated by lease of land plots increased by approximately the same degree (about RUB 12.05 billion).¹ At the same time, the aggregate revenues generated by lease of federal property (approximately RUB 4.5 billion) continued to decline. This happened as a result of shrinkage, by more than 1/3 (to less than RUB 1.3 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

¹ The amount of lease payments for land plots, just as a year earlier, includes (1) lease payments received for the lease of land plots in federal ownership situated in public motor road precincts of federal importance, (2) 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 (3) payments for the execution of agreements on the establishment of servitude with regard to land plots in federal ownership.

autonomous institutions). The revenues generated by lease of property which is held by the RF Treasury (except land plots), on the contrary, increased (by nearly 11%), amounting to more than RUB 3.2 billion. For the second year in a row since they had been identified in budget reports as a separate entry (from 2013 onwards), they began to prevail in the aggregate structure of revenues generated by lease of federal property (amounting to more than 70%).

As in the previous year, dividends held a dominant position in the structure of renewable federal budget revenue sources (approximately 95% vs. 94% a year earlier). The relative share of lease payments for land plots amounted to 2.6%; that of payments for property lease – to 1.0%; and that of profits transferred by FSUEs – to 1.6%. Their aggregate relative share declined relative to 2018.¹

While proceeding to an analysis of federal budget revenues generated by the privatization and sale of state property (*Table 6*), 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 plots²) have been treated as a source of funding to cover budget deficit.

Table 6

Federal budget revenues generated by the privatization and sale of property (non-renewable sources) in 2000–2019, millions of rubles

Year	Total	Sale of shares in federal ownership (2000–2019) and other forms of state participation in capital (2005–2019) ^a	Sale of land plots	Sale of miscellaneous properties
1	2	3	4	5
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 ^o
2007	25,429.4	19,274.3	959.6 ^p	5,195.5 ^p
2008	12,395.0	6,665.2+29.6	1,202.0 ^q	4,498.2+0.025 (ITA) ^r

Cont'd

1	2	3	4	5
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	136,660.1	126,207.5	2,425.2 ^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
2019	20,122.75	11,527.5	1,641.05	6,954.2

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

¹ In the last two years, the classification of federal budget revenues generated by use of property was augmented by one more new source – proceeds from the transfer of federal property as collateral or for trust management (with the exception of property owned by federal budget-funded and autonomous institutions, as well as property of federal state unitary enterprises, including treasury enterprises). However, the share of that source in the structure of renewable revenue sources was negligible.

²Data for the period 2003–2004, including revenues generated by the sale of leasing right.

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

^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 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 subjects of the Russian Federation;

^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 subjects of the Russian Federation), 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 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 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 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); these are 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 the disposal and 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 2012–2017, also less 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 2011–2019), less revenues generated by the activities of institutions situated abroad (2015–2019), (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 2010–2019), (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) – the period until the year-end of 2017, (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; January 1, 2018; and January 1, 2019 (annual data); and the monthly report on federal budget execution as of January 1, 2020, URL: www.roskazna.ru; own calculations.

When taken in absolute terms, the amount of property-generated federal budget revenues from non-renewable sources in 2019 shrank by nearly 29% (to RUB 20.1 billion). Relative to the period after 2010, this would be a record low but for the index for 2015 (RUB 18.6 billion).

The revenues generated by the sale of shares fell by nearly 10% (to RUB 11.5 billion), this index relative to the period after 2010 exceeding only that for 2015 (RUB 6.3 billion). The revenues generated by the sale of land plots stayed approximately at the same level as in the

previous year, amounting to RUB 1.64 billion,¹ which roughly corresponds to their level in 2015. The amount of revenues from the sale of miscellaneous properties shrank by half, and their index in absolute terms (RUB 6.95 billion) is a record low of the entire period since 2010 but for the index for 2017 (RUB 6.4 billion). The sale of shares accounted for more than 57% (in 2018 – more than 45%), the sale of property – for 34.6% (in 2018 – about 1/2), and the sale of land plots – for more than 8% (in 2018 – less than 6%).

The aggregate federal budget revenue generated by the privatization (or sale) and use of state property in 2019 (*Table 7*) gained more than 34% relative to the previous year.

Table 7

**The structure of property-generated federal budget revenues
from miscellaneous sources, 2000–2019**

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	% of total	millions of rubles	% of total	millions of rubles	% 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
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*

Cont'd

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
2019	486,068.0	100.0	20,122.75	4.1	465,945.25	95.9

* 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

¹ Including the revenues from the sale of the land plots in respect of which state ownership has not been demarcated, and which are used by budget-funded and autonomous institutions (RUB 37.9 million).

Previously this budget item did not exist in reports on execution of the federal budget, although corresponding data were published on the official website of the Federal Treasury among the indices characterizing the efficiency of government property management (in 2015 – RUB 0.433 million, in 2016 – RUB 2.381 million, in 2017 – RUB 4.962, in 2018 – RUB 0.1835). At the same time, the monthly Report on Federal Budget Execution as of January 1, 2020 did not include a separate budget item specifying the revenues generated by the sale of the real estate of budget-funded and autonomous institutions, although the 2014-2018 monthly Reports on Federal Budget Execution did contain this budget item.

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; January 1, 2018; January 1, 2019 (annual reports), and monthly report as of January 1, 2019, URL: www.roskazna.ru; own calculations.

Their index in absolute terms (RUB 486.1 billion) was below only the record high of 2016, when the deal of sale of stakes in *Rosneft* was closed.¹ In 2019, 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 shifted further in favor of the latter.

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 slightly above 4%. The revenue generated by the use of public property jumped to nearly 96%, thus hitting a record high, in absolute terms, of the entire period since the early 2000s, while the revenues generated by the privatization and sale of property amounted to slightly less than a half of the corresponding index for 2014, at the same time being above the indices for 2008–2010 and 2015.

In this connection 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 'other non-tax revenues'. Last year, in accordance with the special Law dated November 28, 2018 (No 454-FZ), such revenues were to be transferred to the federal budget before August 1, 2019, and that amount was to be subsequently subtracted from the RF Central Bank's aggregate profits earmarked for the federal budget.²

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 replace the original GP with the same title that had been in effect for approximately 14 months.³

By RF Government Decree No 352-20 dated March 29, 2019, important alterations were introduced into the program adopted in 2014: it was approved in its new (fourth) version, after the initial one and the subsequent versions approved as of March 31, 2017⁴ and March 31, 2018. The GP has been prolonged until 2020, while in its previous version it was to be completed in 2020. Thus, its second phase (2016–2021) is now increased to 6 years.

Now we may proceed to an analysis of the changes in the volume of budget funding and its proportional distribution (*Table 8*).

¹ The proceeds from that deal were to be paid to the federal budget in the form of dividends from *Rosneftegaz*, the latter being the parent of *Rosneft*.

² A similar norm was also adopted a year earlier (Law No 370-FZ dated December 5, 2017).

³ 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.

⁴ For an analysis of the GP as amended in spring 2017, see Malginov, G., Radygin, A. Federal property management: some results and prospects for implementation. *Russian Economic Developments*. Vol. 24. No 12. P. 51–67.

Table 8

Budget allocations to the Government Program Federal Property Management in 2013–2021, millions of rubles

Period	GP 2013*		GP 2014 (original version)		GP 2014 (version 2017/2018/2019)	
	total	including additional funding	total	including under Subprogram Improvement of the Efficiency of Government Property Management and Privatization	total	including under Subprogram Improvement of the Efficiency of Government Property Management and Privatization
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					22,172.6/ 22,621.5**/ 15,811.4***	3,991.6/ 4,069.4**/ 4,092.5***
2020					22,944.5**/ 16,123.5***	4,131.2**/ 4,155.5***
2021					16,449.7***	4,217.7***
Total	33,438.4	52,484.8	155,031.1	32,237.7	165,809.1/ 189,759.0**/ 192,577.6***	32,949.8/ 37,170.8**/ 4,1436.0***

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

** as approved in 2018;

*** as approved in 2019.

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, March 30, 2018, and March 29, 2019).

Overall, by the end of the nine-year period (2013–2021), the volume of financial resources allocated from the federal budget to the implementation of the GP will amount to RUB 192.6 billion, which is just RUB 2.8 billion (or 1.5%) greater than the amount envisaged in the previous version of the GP for an 8-year period (2013–2020). After approval of the federal budget law for 2019–2021, the amount of allocations to the implementation of the GP over the period 2019–2020 was reduced by approximately 30% relative to its original version, although with a planned annual growth of 2%.

Meanwhile, the allocations under the GP to Subprogram 1 *Improvement of the Efficiency of Government Property Management and Privatization* have somewhat increased relative to the previous version: in 2019, RUB 4,092.5 million; in 2020, RUB 4,155.5 million. In 2021, with the planned increase of the allocation target (by 1.5%), the volume of funding will rise to RUB 4,217.7 million. 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 volume of funding earmarked for the GP (vs less than 20% in its previous versions). Nevertheless, the bulk of budget allocations will go to the Subprogram *Government Material Reserve Management*.

The goals that were previously set in the GP have remained unchanged, and so in its new version the targets and indicators of the GP's progress are, as before, the average rate of decline in the number of organizations with state stakes and federal treasury property entities (as %).

As before, the expected results 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, and an increase in the rate of decline in the number of federal treasury property entities from 3% in 2013 to 34.5% in 2021 (instead of 24% in 2019 and 29.5% in 2020).

The total number of quantitative targets set for the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization* has been reduced to 11 (vs 14 in the previous version, and 16 in the original version (adopted in 2014)).

Among the targets aiming at optimization of the composition and structure of federal property, the indicators of the relative shares of economic societies and FSIs, for which a target function was assigned, have been eliminated (with respect to FSUEs, this was done in 2017; and for treasury property entities, in 2018). Consequently, the expected results of the subprogram's implementation no longer include the assigned target function, by 2019, for the organizations with 100% state stakes.

Besides, for lack of resources necessary for automating federal property management, because the necessary additional budget allocations had not been approved, the previously introduced indicator of the relative share (%) 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) has also been eliminated. 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% stake owned by the RF and state organization with a less-than-100% 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 text of the GP was amended as follows.

The list of measures aimed at upgrading the efficiency of federal property sales and strengthening the involvement of federal property entities in commercial turnover, including through the use of privatization instruments, was extended to include the following items (which had been struck off the list in 2017):

- 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 were once again set 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 measures 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.

On the one hand, along with the additional measures designed to improve the efficiency of federal property sales, the requirement that the companies with federal stakes should gradually go public through entering the organized securities market was once again included in the text of the GP. On the other, it is no longer required that professional directors and independent experts should be elected to the managerial and control bodies of those companies, including biggest ones.

However, as before, the involvement of professional directors and independent experts is mentioned in the context of boosting the competitiveness and openness of the mechanisms of electing the CEOs of state-owned companies, as well as improving the performance of their managerial and controlling bodies.

As far as idle land plots are concerned, it is stated that these should be transferred not only into municipal ownership, but also into the ownership by subjects of the Russian Federation (the latter not being mentioned in the previous version).

Besides, the text has been technically edited in many ways.

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 9–13*).

Table 9

**The progress of the GP *Federal Property Management*
in 2015–2018 and indicators for the period until 2020,
in the part of determining target functions (relative share of assets
with a determined target function)**

Indicator	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, %*	45	68	50	65.5	100	99.8	100	100	100	100

Relative share of FSIs, %*	–	32	5	49	60	60.6	100	100	100	100
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* this indicator is absent from the 2019 version; its values for 2019–2020 are taken from the 2018 version, and are cited for reference.

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 2015–2018, URL: www.rosim.ru.

Table 10

**The progress of the GP *Federal Property Management*
in 2016–2019 and indicators for the period until 2021, in the part
of optimization of its content and structure**

Indicator	2016		2017		2018		2019		2020	2021
	plan	fact	plan	fact	plan	fact	plan	fact		
Annual decline in number of JSCs with state stakes relative to previous year, not less than, %	6	20.9	5	14.6	6	8.4	9	11.2	10	11
Annual decline in number of FSUEs relative to previous year, not less than, %	15	9.7	20	22.2	13	18.8	14	10.6	15	16
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), %	20	33.9	25	35	30	39.0	43	56.6	45	50
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)*, %					18	20.2	18.5	17.5	19	19.5

* 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 29, 2019); *Rosimushchestvo*'s reports for 2016–2019, URL: www.rosim.ru.

Table 11

**The progress of the GP *Federal Property Management* in 2016–2019 and indicators
for the period until 2021, in the part of public asset management instruments
(in fact, only JSCs with state stakes)**

Indicator	2016		2017		2018		2019		2020	2021
	plan	fact	plan	fact	plan	fact	plan	fact		
Relative share of civil servants in managerial and controlling bodies of JSCs with state stakes, %	30	28.7	50	49.5	50	43.4	50	49.2	50	50
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, %**	–	–	70	71.5	80	80	90	91	95	97

* the lists approved by RF Government Directive No 91-r dated January 23, 2003;

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

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Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 29, 2019); *Rosimushchestvo*'s reports for 2016–2019, URL: www.rosim.ru.

Table 12

The progress of the GP Federal Property Management in 2016–2019 and indicators for the period until 2021, in the part of hi-tech development of federal property management methods

Indicator	2016		2017		2018		2019		2020	2021
	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), %	80	80.2	80	81.5	80	81	85	88.6	90	95
Relative share of public services rendered in electronic form in total number of services rendered by <i>Rosimushchestvo</i> , %	65	93.3	100	100	100	100	100	100	100	100
Relative share of powers executed by <i>Rosimushchestvo</i> through the use <i>FGIAS ESUGI</i> , %*					45	42.4	60		75	

* a new indicator that appeared in the 2018 version of the GP and then was eliminated in its 2019 version; its values for 2019–2020 are taken from the 2018 version, and are cited for reference.

Source: Government Program *Federal Property Management*, approved by RF Government Decree No 327 dated April 15, 2014 (as approved on March 29, 2019); *Rosimushchestvo*'s reports for 2016–2019, URL: www.rosim.ru.

Table 13

The progress of the GP Federal Property Management in 2016–2019 and indicators for the period until 2021, in the part of budgetary effect

Indicator	2016		2017		2018		2019		2020	2021
	plan	fact	plan	fact	plan	fact	plan	fact		
1	2	3	4	5	6	7	8	9	10	11
Relative share of federal budget receipts over reporting year generated by sale of shares and stakes in charter capital of economic societies, as % 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), %*	–	–	100	104	100	43.6	100	38.4	100	100

Cont'd

1	2	3	4	5	6	7	8	9	10	11
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 % of planned target for reporting year (with due regard for RF Government decisions and directives concerning % of net profit to be paid as dividends for each JSC, and deviation of actual amount of net profit from planned target),* % per annum	–	–	100	107.1	100	109.9	100	100.1	100	100
Ratio of value of sold property in state ownership to its valuation for purposes of sale, %*	–	–	30	40.5	40	72.4	50	79	70	75

* 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 29, 2019); *Rosimushchestvo*'s reports for 2016–2019, URL: www.rosim.ru.

These data reliably underline the fact that after the adoption of the third and fourth versions of the GP, according to the year-end results of the period 2018–2019, almost all these indicators were consistent with their targets, were close to their values, or had surged above those target values.

Firstly, the target functions for the economic societies with some of their shares in federal ownership and for federal state institutions have now been fully determined, which should mean that this process nears completion for all organizations with state participation,¹ and so this particular block is to be struck off the list of targets and indicators of the GP's progress, and its definition abolished from the set of target functions for property entities in Subprogram 1. However, this outcome has not yet been formalized in official documents.

In this connection it is worthwhile to point out that the trend, spotted in 2018, of the actual relative share of civil servants in the managerial and controlling bodies of JSCs with state stakes being below the planned target (43.4% vs 50%), now, in 2019, has disappeared as the planned target was actually met (49.2% vs 50%).

Secondly, there is a persisting trend towards an accelerated decline in the number of JSCs with state stakes (annual decline, %) and 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. In the case of FSUEs, instead of the accelerated rate noted 2017–2018, they began to lag behind (approximately by a quarter). A similar situation could be observed with regard to all the other treasury properties. 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.

The ratio of value of sold property entities in state ownership to their valuation index determined for the purpose of their sale, which is rather difficult to predict, demonstrated an accelerated achievement of the planned level. Thus, according to the year-end results for 2019, the actual indices rose above their planned targets for 2020–2021.

Thirdly, we should note that over the last two years, the federal budget targets for the relative share of revenue generated by the sale of shares, set in accordance with the RF Government Directives thereby the forecast plan (program) of privatization was approved for each reporting year, proved to be unachievable (with the exception of revenues generated by the sales of shares in biggest JSCs) (43.6% and 38.4% in 2018 and 2019, respectively, vs. 100%).

The general reasons for these wide deviations (more than twofold) are the low attractiveness of the assets offered for sale; the increasingly prominent role of independent sellers handling privatization deals (as a rule, with more lengthy pre-sale preparation procedures and frequent postponements of scheduled biddings); suspension of scheduled biddings because of the need to settle the issues associated with the creation of vertically-integrated structures (VIS); the fact that the State retains a stake in a company's capital; the considerations of the option of selling the assets with certain investment conditions; the transfer of assets into regional ownership. By way of comparison, it should be noted that, in 2018–2019, the value of another indicator – that of budget efficiency (transfer of dividends to the federal budget) – was the same or even higher than the corresponding targets.

¹ This indicator has not been measured with regard to FSUEs since 2017, when indicators for FSUEs were excluded from the set of indicators (after climbing to 100% in 2015–2016). As regards property entities in treasury ownership, this indicator has not been measured since 2018 (after the Accounts Chamber of the Russian Federation found inconsistencies in the performance of the automated information system *Kazna* (IS KAZNA), in the part of quantitative data concerning those entities).

In the new (2019) version of the GP, the content of the normative legal package to be adopted has been somewhat adjusted.

Its previous (2018) version envisaged the approval, by a government directive, of the privatization program for 2020–2022, and the amendment of the government decree on the improvement of federal property records, as well as of the law on unitary enterprises (concerning regulation of the sale of their property).¹ Now, instead of the latter, it is planned to adopt two new important laws: ‘On State and Municipal Property’ (normative consolidation of the notion of ‘property’, as well as a set of related notions (types, characteristics, definition criteria, record-keeping requirements, management specificities, and ownership procedure (termination of title)) and ‘On Privatization of State and Municipal Property in the part of Attraction of Strategic Investors’ (normative consolidation of the model of state and municipal property alienation by applying this particular method).

* * *

The implementation period of the 3-year Privatization program for 2017–2019 is over. By the majority of indicators, its results turned out to be much more modest than the results of the previous program.

As for the biggest assets included in the program by special government decisions, only one deal took place in that category – that of the sale of the 100% federal stake in *Kristall Production Association JSC* to *Alrosa PJSC* (about RUB 1.9 billion) in 2019. Another example of such deal from the program for 2014–2016, closest to the latter by its timelines and value, is the sale of the of the 100% stake in *Arkhangelsk Trawl Fleet*, to the value of RUB 2.2 billion, to the strategic investor operating in the same sector (by *Virma LLC*) on the basis of a shareholder agreement with Archangelsk Oblast’s government whereby the new JSC should guarantee its social liabilities, the preservation of existing jobs, and the development of seaport infrastructure in the region.

The biggest deal with significant budgetary effect of the entire implementation period of the privatization program for 2017–2019 was the installment buyout, under an individual plan, of a stake in a Russia-India joint venture in the telecommunications sector by *SSA Sistema PJSC*. The total budget revenue generated by that deal over 3 years (RUB 26.65 billion) is significantly above the proceeds of the sale, in 2014, of the federal stake (13.76%) in *Inter RAO UES* (RUB 18.796 billion), but amounts to only slightly more than a half of the proceeds generated by the sale of a stake in *Alrosa PJSC* (10.9%) in 2016 (RUB 52.2 billion).

The movement patterns of sales of stakes in economic societies (shares in their charter capital) in accordance with standard procedures and reorganizations of unitary enterprises into joint-stock companies demonstrated an obvious deep plunge compared with the period 2014–2016. The number of sold stakes in economic societies (shares in their charter capital) fell by nearly 2/3, that of privatized FSUEs – by more than 1/3. The revenue generated by sales of stakes in economic societies other than biggest ones (RUB 10.3 billion) was 58% less than that received in 2014–2017 (more than RUB 24.8 billion). The process of creation, by the government, of vertically integrated structures likewise yielded less impressive results.

¹ For reference: in 2017 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).

At the same time, the number of sold treasury property entities gained nearly 27%. In this segment, the leading role is played by *Rosimushchestvo* (though its territorial bodies). However, we may also speak of a significantly increased role of independent sellers, who made a major input in the sales of stakes in economic societies (shares in their charter capital).

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 new forecast privatization plan for 2020–2022 is structured similarly to the three previous 3-year programs. Compared with the latter by the number of assets privatized in accordance with standard procedures, it is characterized by the lowest number of commercial organizations (unitary enterprises and economic societies) earmarked for privatization, and the highest corresponding target for other property entities. The projected budget revenue to be generated by privatization (less biggest deals) is a record low (except for the program for 2014–2016). The list of companies to be privatized under individual schemes is comparable with that in the program for 2017–2019, and the plan overlaps with that program by many parameters, although there is no revenue projections.

The alterations introduced into the privatization law follow the trends of recent years, aiming at a higher transparency and better efficiency of the privatization process (the participation of private sellers in the privatization of regional and municipal property, the abolition of a written application as the main method of conducting a sale, and the introduction instead of an open offer). The 2017 provision has been edited and somewhat simplified with regard to the procedure of selecting legal entities to be commissioned to organize, on behalf of the State, the sales of privatized federal property and (or) to perform the functions of a seller.

As far as the property complex held by the State is concerned, the number of unitary enterprises and joint-stock companies 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 points to the ongoing shrinkage in the relative share of companies where the State, in its capacity of a shareholder, can exercise full-scale corporate control, as a result of an increase in the relative share of minority stakes.

State-owned companies acted as sellers in the corporate control market (*TransContainer*). This was happening alongside an active process of creation, by the government, of VISs, as well as consolidation of state corporations (*Russian Post*, *Rostelecom*). A relatively new phenomenon was the establishment of public law companies (the Russian Environmental Operator and the Military Building Company).

After a lengthy discussion, some fundamentally important alterations were introduced into the law on unitary enterprises. The list of grounds for their creation has been shortened, made more precise, and linked to the current market competition level and the decisions of an antimonopoly agency. The enterprises created prior to the entry into force of the new legal norms (i.e., before January 2020 and operating in competitive markets must undergo their liquidation or reorganization by their founders' decisions by the start of the year 2025. In the event of a failure to adopt and implement such decisions, the enterprises must be liquidated in a judicial procedure. These newly introduced prohibitive and restrictive norms target in the main the regional and municipal levels, where the bulk of unitary enterprises belong.

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. Their relative share hit a record high of the entire period since the early 2000s (about 96%).

There was revenue growth in absolute terms from practically all the sources, one exception being lease payments for property, although revenues generated by the leasing of treasury property entities were still on the rise. The highest growth index was demonstrated by the amount of dividends transferred to the budget. Conversely, the receipts from all non-renewable sources declined. Among these, the greatest contribution was made by the revenues generated by sales of shares (or stakes in charter capital) of economic societies.

The tradition of annual amendment of the Government Program *Federal Property Management* was continued. It was prolonged for one more year (until 2021), 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 abolishing the target functions for JSCs with state participation and for state institutions, as had been previously done with respect to unitary enterprises and treasury property entities. The results of implementation of this Subprogram over the period 2018–2019 demonstrate that the established targets were formally met or exceeded by nearly all the indicators.