

**GAIDAR INSTITUTE FOR ECONOMIC POLICY**

**RUSSIAN ECONOMY IN 2020**

**TRENDS AND OUTLOOKS**

*(Issue 42)*

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**Gaidar Institute Publishers  
Moscow / 2021**

UDC 338.1(470+571)»2020»  
BBC 65.9(2Poc)

R95 **Russian Economy in 2020. Trends and outlooks. (Issue 42)** / [V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2021. – 668 pp.: illust.

ISBN 978-5-93255-616-0

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th 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.

Reviewers:

*Kharlamov A.V.*, Doctor of sciences (Economics), Professor of the Department of General Economic Theory and History of Economic Thought, Saint Petersburg State University of Economics.

*Yakobson L.I.*, Doctor of sciences (Economics), Professor, Vice-President of the National Research University Higher School of Economics.

UDC 338.1(470+571)»2020»  
BBC 65.9(2Poc)

ISBN 978-5-93255-616-0

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## 6.1. Public property management in Russia in 2020:

### 6.1.1. Economic subjects in public ownership

From 2016 onwards, statistical data on public property entities have been published within the framework of the System of Public Property Management Efficiency Estimates. It was approved by Decree of the RF Government No. 72 dated January 29, 2015, and introduced to replace the public sector monitoring data that had been collected and released by the Federal State Statistics Service (Rosstat) since the early 2000s in accordance with the provisions stipulated in RF Government Decree No. 1 dated January 4, 1999 (as amended on December 30, 2002). Among other things, the System contains data on the number of federal state unitary enterprises (FSUEs) and joint-stock companies (JSCs) with RF stakes in their capital; previously, such data were usually published as part of government privatization programs (from 2011, for three-year period; and prior to 2011, for one-year period). In the current Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020–2022, relevant data are available only as of early 2019 (*Table 1*). So, in order to adequately describe the processes observed over the course of the current year, one must rely specifically on data in the System of Public Property Management Efficiency Estimates.

As of July 1, 2019, the Russian Federation held stakes in 948 joint-stock companies (JSC) and was property owner of 640 FSUEs, 46 federal treasury enterprises (FTE), and 13,915 federal state institutions (FSI).

1 This section was written by: *Malginov, G.*, Candidate of Economic Sciences, Head of the Ownership and Corporate Governance Department of the Gaidar Institute, Leading Researcher at the Center for Institutions Analysis and Financial Markets of the RANEPА IAES; *Radygin, A.*, Doctor of Economic Sciences, Professor, Head of the Center for Institutional Development, Ownership and Corporate Governance of the Gaidar Institute, Director of the RANEPА Institute of EMIT.

Table 1

**Societies and organizations in federal ownership entered in the Federal Property Register and the System of Public Property Management Efficiency Estimates in 2010–2020**

Date	Economic societies with federal stakes, units		Other holders of ownership rights to registered federal property entities, units		
	stake (share) in capital	special right to participate in company's management ('golden share') without holding any stake <sup>a</sup>	FSUEs	FTEs	FSIs
As of January 1, 2010	3,066/2,950 <sup>b</sup>		3,517 <sup>b</sup>		
As of January 1, 2013	2,356/2,337 <sup>b</sup>		1,800/1,795 <sup>b</sup>	72	20,458
As of January 1, 2016	1,557/1,704 <sup>b</sup>	88/64 <sup>c</sup>	1,488/1,247 <sup>b</sup>	48	16,194
As of April 7, 2016 <sup>e</sup>		1,683/1,620 <sup>a</sup>	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 <sup>e</sup>	81	1,245/1,108 <sup>e</sup>	48	16,846
As of July 1, 2017	1,247	78	1,058	53	16,244
As of January 1, 2018	1,189	77	984	50	15,985
As of July 1, 2018	1,060	77	868	50	15,520
As of January 1, 2019	1,084/1,130 <sup>b</sup>	76	792/700 <sup>b</sup>	48	15,140
As of July 1, 2019	1,059	73	712	48	14,942
As of January 1, 2020	989	67	672	48	14,576
As of July 1, 2020	948	67	640	46	13,915

<sup>a</sup> – 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;

<sup>b</sup> – 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);

<sup>c</sup> – according to data published in Rosimushchestvo's annual report for 2015;

<sup>d</sup> – the numerator is the total number of legal entities, including CJSCs and LLCs; the denominator is the number of stakes and shares (it is assumed that the difference between the two figures equals the number of JSCs with a 'golden share', but there is no explicit statement of that fact);

<sup>e</sup> – based on data published in the Report on the implementation, in 2017, of the Forecast Plan (Program) of Federal Property Privatization for 2017–2019.

*Sources:* 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](http://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; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020–2022; statistical data from the System of Public Property Management Efficiency Estimates. URL: <http://rosstat.gov.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, March 20, 2020, September 5, 2020.

When these figures are set against the corresponding data for the previous year, it can be noted that the number of FSIs plunged by 1,027 units (or 6.9%); that of FSUEs, by 72 units (or more than 10%); and that of JSCs with state stakes, by 111 units (or 10.5%), while the number of JSCs with 'golden shares' (the Russian Federation's special right to participate in their management) declined by 6 units

(8.2%). The number of FTEs shrank by 2 units (4.2%), and this happened in H1 2020.

Over this shorter period, the movement patterns of the main categories (organizational legal forms) of economic subjects appeared to be as follows. The number of unitary enterprises declined by 4.8%, that of state institutions, by 4.5%, and that of JSCs with state stakes, by 4.1%; as a result, in H1 2020, the number of the latter for the first time plunged below 1,000 units.

Now let us look at the category of economic societies with various degrees of state participation, which is more relevant from the point of view of their role in the economy<sup>1</sup> (*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 2010–2020**

Date and source	Economic societies (JSCs and LLCs) where RF is shareholder (or participant)									
	total, units	share, %	these, with RF stake in charter capital amounting to							
			100%		50–100%		25–50%		less than 25%	
			units	%	units	%	units	%	units	%
<i>RF Government (forecast privatization plans (FPP))</i>										
As of January 1, 2016 (FPP)	1,704 <sup>a</sup>	100.0	765	44.9	93	5.4	172	10.1	674	39.6
As of January 1, 2019 (FPP)	1,130 <sup>b</sup>	100.0	368	32.55	30	2.65	95	8.4	637	56.4
<i>Rosstat (System of Public Property Management Efficiency Estimates, JSCs only)</i>										
As of January 1, 2016	1,557	100.0	816 <sup>c</sup>		52.4 <sup>c</sup>		174	11.2	567 <sup>d</sup>	36.4 <sup>d</sup>
As of July 1, 2016	1,571	100.0	711 <sup>c</sup>		45.3 <sup>c</sup>		189	12.0	671 <sup>d</sup>	42.7 <sup>d</sup>
As of January 1, 2017	1,356	100.0	575 <sup>c</sup>		42.4 <sup>c</sup>		128	9.4	653 <sup>d</sup>	48.2 <sup>d</sup>
As of July 1, 2017	1,247	100.0	514 <sup>c</sup>		41.2 <sup>c</sup>		108	8.7	625 <sup>d</sup>	50.1 <sup>d</sup>
As of January 1, 2018	1,189	100.0	488 <sup>c</sup>		41.0 <sup>c</sup>		102	8.6	599 <sup>d</sup>	50.4 <sup>d</sup>
As of July 1, 2018	1,060	100.0	448 <sup>c</sup>		42.3 <sup>c</sup>		87	8.2	525 <sup>d</sup>	49.5 <sup>d</sup>
As of January 1, 2019	1,084	100.0	442 <sup>c</sup>		40.8 <sup>c</sup>		85	7.8	557 <sup>d</sup>	51.4 <sup>d</sup>
As of July 1, 2019	1,059	100.0	429 <sup>c</sup>		40.5 <sup>c</sup>		85	8.0	545 <sup>d</sup>	51.5 <sup>d</sup>
As of January 1, 2020	989	100.0	387 <sup>c</sup>		39.1 <sup>c</sup>		74	7.5	528 <sup>d</sup>	53.4 <sup>d</sup>
As of July 1, 2020	948	100.0	362 <sup>c</sup>		38.2 <sup>c</sup>		66	7.0	520 <sup>d</sup>	54.9 <sup>d</sup>

<sup>a</sup> – 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);

<sup>b</sup> – the number of economic societies;

<sup>c</sup> – the total number of JSCs with federal stakes of more than 50% (without counting separately the JSCs with 100% federal stakes), and their relative share;

<sup>d</sup> – 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.

*Sources:* Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2017–2019; Forecast Plan (Program) of Federal Property Privatization

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.

and the Main Directions of Federal Property Privatization for 2020–2022; statistical data from the System of Public Property Management Efficiency Estimates. URL: <http://rosstat.gov.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, March 20, 2020, September 5, 2020; own calculations.

An analysis of Rosstat data published in the framework of the System of Public Property Management Efficiency Estimates revealed, over the period between mid-2019 and mid-2020, the presence of a continuing downward trend in the share of those JSCs where the State as a shareholder exercised full corporate control.<sup>1</sup> Their share as of July 1, 2020 was 38.2% vs 40.5% a year earlier. The share of JSCs with federal blocking stakes shrank from 8% to 7%. Meanwhile, the share of all the other companies with federal stakes, on the contrary, increased from 51.5% to almost 55%.

The movement of data in the System of Public Property Management Efficiency Estimates, which are not limited to the federal level alone, follows 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 2016–2020 (as entered in State registration records), by their organizational legal form**

Date	Total	FSUEs, including treasury enterprises	State institutions	Economic societies with shares (or stakes) amounting to more than 50 percent of charter capital owned by	
				State	economic societies operating in public sector
As of January 1, 2013	670,03 <sup>a</sup>	4.891	56,247	3,501	2,364
As of July 1, 2013	661,31 <sup>a</sup>	4.589	56,100	3,201	2,241
As of January 1, 2014	646,16 <sup>a</sup>	4.408	54,699	3,097	2,412
As of July 1, 2014	636,35 <sup>a</sup>	4.236	54,173	2,988	2,238
As of January 1, 2016	655,87 <sup>b</sup>	4.284	56,693/56,649 <sup>c</sup>	3,888 <sup>a</sup>	–
As of July 1, 2016	652,18 <sup>b</sup>	3.982	56,893/56,856 <sup>c</sup>	3,718 <sup>a</sup>	–
As of January 1, 2017	644,57 <sup>b</sup>	3.719	56,548/56,507 <sup>c</sup>	3,532 <sup>a</sup>	–
As of July 1, 2017	626,55 <sup>b</sup>	3.294	55,414/55,361 <sup>c</sup>	3,353 <sup>a</sup>	–
As of January 1, 2018	617,34 <sup>b</sup>	3.053	54,851/54,814 <sup>c</sup>	3,239 <sup>a</sup>	–
As of July 1, 2018	603,91 <sup>b</sup>	2.763	53,933/53,899 <sup>c</sup>	3,125 <sup>a</sup>	–
As of January 1, 2019	596,08 <sup>b</sup>	2.608	53,394/53,360 <sup>c</sup>	3,054 <sup>a</sup>	–
As of July 1, 2019	588,39 <sup>b</sup>	2.366	52,901/52,870 <sup>c</sup>	2,972 <sup>a</sup>	–
As of January 1, 2020	579,03 <sup>b</sup>	2.225	52,207/52,176 <sup>c</sup>	2,864 <sup>a</sup>	–
As of July 1, 2020	569,09 <sup>b</sup>	2.050	51,474/51,445 <sup>c</sup>	2,787 <sup>a</sup>	–

<sup>a</sup>– 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 a

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

similar stake in charter capital) are in joint RF and foreign ownership;

<sup>b</sup> – 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.);

<sup>c</sup> – 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);

<sup>d</sup> – 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.

*Sources:* 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), Moscow, Rosstat, 2013–2014; Statistical information on public property management efficiency estimates. URL: <http://rosstat.gov.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, March 20, 2020, September 5, 2020.

According to data collected within the framework of the new System of Estimates, by mid-2020 the total number of economic subjects belonging to the public ownership category amounted to approximately 56,900 units, which is less by approximately 1,900 units (or by 3.3%) than a year earlier, and by approximately 6,700 units less than the corresponding index for mid-2014.<sup>1</sup>

For some categories of economic subjects it can be noted that, relative to mid-2019, the number of unitary enterprises declined by 316 units (or 13.4%), that of economic societies – by 185 units (or 6.2%), and that of state institutions – by approximately 1,400 units (or 2.7%).

As far as the changes that occurred within a shorter period of time are concerned, over H1 2020 the number of unitary enterprises shrank by 7.9%; that of economic societies, by 2.7%; and that of state institutions, by 1.4%.

According to the results of the Accounts Chamber of the Russian Federation’s expert-analytical study “Analysis of the practices of formation and implementation in 2017–2018 and the expired period of 2019 of the dividend policy in the exercise, on behalf of the Russian Federation, of the rights of a shareholder (participant) of business entities, shares (stakes) in the authorized (joint-stock) capital of which are in federal ownership, and the powers of the owner of the property of federal state unitary enterprises in determining the directions of distribution of the amount of profit remaining after taxes and other obligatory payments of federal state unitary enterprises”, the decline in the number of state-owned organizations occurred in the main for reasons other than their privatization. According to data released by 37 federal bodies of executive authority (FBEAs), including data on enterprises without any affiliation to government departments, the most significant patterns of reducing the number of federal state unitary enterprises over the period 2017–2019 were their liquidation due to termination of their activities, bankruptcy (32.6%), and mergers of enterprises (28.9%). The input of privatization procedures amounted to 18.3%; and that of transformation of FSUEs into budget-funded and state institutions, to 13.0%.<sup>2</sup>

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1 The last bulletin on the developments in the public sector of the RF economy covers the period of January–September 2014; however, for the purpose of a medium-term analysis, the data for H1 2014, released as of 1 July 2014, are quite sufficient.

2 Bulletin of the Accounts Chamber of the Russian Federation. Federal Property Management, No. 8 (273) 2020, p. 17.

### 6.1.2. Privatization policy

In 2020, the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020–2022, approved by Directive of the RF Government No. 3260-r dated December 31, 2019, was launched. This is the fourth 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 1 to 3 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. Over the course of last year, a total of 15 normative legal acts (NLA) pertaining to these issues were adopted, which is comparable with the legislation adjustments made during the first and the last years of the previous privatization program (15 NLAs in 2017, and 14 NLAs in 2019).

The most relevant alterations were introduced by Directive of the RF Government No. 3573-r dated December 26, 2020.

The basic characteristics of the organizations and property entities included in the forecast privatization plan remained the same,<sup>1</sup> but only two categories of them were left as additional exceptions: (1) joint-stock companies (JSCs) and enterprises entered on the list of strategic organizations, and (2) organizations registered outside of the territory of the Russian Federation. The categories of minority federal stakes in JSCs, as well as shares in JSCs affiliated to the core companies of vertically integrated structures (VIS) earmarked for subsequent redistribution among the latter, have been taken off the list of additional exceptions.

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 (Section I of the privatization program), included 4 companies (JSCs) in respect of which the State was planning to withdraw from their capital (Makhachkala Commercial Sea Port JSC, Adler Trout Breeding Farm, Novorossiysk Commercial Sea Port (NCSP), and Foreign Trade Association Almazjuvelirexport); now, NCSP has been struck off that list, as it was repeatedly included in the previous privatization programs but never became subject to any real deal.

Section I has also been augmented by the impending (by 2022) reorganization into JSCs of five federal state unitary enterprises and treasury enterprises (Scientific & Technical Center Khimvest, FSUE National Fish Resources, Amursk Cartridge Plant Vympel, Voskresensk State Treasury Aggregate Plant, and Building Construction Administration No. 30), which will take place if the President of the

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<sup>1</sup> The privatization plan targets those enterprises (organizations) in federal ownership that are not natural monopolies or organizations belonging to the defense complex; economic societies established by the Russian Federation or created by way of privatization of relevant FSUEs within the framework of the forecast plans (programs) of federal property privatization implemented during the previous planning periods; shares in JSCs transferred gratis by legal entities or individuals; shares in JSCs recognized to be heirless property; and shares in JSCs transferred into federal ownership as a result of reorganization of economic societies, or by a court ruling, or by a decision of the RF Government, or acquired at the expense of the federal budget.



Russian Federation decides that they should be struck off the list of strategic organizations. The reorganization of FSUEs and FTEs into JSCs is for the first time announced within the framework of a 3-year privatization program.

Also in accordance with RF Government Directive No. 3573-r, the forecast privatization plan has been augmented by 73 economic societies and 93 treasury property entities; the relevant procedures targeting these entities will be implemented only in 2021.

After the amendments to legislation designed to regulate the activities of unitary enterprises were adopted in late 2019, the government once again raised the issue of the necessity to accelerate the process of their reorganization. The RF Ministry of Finance, the RF Federal Agency for State Property Management (Rosimushchestvo), the Federal Tax Service, the Federal Antimonopoly Service (FAS), and the RF Ministry of Industry and Trade were assigned the task of corporatization or liquidation of the existing FSUEs by the end of 2021. In this connection, they can either be reorganized into state institutions, or retain their previous organizational legal form with the approval of the Government Commission on Administrative Reform. So far, these developments have had little effect on the implementation of the current privatization plan. By the aforesaid government directive, another 35 enterprises were included in this plan.<sup>1</sup>

When discussing the results of the privatization program implementation over the course of last year, one should first of all make note of the privatization deals arranged according to individual schemes.

The long-standing deal to reduce the state stake in Sovcomflot PJSC was closed at last. It did not generate budget revenue because it was carried out through an additional issue of shares (IPO) and their public offering by open subscription, on condition that the stake held by the Russian Federation in the company's charter capital should be not less than 75% + 1 share. As part of the public offering of shares in the additional issue launched by Sovcomflot PJSC, by Rosimushchestvo's order based on RF Government directives, the essential terms of the forthcoming deal were approved. The company's board of directors issued its decision that the initial offer price of the additional ordinary shares should be Rb105 per share. The amount of funds raised by Sovcomflot PJSC through the public offering of ordinary shares is expected to total approximately Rb42.9 bn.<sup>2</sup>

Under the current forecast privatization plan, similarly to all the previously implemented 3-year privatization programs, Sovcomflot has been listed in the group 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. However, the size of the state stake to be reduced was becoming steadily less in each consecutive program. By the results of the IPO held this year, the state retained its controlling stake in the amount of 82.8% of the company's charter capital.<sup>3</sup> Sovcomflot PJSC plans to use the funds that it has

1 *Grinkevich D.* Subtle reorganization: the Cabinet orders that FSUEs should be get rid of by the end of 2021. *Izvestia*, November 16, 2020; RF Federal Agency for State Property Management (Rosimushchestvo)'s Annual Report for 2020. URL: <http://rosim.gov.ru>

2 URL: <http://rosim.gov.ru>, October 7, 2020

3 *Vedomosti*, October 7, 2020.

thus raised to finance its investment program that envisages the construction of a fleet to service large-scale gas projects at domestic shipyards.

In the context of this transaction, it is worth mentioning another company that is entered in the list of strategic organizations along with Sovcomflot - Aeroflot PJSC. Although it is not included in the current privatization program, in Rosimushchestvo's annual report for 2020 on the implementation of the forecast plan (program) of federal property privatization, the information on an additional issue of Aeroflot shares immediately follows that on the Sovcomflot deal.

By RF Government Directive No. 1937-r dated July 24, 2020, Rosimushchestvo, the RF Ministry of Transport, and the RF Ministry of Finance are instructed to carry out, in accordance with the established procedure, the measures designed to increase the company's charter capital through an additional issue of shares by open subscription, while securing the state stake in its charter capital in the amount of not less than 51.17%. This decision is in line with the Executive Order of the President of the Russian Federation issued in 2014, whereby it was allowed to increase the charter capital on condition the state stake should remain not less than 50% of the votes + 1 voting share.

In connection with the additional issue of shares, the Board of Directors of Aeroflot PJSC decided to set the offering price of the newly issued ordinary shares, including for the shareholders who subscribed under the pre-emptive rights process, at Rb60 per share. The offering price was derived on the basis of the received applications from shareholders and investors to subscribe for the shares being offered.<sup>1</sup>

The total amount of funds raised by Aeroflot PJSC by way on an additional issue of shares was Rb80 bn, including Rb30 bn from investors in the open subscription. However, the bulk of the additional issue (Rb50 bn) was covered by public money from the National Wealth Fund (NWF), the state stake in the charter capital of Aeroflot PJSC being 57.34%. Meanwhile, 40.65% of its shares are in free circulation (these are held by both institutional and retail investors). Quasi-treasury shares take up 1.96%, while the company's CEOs own 0.05%. VTB Capital was the only global coordinator and bookrunner; and White I Case I.I.P. acted as an international legal consultant.<sup>2</sup>

The purpose of the additional offer of shares was to boost the liquidity of the Aeroflot group in order to play down the negative impact of the coronavirus pandemic. Aeroflot PJSC plans to use the funds thus raised to deal with its general corporate purposes and reduce its debt burden.

From among the companies on the list of assets earmarked for privatization within the framework of individual schemes, Rosimushchestvo sold, on December 8, 2020 for Rb539 mn, 100% of shares in Adler Trout Breeding Farm JSC. The deal was closed by way of complying with RF Government Directive No. 2211-r dated August 31, 2020. According to the government directive, the contract for the

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1 URL: <http://rosim.gov.ru>, October 9, 2020.

2 Rosimushchestvo's report, for 2020, on the implementation of the forecast plan (program) of federal property privatization in 2020-2022. URL: <http://rosim.gov.ru>, [www.aeroflot.ru](http://www.aeroflot.ru), October 26, 2020

sale and purchase of shares in a JSC must provide for keeping the existing staff number unchanged, and the fulfillment by the buyer, within 10 years from the date of transfer of ownership rights, of the following conditions: (1) maintaining the company's core activities, (2) complying with a temporary ban on the alienation of real estate, including land plots, (3) complying with a temporary ban on any further transfer of rights to shares over the period established for the fulfillment of the specified conditions.

In addition to these deals, the year 2020 saw the sale of blocks of shares (or stakes in charter capital) in 23 economic societies, including the sale of shares in three JSCs within the framework of the previous privatization program for the period 2017–2019, and the sale of Etna LLC, which was completed in 2020, and the company was struck off the privatization program's list by RF Government Directive No. 3573-r dated December 26, 2020. Besides, relevant decisions were adopted concerning the terms of privatization deals involving 16 FSUEs, 12 of which were corporatized (*Table 4*).

*Table 4*

**Comparative data on the movement of the number of privatization deals involving federal state unitary enterprises and federal stakes in 2008–2020**

Period	Number of privatized enterprises (entities) formerly in federal ownership (data released by Rosimushchestvo)		
	privatized FSUEs, <sup>a</sup> units	sold stakes in JSCs, units	sold treasury property entities, units
2008	213	209 <sup>b</sup>	–
2009	316+256 <sup>c</sup>	52 <sup>b</sup>	–
2010	62	134 <sup>b</sup>	–
2008–2010	591+256 <sup>c</sup>	395 <sup>b</sup>	– <sup>d</sup>
2011	143	317 <sup>e</sup> /359 <sup>b</sup>	3
2012	47 <sup>f</sup>	265 <sup>e</sup>	40
2013	26	148 <sup>e</sup>	22
2011–2013	216	730 <sup>e</sup>	65
2014	33	107 <sup>e</sup>	12
2015	35 <sup>g</sup>	103 <sup>e</sup>	38
2016	60 <sup>g</sup>	179 <sup>e</sup>	282
2014–2016	125 <sup>g</sup>	389 <sup>e</sup>	332
2017	69	47	77
2018	4	46	173
2019	8	51	171
2017–2019	81	144	421
2020	16	23 <sup>h</sup>	312 <sup>h</sup>

<sup>a</sup> – all preparatory work is completed, and the relevant decisions concerning the terms of privatization are adopted;

<sup>b</sup> – including those stakes that were put up for sale in the previous year;

<sup>c</sup> – 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;

<sup>d</sup> – available information concerning sales of other property entities over that period is reduced to that concerning the 4 immovable military property entities sold over the period 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;

<sup>e</sup> – less sales of shares with the participation of investment consultants;

ε – 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);

h – including those stakes in JSCs and treasury property entities that were sold within the framework of implementing the previous privatization program.

*Sources:* 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; Rosimushchestvo's reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2020. URL: <http://rosim.gov.ru>.

The spread of the new coronavirus infection (COVID-19) and the resulting increased volatility in financial markets, quite logically, translated into a significantly reduced investment demand for privatized property. Out of the 100 biddings for the economic societies put up for sale, 74 were canceled, mainly due to the absence of any bids (67).

Another factor contributing to this state of affairs was that, during the period of selecting legal entities to be commissioned to organize, on behalf of the Russian Federation, the sales of privatized federal property and (or) to perform the functions of a seller, no pre-sale preparation procedures for the 95 economic societies earmarked for sale were carried out. The results of the selection process handled by Rosimushchestvo were approved only as late as Q4. By RF Government Directive No. 2951-r dated November 12, 2020, Auction House of the Russian Federation (RAD) OJSC was commissioned to sell shares (or stakes) on behalf of the Russian Federation; that particular agent had already been performing these functions for several years under an agency agreement.

As a result, in 2020, the number of sold economic societies more than halved relative to the year-on-year indicators of the previous privatization program (for 2017–2019). Moreover, this number was record low for the entire previous period.

However, the financial results were by no means the lowest. According to the year-end data for 2020 released by the Federal Treasury as of February 2, 2021, the amount of revenue generated by sales of federal stakes and other forms of capital participation over that year was Rb4.08 bn (including the deals launched in 2019).<sup>1</sup> This is significantly more than the amount of revenue generated by the

<sup>1</sup> This figure, cited by Rosimushchestvo, with a reference to the Federal Treasury's data, in its report for 2020 on the implementation of the forecast plan (program) of federal property privatization in 2020–2022, equals about 1/3 of the amount of revenue generated by sales of federal shares and other forms of capital participation specified in the operational data report on federal budget execution as of January 1, 2021 (in particular, on the use of internal sources of budget deficit financing), which is available on the Federal Treasury's official website (Rb12.6 bn). The remaining amount generated under this (deficit financing) budget item was the repayment of debt owed by Sistema Public Joint Stock Financial Corporation. URL: <http://rosim.gov.ru>

sales of blocks of shares (or stakes) in economic societies that do not belong to the category of biggest companies in 2018 (Rb2,857.05 mn) and 2019 (Rb2,064.64 mn), and equals approximately 3/4 of the corresponding index for the first year of the implementation of the previous privatization program (Rb5,396.14 mn in 2017). Thus, for the first time in several years, it was possible to exceed the revenue targets of the forecast privatization programs (Rb5.6 bn per annum in 2017–2019, and Rb3.6 bn per annum in 2020–2022).

The biggest deal of 2020 was the sale of 100% of shares in Voronezh Experimental Agricultural Station JSC. The sale was handled by VEB Capital Plc.<sup>1</sup> The electronic auction, which was held in an open bidding format both in terms of types of participants and forms of submitting bid price proposals, was participated by 13 bidders. The resulting deal value was Rb1,206.92 mn, jumping more than 46 times over the initial offer price (Rb26 mn).

As for the other five JSCs whose blocks of shares were sold for not less than Rb100 mn each, these were not obviously concentrated in the region surrounding the capital, unlike the situation in 2019. Only two of these JSCs were situated in the city of Moscow, and the other three, in Kaliningrad, Sochi, and Samara. Besides, the total deal value index for the sales of JSCs in the capital (over Rb578 mn) was slightly below the corresponding indices for other three cities (about Rb660 mn). The sales of all the five property entities were handled by VEB Capital Plc.

The evidently sluggish pace of privatization of JSCs (economic societies) clearly contrasts with that of treasury property privatization. In 2020, 312 treasury property entities were sold (including one unit sold within the framework of the previous privatization program for 2017–2019); this is 80% higher than the corresponding index for the previous year (171 units), and also exceeds the previous historic high achieved in 2016 (282 units). The number of sold treasury property entities is almost 14 times higher than that of sold blocks of shares (stakes) in JSCs. According to the year-end data for 2020 released by the Federal Treasury as of February 2, 2021, the amount of federal budget revenue generated by sales of property entities owned by the Russian Federation, including the deals launched in 2019, is approximately Rb0.9 bn. A year earlier, the total value of such deals, according to Rosimushchestvo's data, amounted to Rb755.4 mn.<sup>2</sup>

A new aspect of the ongoing privatization process in this segment has been the accelerated privatization of property entities representing construction-in-progress projects (hereinafter CPP). Out of 49 objects of federal property entities (lots) put up for sale and listed in the privatization program, including 124 CPPs, 30 units (more than 60%) were sold, including 88 CPPs (more than 70%). In 2020, 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 (21–23%).

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<sup>1</sup> URL: <http://rosim.gov.ru>, March 24, 2020

<sup>2</sup> Rosimushchestvo's reports, for 2019, on the implementation of the forecast plan (program) of federal property privatization in 2020-2022; Rosimushchestvo's reports, for 2020, on the implementation of the forecast plan (program) of federal property privatization in 2020-2022.

The most significant sales of treasury properties objects were handled by Rosimushchestvo and its territorial bodies (302 units). To the latter, in order to speed up the privatization procedures shortly after the onset of the pandemic, the powers to handle the privatization deals involving more than 900 treasury property entities were delegated, which resulted in shortened pre-sale preparation procedures and created opportunities for stimulating the interest of regional investors in these auctions, including representatives of small businesses and individual entrepreneurs. The agents commissioned to handle the sales (Auction House of the Russian Federation OJSC), VEB Capital Plc., and Agency for Direct Investments JSC) succeeded in selling 10 property entities (or 3.2%) over the reporting period.

In Q1 2021, the results of the announced sales of 15 economic societies and 245 treasury property entities should be released.

In 2020, within the framework of implementation of 18 Executive Orders of the President and 21 RF Government Directives concerning the creation or expansion of vertically integrated structures (VISs), Rosimushchestvo set out to establish 9 VISs. As of the year-end of 2020, the relevant decisions concerning the terms of privatization were taken with regard to 5 FSUEs, 26 JSCs, and 3 treasury property entities. Among the integrated structures that were expanded in 2020, we can point out state corporations (SC) state corporations (SC) Rostec, Roscosmos and Rosatom; Rosgeologia JSC, Almaz-Antey Air and Space Defence Corporation; Tactical Missile Armament Corporation; United Shipbuilding Corporation; and Russian Railways.

Over the course of that year, some alterations have been introduced into the current privatization law (adopted in 2001).

The previously existing norm concerning the establishment, by the RF Government, of the procedure for developing a forecast plan of federal property privatization now applies not only to all state-owned property entities (i.e. those owned by subjects of the Russian Federation), but also to municipal property entities. The annual report on the results of federal property privatization, which the government is required to submit to parliament, must contain the information entered in the reports on the results of implementation of forecast plans (programs) of state and municipal property privatization, in accordance with the special report forms approved by the RF Government. Previously, the information on the results of privatization of property owned by subjects of the Russian Federation and municipalities, had also to be attached to the report submitted to the State Duma, but its format was not specified. Consequently, the powers of regional and local authorities to develop their own privatization programs at the local level and their own forms for reporting on their implementation must now be regulated within the framework of the said federal documents. Several articles of the privatization law have been properly amended and edited, to bring them in line with these alterations.

The alterations, whereby the rules for the development of forecast plans (programs) of federal property privatization that were approved back in 2005 are now also to be applied to the property entities owned by subjects of the

Russian Federation and municipalities, were introduced by RF Government Decree No. 2352 dated December 29, 2020. By that time, the RF Ministry of Finance had already replaced the RF Ministry of Economic Development in its capacity of the government department responsible for the development of privatization programs. The upshot was the redistribution of powers between government departments in early 2020, and this change more strongly affected the management of state-owned property.

### 6.1.3. Strategic organizations and the management of economic subjects operating in the public sector

After the subordination of Rosimushchestvo to the RF Ministry of Finance, many of the functions that had previously been performed by the RF Ministry of Economic Development were transferred to the latter. As a result, several dozen normative legal acts had to be properly adjusted, and this was done by RF Government Decree No. 1133 dated July 29, 2020. As far as property management policy is concerned, the alterations addressed the privatization process, the management of economic subjects operating in the public sector, the entry in records of property entities, and many other issues.<sup>1</sup> Basically, this was just a ‘mechanical’ replacement of one government department by another one, without any changes in their functions. Thus, the RF Ministry of Finance (instead of the RF Ministry of Economic Development) is required to submit to the RF Government, by January 1, 2021, the draft lists of federal state unitary enterprises, state institutions and federal autonomous institutions, the directors of which may be appointed (or their appointment approved), dismissed from their posts, and reimbursed by paying year-end bonuses, only with the consent of the deputy chairs of the RF Government responsible for coordinating the activities of the relevant federal bodies of executive authority.

In principle, the concentration of multiple powers for the implementation of property management policy in the hands of the RF Ministry of Finance, where a special department has been set up for that purpose, may give rise to a situation where the financial issues (the payment of dividends, approval of investment programs) arising within the framework of the relationship between the government and state-owned companies will be resolved at a higher level. On the other hand, interdepartmental controversy cannot be ruled out, either, because the RF Ministry of Economic Development has retained its function of developing government policy and regulating ‘corporate relations’.<sup>2</sup>

As far as the list of strategic organizations is concerned, in 2020 it was augmented by one FSUE and two JSCs. Over the same period, nine FSUEs were struck off the list of strategic organizations; of these, four are being reorganized into JSCs, with all their stocks to be subsequently transferred as a property contribution of the State to SC Rostec, three (all of them are treasury enterprises) are to be

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<sup>1</sup> The changes in the roles performed by the government departments are discussed in more detail later in this section, on the example of their powers executed during the management of unitary enterprises.

<sup>2</sup> *Galieva D.* To give more food, or to milk more often // *Kommersant*, No. 71, April 28, 2020, p. 2.

merged with another treasury enterprise, and another one is to be reorganized into a federal budget-funded institution. In addition, after the reorganization of Russian Post, it was entered on the list of strategic joint-stock companies and simultaneously struck off the list of strategic unitary enterprises; and another two enterprises remained on that list after having been renamed.

Besides, five JSCs were struck off the list of strategic organizations.

With regard to four JSCs, including two previously created integrated structures (Concern Morinformsystem-Agat JSC and Concern Oceanpribor JSC), their transformation had to do with the establishment of Marine Instrument Engineering Corporation JSC (situated in St. Petersburg), 100% of its shares being in federal ownership. The state contribution to the charter capital of the new integrated structure consists of money in the amount of Rb200 mn and stakes in 20 JSCs, of which only four are nearly in full state ownership (100% - 1 share), while in the other JSCs the State holds only minority stakes (less than 3% each). The newly created structure has also received one share in each of the four JSCs struck off the list of strategic organizations, within the framework of a trust management agreement, without a tender for the right to conclude such an agreement without remuneration. In this connection, the trust management agreements of 11 JSCs with Concern Morinformsystem-Agat JSC and Concern Oceanpribor JSC have been terminated.

Of much greater importance is the fact of Channel One Russia JSC having been struck off the list of strategic organizations at the end of December 2020. Its charter capital is to be increased by an additional issue of shares and its sale to private shareholders, while the state stake should secure for the Russian Federation not less than 34% of votes at a general meeting of shareholders.

The government should determine the list of private shareholders and ensure that they conclude a shareholder agreement with the State, whereby the procedure for exercising the rights secured by shares in Channel One Russia JSC, as well as the titles thereto, should be established in compliance with the requirements of legislative acts and other normative legal acts of the Russian Federation, including those regulating the procedure for the management and disposal of state-owned shares. The lower government corporate control threshold in the capital of Channel One Russia JSC is counterbalanced by the decision that the Russian Federation should hold the special right to participate in the joint-stock company's management ('golden share'). It is important to note that previously, the majority state stake (51%) secured by the company's entry on the list of strategic organizations was of a complex nature, as it consisted of the stake held by Rosimushchestvo (38.9%), and also the stakes held by two FSUEs: ITAR-TASS (9.1%), and Ostankino Television Technical Center (3%).

The additional issue of shares was the response to the need for financial rehabilitation of Russia's leading TV broadcaster, which had accumulated a net loss and huge accounts payable. Presumably, its private shareholders could be VTB Group, SOGAZ and the National Media Group, the latter having already become its second biggest shareholder after Rosimushchestvo (29%). VTB Group, which previously owned a 20% stake that was transferred to SOGAZ, does not



rule out the possibility of converting into shares the debt on existing loans. Representatives of both companies, alongside government officials, have been nominated candidates to the board of directors of Channel One Russia JSC.<sup>1</sup>

The expected reduction of the state stake in the capital of Channel One Russia JSC is on a par with the already closed Sovcomflot deal, because it has launched a trend towards bringing down the size of state stakes in major companies of nationwide importance while retaining government control over their activities through a variety of instruments.

On the other hand, the past year also saw some opposite examples. Thus, on one of its last days, the claim filed by the Prosecutor General's Office concerning the seizure in favor of the State (represented by Rosimushchestvo) of all shares in the Bashkir Soda Company (BSC) JSC was satisfied; this had been preceded by a conflict with the local residents over the company's failure to comply with environmental legislation, and a reprimand by the President of Russia in connection with profits being withdrawn to offshore and a decreasing participation of the State in the company's joint-stock capital. However, in this particular case, the Republic of Bashkortostan performed its shareholder functions through its participation in the Regional Fund JSC, which held a 38.2% stake in the BSC.<sup>2</sup> Meanwhile, Rosatom State Corporation plans to become FESCO's partner in managing Commercial Port of Vladivostok PJSC (VMTP PJSC), which is the main asset held by the latter (so far, without any participation in its capital). FESCO replaced its major stakeholders, which gave rise to an acute corporate conflict. The conflict also affected VMTP PJSC, because the newly appointed management was met with a sharp rejection by the seaport staff.<sup>3</sup>

Special mention should be made of the purchase, by the RF Government from the Bank of Russia, of the 50% equity stake in Sberbank PJSC; the deal was regulated by specially adopted Law No. 50-FZ dated March 18, 2020, and was part of the placement of funds of the RF National Wealth Fund. The deal value was determined on the basis of organized trades executed on the Moscow Exchange over the period from March 9, 2020 through April 7, 2020, at Rb189.44 per share. The total deal value amounted to Rb2,139,435.71 mn.<sup>4</sup>

Leaving aside some important aspects of that deal, which deserve separate consideration (its feasibility and priority from the point of view of budget expenditure in the new socio-economic situation, the ways of spending the money received by the RF Central Bank, etc.), we believe it to be worthwhile to discuss the following point.

As far as administering the collection of non-tax revenues is concerned, it should be noted that previously, the incomes derived by the RF Central Bank from its stake in Sberbank were treated as 'other non-tax budget revenues' and, on the basis of special laws, were to be transferred to the federal budget, and their amount was deducted from the part of the RF Central Bank's total profits

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1 URL: [www.rbc.ru](http://www.rbc.ru), January 31, February 3, 2021

2 URL: [www.rbc.ru](http://www.rbc.ru), August 26 and 31, December 4, 2020

3 URL: [www.rbc.ru](http://www.rbc.ru), November 5, December 23, 2020

4 URL: [www.minfin.gov.ru](http://www.minfin.gov.ru), April 10, 2020

earmarked for the federal budget. In view of the new management format, it would be logical to expect an increase in the total volume of dividends received by the federal budget.

From the point of view of corporate governance, it is worthwhile to discuss in detail the provision in the said law whereby a shareholder agreement between the parties on the execution of the rights secured by ordinary shares in Sberbank is regulated, which addresses in the main the formation of its supervisory board.

Until the alienation, by the Bank of Russia, of all its shares, up to five candidates are nominated and elected to that body; these are government officials, who are individuals acting on the supervisory board of Sberbank in accordance with the agreement on representing there the interests of the RF Government, and employees of the Bank of Russia.

They should include not less than one candidate from among government officials, and not less than one candidate from among employees of the Bank of Russia. The proportionate numbers of government officials, the individuals acting on the supervisory board of Sberbank in accordance with the agreement on representing there the interests of the RF Government, and employees of the Bank of Russia to be nominated and elected to the supervisory board by voting of the parties at a general meeting of shareholders (GMS), should be determined with due regard for the actual quantitative distribution of Sberbank ordinary shares between the parties as of January 1 of the relevant calendar year.

After the Bank of Russia has alienated all its shares, up to four candidates, including one employee of the Bank of Russia, are to be nominated and elected to Sberbank's supervisory board by voting at a general meeting of shareholders, on behalf of the RF Government represented by the federal body of executive authority responsible for the development of government policy and legal regulation in the field of budgetary, tax, insurance, currency and banking activities. Likewise, by voting of the parties, not more than one representative of the executive bodies of Sberbank PJSC is to be nominated and elected to its supervisory board.

The government officials, who are individuals acting on the supervisory board of Sberbank PJSC in accordance with the agreement on representing there the interests of the RF Government, are to be independent in their decision-making and voting on the issues included in the supervisory board meeting's agenda, unless the RF Government has issued instructions, in accordance with the procedure established in its normative legal acts, that they should vote in a specific way on the issues determined by the shareholder agreement.

The candidates nominated by the parties to the supervisory board as independent directors must meet the criteria for an independent director established by the rules of the organized of trade appointed to handle the listing of Sberbank ordinary shares.

The shareholder agreement is to be concluded within one month after the transfer of ordinary shares in Sberbank by the Bank of Russia to the RF Government represented by the federal body of executive authority responsible for the development of government policy and legal regulation in the field of budgetary, tax, insurance, currency and banking activities, i.e. the RF Ministry of Finance.

The special role of this particular government department is consolidated by the Regulation on the exercise, on behalf of the RF Government, of the rights of a shareholder of public joint stock company “Sberbank of Russia”, approved by RF Government Decree No. 1326 dated August 31, 2020, which directly states that the RF Ministry of Finance should exercise these rights with due regard for the provisions of the shareholder agreement, which is effective from the moment of its conclusion and until its expiration date, set to be three years from the moment of alienation by the Bank of Russia of all its ordinary shares in Sberbank.

The standpoint of the Russian Federation, in its capacity of a shareholder, on making proposals concerning the nomination of candidates to be elected to the supervisory board is to be determined by a decision of the RF Government; and that on including items in the agenda of a general meeting of shareholders, presenting a request to hold an extraordinary meeting of shareholders, or voting on the items entered in its agenda is to be determined by directives (or instructions) approved by the Chairman or Deputy Chairs of the RF Government. The representative of the RF Government, when voting on issues included in the agenda of a GMS, should be guided by the said directives (instructions) and act on the basis of a power of attorney issued by the RF Ministry of Finance.

The proposals concerning the nomination of candidates to be elected to the supervisory board, including one employee of the RF Central Bank,<sup>1</sup> should be submitted by the RF Ministry of Finance to the RF Government not later than 60 days before the deadline for the submission of the relevant proposals to the PJSC (in the event of an extraordinary general meeting of shareholders, not later than 15 days before the deadline for their submission to the PJSC), with all the necessary materials attached to it.

The RF Ministry of Finance, when preparing its proposals concerning the nomination of candidates to be elected to the supervisory board in the capacity of independent directors, should be guided by the assumption that the individual nominated by the RF Government must meet the criteria for an independent director established by the rules issued by the Russian trade organizer who handles the listing of Sberbank ordinary shares.

During the term of the shareholder agreement, not more than four candidates, including one employee of the RF Central Bank and independent directors, should be nominated to the supervisory board on behalf of the RF Government.

The individuals elected in the established procedure to the supervisory board from among the candidates nominated by the RF Government are representatives of the RF Government’s interests in that body, who should perform their functions in the procedure established by the said Regulation, with the exception of those individuals who are nominated candidates to be elected as independent directors.

Representatives of the RF Government’s interests can be the individuals holding government positions, civil service positions, employees of the RF Central

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<sup>1</sup> The proposals from the RF Central Bank concerning that individual should be submitted to the RF Ministry of Finance not later than 70 days before the established deadline for submitting relevant proposals to the PJSC (in the event of an extraordinary general meeting of shareholders, not later than 25 days before the deadline for submitting those proposals to the PJSC).

Bank, as well as other individuals acting in accordance with the agreement on representing the interests of the Russian Federation in the supervisory board of the PJSC concluded with the RF Ministry of Finance (professional attorneys).

The agreement should provide for the right of a professional attorney to initiate a discussion in the RF Ministry of Finance, where the other representatives of the RF Government's interests in the supervisory board should also be invited, of the issues submitted to a supervisory board meeting, and to obtain the information necessary for the execution of the powers delegated to the attorney.

Representatives of the RF Government's interests carry out the following duties, which should also be stipulated in an agreement with a professional attorney:

- to conscientiously and reasonably exercise all their delegated duties and powers, which are attributed to the competence of the supervisory board of the PJSC;
- to notify, in due time, the RF Ministry of Finance of those meetings, the agenda of which includes items requiring the issuance of directives;
- to vote in accordance with the issued directives (whenever it is established that there is a need for the issuance of such directives concerning certain items on the agenda of a supervisory board meeting);
- to participate in the work of its committees (if a professional attorney is elected to those committees);
- to call a meeting of the supervisory board and include in the agenda of its meeting the issues proposed by the RF Government (if a professional attorney is elected as chair of the supervisory board).

Representatives of the RF Government's interests in the supervisory board are independent in their decision-making and voting concerning the items included in the agenda of its meeting until the expiration of the shareholder agreement, except for those cases when they vote on the basis of approved written directives (or instructions) concerning the following items included in the agenda of a supervisory board meeting, the list of which is to be determined by the shareholder agreement:

- approval of the agenda of a GMS;
- election (or re-election) of the chair of the supervisory board of the PJSC;
- the creation of the single executive body and early termination of its powers;
- recommendations concerning the size of dividend on shares and the procedure for its payment, as well as recommendations concerning the approval of the PJSC's dividend policy.

In the event of alterations being introduced into the wording of the resolutions to be issued on the items included in the agenda of a supervisory board meeting in the course of the relevant discussions, with regard to which written directives (or instructions) have been received by representatives of the RF Government's interests, the latter should not take part in voting on the said issues.

If certain circumstances impeding the exercise of powers by a representative of the RF Government's interests should arise, as well as in the event of dismissal

of the latter from a public office, the said individual is obliged to notify Sberbank and the RF Ministry of Finance within five workdays from the day on which the said circumstances arose.

The relevant government department, in its turn, should submit to the RF Government, within 15 days from the date on which it became aware of the circumstances impeding the exercise of powers by the representative of the RF Government's interests, one of the following proposals:

- on the feasibility of terminating the powers of the representative of the RF Government's interests who was previously elected to the supervisory board of the PJSC, while simultaneously suggesting, in the established procedure, the candidates to be elected to the supervisory body at a general meeting of shareholders, the agenda of which should include the issue of electing supervisory board members, and, if necessary, suggesting that an extraordinary general meeting of shareholders should be called for the consideration of this issue;
- on the feasibility of keeping in their position the previously elected representative of the RF Government's interests.

If one of the proposals submitted by the Ministry of Finance concerns a member of the supervisory board of the PJSC who has been nominated from among the employees of the RF Central Bank in accordance with the shareholder agreement, the said proposal should be coordinated with the RF Central Bank.

The RF Ministry of Finance, within 15 workdays from the date on which it became aware of the dismissal of a representative of the RF Government's interests from a public office, a civil service position, or from the RF Central Bank, should conclude with the latter the same agreement as with a professional attorney.

After the expiration of the shareholder agreement, the representatives of the RF Government's interests in the supervisory board of the PJSC should vote on the basis of written directives (or instructions) approved by the Chairman or Deputy Chairs of the RF Government. The draft directives (or draft instructions) are to be submitted by the RF Ministry of Finance to the RF Government not later than 7 days before the day of a supervisory board meeting.

It should be noted that the general regulations on the procedure for managing federal stakes in JSCs and the exercise of the special right of the Russian Federation to participate in their management ('golden share'), approved by RF Government Decree No. 738 dated December 3, 2004, do not apply to Sberbank. In fact, the alteration whereby Sberbank was no longer obliged to comply with the core document determining the state-owned property management mechanism in the corporate sector was the only significant alteration introduced in 2020.

At the same time, there were innovations concerning the management of unitary enterprises.

The amendments to the special Law adopted in 2002 (No. 161-FZ) were by no means fundamental.

The minimum size of the charter capital of a state-owned or municipal enterprise was set at not less than Rb500,000 and Rb100,000, respectively. Previously, these caps were calculated relative to the minimum wage. This criterion has also been

removed from the definition of a major deal, and only the threshold value (more than 10% of the charter capital (for a state-owned or municipal enterprise) or the book value of assets (for a treasury enterprise)) were left.

In the event of property alienation, or the possibility of property alienation, the higher of the two values is to be compared with the charter capital of a state-owned or municipal enterprise (or the book value of the assets of a treasury enterprise): the alienation value of the said property, or its book value. In the event of a unitary enterprise acquiring property, the authorized capital of a state-owned or municipal enterprise (or the book value of the assets of a state-owned enterprise) is compared with the purchase price of the said property.

State Corporation Rostec, along with the RF Government, federal bodies of executive authority (FBEA), and State Corporation Roscosmos, have been granted the opportunity to exercise the powers of the owner of property held by a federal treasury enterprise (FTE).

In response to the redistribution of powers between government departments in early 2020, relevant alterations concerning the new role of the RF Ministry of Finance were introduced into RF Government Decree No. 739 dated December 3, 2004, whereby the powers of federal bodies of executive authority to exercise the rights of owner of property held by a federal state unitary enterprise are regulated. The RF Ministry of Finance has replaced the RF Ministry of Economic Development in the exercise of certain powers (approval of a model charter of a federal state unitary enterprise and a model employment contract with its director; approval of standard terms of transactions with real estate held by an enterprise by right of economic jurisdiction, including its transfer under lease agreements, unless established otherwise by other normative legal acts adopted in accordance with federal laws; coordination of draft decisions concerning the reorganization of FSUEs into federal state institutions or autonomous non-profit organizations (ANO) submitted to the RF Government by federal bodies of executive authority; participation in a conciliation meeting at Rosimushchestvo in the event of a proposal by the latter to the effect that the employment contract with the director of an enterprise should be terminated in accordance with RF legislation<sup>1</sup>).

It was also established that the decision-making procedure concerning transactions with property held by FSUEs situated outside of RF territory, the procedure for handling transactions with that property, as well as the decision-making procedure for writing off that property should be introduced by a normative legal act of the RF Government whereby the procedure for managing federal immovable property entities situated outside of RF territory is regulated.

Another innovation is directly linked to the financial and economic issues that arose over the course of last year. In the context of several documents whereby the procedure for coordinating with FBEAs the transactions with immovable property

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<sup>1</sup> The meeting is to be held in the event of disagreement between Rosimushchestvo and the FBEA responsible for the relevant enterprise, and should be participated not only by representatives of the RF Ministry of Finance, but also by those of the relevant FBEA, as well as the FBEA responsible for the development of government policy and legal regulation in the relevant field.

entities consolidated to federal state enterprises and institutions managed by right of economic jurisdiction or by right of operative management is regulated, one of the norms stipulated in RF Government Decree No. 739 dated December 3, 2004 does not apply to the addenda to agreements on the lease of federal immovable property entities concluded in compliance with RF Government Directive No. 670-r dated March 19, 2020.

This document provided for the possibility, in 2020, of a temporary deferral for the lease payments owed by small and medium-sized enterprises (SMEs) who held federal property entities under lease agreements (RF treasury property and property consolidated to the state-owned enterprises and state institutions subordinated to FBEAs). It was envisaged that addenda to such lease agreements could be concluded, and the said economic subjects were to be informed in advance about their possessing such a right. The lease holders operating in the sectors that were hit hardest by the crisis were entitled to full exemption, over Q2, from the payments that they owed under such agreements. Later on, by RF Government Directive No. 1296-r dated May 16, 2020, the list of recipients of the relief measures was augmented by socially oriented non-profit organizations, and the grace period was extended from three to six months, i.e. until October 1, with the rent arrears to be redeemed within two years (2021–2022).<sup>1</sup>

Rosimushchestvo's territorial bodies carried out the necessary work to inform SMEs of the opportunity to make addenda to their federal property lease agreements concluded in accordance with RF Government Decree No. 645 dated August 21, 2010 "On subsidies to small and medium-sized enterprises renting federal."

According to data released by Rosimushchestvo,<sup>2</sup> its territorial bodies received a total of 3,985 applications for these benefits from SMEs. In response to 3,281 applications, addenda to federal treasury property lease agreements were concluded, whereby a deferral of or exemption from lease payments was granted, to the total value of Rb715.2 mn. This amount cannot be assessed to be particularly significant, even if we give consideration to the fact that in response to 643 applications, the addenda on the provision of benefits were signed by Rosimushchestvo's territorial bodies, and then were sent to the SMEs, to be signed by the latter.<sup>3</sup> For reference: the total budget revenues generated by payments for the lease of federal property in 2020 more than doubled (to about Rb10.2 bn), thanks to the increased payments for the lease of property entities managed by right of operative management by federal bodies of state authority and the institutions created by the latter (with the exception of budget-funded and autonomous institutions) (about Rb7.7 bn). Probably, the most effective channel

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1 URL: <http://rosim.gov.ru>, April 10, 2020, May 20, 2020

2 Rosimushchestvo's annual report for 2020 on the implementation of its plan. URL: <http://rosim.gov.ru>

3 For more details on the property-generated income of the State, see later in this section. However, the relief measures involving federal treasury property lease agreements cannot be considered to be the only source of support for SMEs; more significant figures could be expected at the level of RF subjects and municipalities.

for supporting small businesses was the lease of RF treasury property (except land plots); the revenues from this source in 2020 shrank (to Rb2.5 bn).

#### 6.1.4. The budgetary effect of Russia's property management policy

In 2020, in contrast to the situation in the previous year, the movement of federal budget revenues that had to do, in one or other way, with public property was multi-vectored. Alongside a certain reduction in the amount of revenues generated by the use of public property (renewable sources), those generated by privatization and sale of property (non-renewable sources) demonstrated significant growth, which was quite unexpected in view of the economic realities of that crisis-ridden year.

Below (*Tables 5 and 6*) we present data taken from the reports on federal budget execution, limited to 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.<sup>1</sup>

<sup>1</sup> Within the framework of this review, 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 their legal entities as interest payments on RF government loans); money transfers from legal entities (enterprises and organizations), subjects of the Russian Federation, and 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 *Vietsovetro* (from 2001) and transfers of part of profits generated by FSUEs (from 2002); revenues from the implementation of product share agreements (PSA); revenues from the disposal of confiscated and other property earmarked as government revenue (including property transferred to state ownership in the procedure of inheritance or gift, or treasure trove appropriation); revenues generated by lotteries; other revenues from the use of property and rights in federal ownership (revenues from the execution of rights to the results of intellectual activity (R&D and technologies) intended for military, special, or dual use; revenues generated by the execution of rights to the results of scientific and technological research held by the 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 2015–2019 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



Table 5

**Federal budget revenues generated by the use of public property  
(renewable sources) in 2000–2020, millions of rubles**

Year	Total	Dividends on shares (2000–2020) and revenues generated by other forms of capital participation (2005–2020)	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 Vietsovpetro; and in 2018–2020, those generated by property transferred as pledge or into trust management)
2000	23,244.5	5,676.5	–	5,880.7	–	11,687.3 <sub>a</sub>
2001	29,241.9	6,478.0	3,916.7 <sub>b</sub>	5,015.7 <sub>c</sub>	209.6 <sub>d</sub>	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 <sub>e</sub>		2,387.6	16,200.9
2004	50,249.9	17,228.2	908.1 <sub>f</sub>	12,374.5 <sub>g</sub>	2,539.6	17,199.5
2005	56,103.2	19,291.9	1,769.2 <sub>h</sub>	14,521.2 <sub>i</sub>	2,445.9	18,075.0
2006	69,173.4	25,181.8	3,508.0 <sub>h</sub>	16,809.9 <sub>i</sub>	2,556.0	21,117.7
2007	80,331.85	43,542.7	4,841.4 <sub>h</sub>	18,195.2 <sub>i</sub>	3,231.7	10,520.85
2008	76,266.7	53,155.9	6,042.8 <sub>h</sub>	114,587.7 <sub>i</sub>	2,480.3	–
2009	31,849.6	10,114.2	6,470.5 <sub>h</sub>	13,507.6 <sub>i</sub>	1,757.3	–
2010	69,728.8	45,163.8	7,451.7 <sub>h</sub>	12,349.2 <sub>j</sub>	4,764.1	–
2011	104,304.0	79,441.0	8,210.5 <sub>h</sub>	111,241.25 <sub>j</sub>	4,637.85	773.4
2012	228,964.5	212,571.5	7,660.7 <sub>k</sub>	3,730.3 <sub>i</sub>	5,002.0	–
2013	153,826.25	134,832.0	7,739.7 <sub>k</sub>	4,042.7 <sub>i</sub> +1,015.75 <sub>m</sub>	6,196.1	–
2014	241,170.6	220,204.8	7,838.7 <sub>k</sub>	3,961.6 <sub>i</sub> +1,348.5 <sub>m</sub>	7,817.0	–
2015	285,371.1	259,772.0	9,032.3 <sub>k</sub>	5,593.8 <sub>i</sub> +1,687.8 <sub>m</sub>	9,285.2	–
2016	946,723.35/ 254,328.3 <sub>o</sub>	918,969.1/ 226,574.1 <sub>o</sub>	9,412.4 <sub>k</sub>	5,843.25 <sub>o</sub> +3,026.7 <sub>m</sub>	9,471.9	–
2017	275,168.2	251,327.0	9,825.1 <sub>k</sub>	5,318.4 <sub>o</sub> +2,857.7 <sub>m</sub>	5,840.0	–
2018	333,396.13	312,565.8	9,783.0 <sub>k</sub>	1,988.6 <sub>o</sub> +2,922.6 <sub>m</sub>	6,136.0	0.13
2019	465,974.25	441,620.4	12,051.65 <sub>k</sub>	1,290.4 <sub>o</sub> +3,239.2 <sub>m</sub>	7,616.9	155.7
2020	451,514.34	422,662.8	10,290.7 <sub>k</sub>	7,654.2 <sub>o</sub> +2,504.6 <sub>m</sub>	8,401.9	0.14

a – according to data released by the RF Ministry of Property Relations, in the law on federal budget execution for 2000 this item is not specified separately; instead, the amount of payments received from state-owned enterprises is entered (Rb9,887.1 mn) (without any components being specified);  
b – the amount of lease payments (i) for the use of agricultural land, and (ii) 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 (i) scientific research organizations, (ii) educational establishments, (iii) healthcare institutions, (iiii) state museums, state cultural and arts institutions, (iiiiii) archival institutions, (iiiiiii) the RF Ministry of Defense,

data from the annual reports on federal budget execution as of January 1, 2016; January 1, 2017; January 1, 2018; January 1, 2019; January 1, 2020; and operational data on federal budget execution as of January 1, 2021.

(iiiiiii) organizations subordinated to the RF Ministry of Railways, (iiiiiii) organizations providing research-related services to the academies of sciences with the status of a state entity, and (iiiiiii) other revenues from the lease of property in state ownership;

<sup>a</sup> – 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;

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

<sup>r</sup> – the amount of lease payments (i) for the use of land plots in the territories of towns and settlements, (ii) for the use of land plots in federal ownership after the delineation of titles to land plots between different tiers of government;

<sup>g</sup> – the amount of revenues from the lease of property consolidated to (i) scientific research organizations, (ii) educational establishments, (iii) healthcare institutions, (iiii) state cultural and arts institutions, (iiiiii) state archival institutions, (iiiiiii) institutions of the federal postal service of the RF Ministry of Communications and Informatization, (iiiiiii) organizations providing research-related services to the academies of sciences with the status of a state entity, and (iiiiiii) other revenues generated by the lease of property in federal ownership;

<sup>h</sup> – 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));

<sup>i</sup> – 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: (i) scientific research institutions, (ii) organizations providing research-related services to the Russian Academy of Sciences and ‘branch’ (sectoral) academies, (iii) educational establishments, (iiii) healthcare institutions, (iiiiii) federal postal service institutions of the Federal Communications Agency, (iiiiii) state cultural and arts institutions, (iiiiiii) state archival institutions, and (iiiiiii) 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 FSUEs<sup>1</sup> (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 years<sup>2</sup>);

<sup>j</sup> – 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: (i) scientific research institutions, (ii) organizations providing research-related services to the Russian Academy of Sciences and to the ‘branch’ (sectoral) academies, (iii) educational establishments, (iiii) healthcare institutions, (iiiiii) state cultural and arts institutions, (iiiiiii) state archival institutions, (iiiiiii) properties held by right of operative management by the RF Ministry of Defense and its subordinated institutions (2010), (iiiiiii) properties in federal ownership disposed of by the Executive Office of the RF President (2010), and (iiiiiii) other revenues from the lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (less revenues from the permitted types of economic activity and revenues from the use of federal properties situated outside of RF territory, which are received abroad);

<sup>k</sup> – 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 (i) lease payments received for the lease of land plots

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 Rb315 mn in 1999 and Rb440 mn in 2000. Thereafter, the major role in organizing the commercial use of federal immovable property situated abroad was assigned to FSUE Goszagransobstvennost.

in federal ownership, situated in public motor road precincts of federal importance (2012–2020), (ii) 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, relocation, reconstruction, and exploitation of utility networks, installation and exploitation of elevated advertising structures (2012 and 2014–2020), and (iii) payments received in the framework of agreements on the establishment of servitude with regard to land plots in federal ownership (2015–2020);

<sub>l</sub> – 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: (i) scientific research institutions, (ii) educational establishments, (iii) healthcare institutions, (iiii) state cultural and arts institutions, (iiiii) state archival institutions, (iiiii) other revenues from the lease of property held by right of operative management by federal treasury institutions, (iiiii) federal bodies of state authority, the Bank of Russia, and the managerial bodies of RF government extrabudgetary funds, (iiiii) federal treasury institutions (2015 only) (less revenues from the use of federal properties situated outside of RF territory, which are received abroad);

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

<sub>n</sub> – less the revenues generated by the sale of the stake in *Rosneft* (Rb692,395 bn) (less interim dividend payments);

<sub>o</sub> – for the period 2016–2020, 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).

*Sources:* 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; and January 1, 2020 (annual data); and operational data on federal budget execution as of January 1, 2021. URL: <http://roskazna.gov.ru>; own calculations.

In 2020, the aggregate revenues generated by renewable sources declined by only 3% relative to the previous year, amounting to Rb451.5 bn.

This was achieved in the main due to the receipts of dividends in the federal budget (Rb442.6 bn), which now stood 4.3% below the record high of 2019 (Rb441,6 bn). The receipts of part of profits paid by unitary enterprises, on the contrary, gained more than 10%. When taken in absolute terms (Rb8.4 bn), this index jumped above its 2014 level, but was still below its record highs of the period 2015–2016.

The aggregate revenues generated by lease of federal property more than doubled (approximately Rb10.2 bn). This happened as a result of an unexpected explosive growth (nearly sixfold) of the revenues from lease of property held by right of operative management by federal bodies of state authority and by the state institutions established by them (with the exception of budget-funded institutions and autonomous institutions) (Rb7.65 bn). This value turned out to be the highest since 2013, when within the general structure of revenues from federal property lease, the revenues generated by lease of property held by the RF Treasury (except land plots) began to be identified in budget reports as a separate entry. The latter, on the contrary, decreased by almost 23%, amounting to Rb2.5 bn. This index is the record low of the last 5 years. After having prevailed for two years in a row, now it amounted to about 1/4 of the total revenue generated by lease of federal property. Probably, this dynamics points to a really widespread reliance on the relief measures introduced in connection with the coronavirus

crisis. The amount of revenue generated by lease of land plots plunged by about 15% (about Rb10.3 bn).<sup>1</sup>

As had been the case a year earlier, dividends held a dominant position in the structure of renewable federal budget revenue sources (approximately 94%, just as in 2019). The relative share of lease payments for land plots amounted to 2.3%; that of payments for property lease, to 2.2%; and that of profits transferred by FSUEs, to 1.9%. Their aggregate relative share remained nearly unchanged relative to 2019; only the share of payments for property lease nearly doubled.<sup>2</sup>

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 plots<sup>3</sup>) have been treated as a source of funding to cover budget deficit.

*Table 6*

**Federal budget revenues generated by privatization and sale of property  
(non-renewable sources) in 2000–2020, millions of rubles**

Year	Total	Sale of shares in federal ownership (2000–2020) and other forms of federal capital participation (2005–2020) <sup>a</sup>	Sale of land plots	Sale of miscellaneous properties
2000	27,167.8	26,983.5	–	184.3 <sup>b</sup>
2001	10,307.9	9,583.9	119.6 <sup>c</sup>	217.5+386.5+0.4 (ITA) <sup>r</sup>
2002	10,448.9	8,255.9 <sup>e</sup>	1,967.0 <sup>f</sup>	226.0 <sup>g</sup>
2003	94,077.6	89,758.6	3,992.3 <sup>h</sup>	316.2+10.5 <sup>i</sup>
2004	70,548.1	65,726.9	3,259.3 <sup>j</sup>	197.3+1,364.6+0.04 (ITA) <sup>a</sup>
2005	41,254.2	34,987.6	5,285.7 <sup>l</sup>	980.9 <sup>m</sup>
2006	24,726.4	17,567.9	5,874.2 <sup>l</sup>	1,284.3 <sup>n</sup>
2007	25,429.4	19,274.3	959.6 <sup>o</sup>	5,195.5 <sup>p</sup>
2008	12,395.0	6,665.2+29.6	1,202.0 <sup>q</sup>	4,498.2+0.025 (ITA) <sup>r</sup>
2009	4,544.1	1,952.9	1,152.5 <sup>q</sup>	1,438.7 <sup>r</sup>
2010	18,677.6	14,914.4	1,376.2 <sup>q</sup>	2,387.0+0.039 (ITA) <sup>r</sup>
2011	136,660.1	126,207.5	2,425.2 <sup>q</sup>	8,027.4 <sup>r</sup>
2012	80,978.7	43,862.9	16,443.8 <sup>q</sup>	20,671.7+0.338 (ITA) <sup>r</sup>

- 1 Probably, this budget item was also influenced by the relief measures. The amount of lease payments for land plots, just as a year earlier, included lease payments received for the lease of land plots in federal ownership situated in public motor road precincts of federal importance; payments for the execution of agreements on the establishment of servitude with regard to land plots situated in public motor road precincts of federal importance for the purposes of building construction (or reconstruction), capital repairs and exploitation of road service entities, installation, relocation, restructuring, and exploitation of utility networks, and installation and exploitation of elevated advertising structures; and payments for the execution of agreements on the establishment of servitude with regard to land plots in federal ownership.
- 2 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 (Rb0.144 mn).
- 3 Data for the period 2003–2004 include revenues generated by the sale of leasing right.

Year	Total	Sale of shares in federal ownership (2000–2020) and other forms of federal capital participation (2005–2020) <sup>a</sup>	Sale of land plots	Sale of miscellaneous properties
2013	55,288.6	41,633.3	1,212.75 <sub>q</sub>	12,442.2+0.310 (ITA) <sub>r</sub>
2014	41,155.35	29,724.0	1,912.6 <sub>q</sub>	9,517.7+1.048 (ITA) <sub>r</sub>
2015	18,604.1	6,304.0	1,634.55 <sub>q</sub>	10,665.5+0.062 (ITA) <sub>r</sub>
2016	416,470.5	40,6795.2	2,112.7 <sub>q</sub>	7,562.6+0.012 (ITA) <sub>r</sub>
2017	21,906.7	14,284.5	1,199.6 <sub>q</sub>	6,421.3+1.3 (ITA) <sub>r</sub>
2018	28,252.0	12,787.5	1,660.6 <sub>q</sub>	13,803.7+0.2 (ITA) <sub>r</sub>
2019	20,129.3	11,527.5	1,647.5 <sub>q</sub>	6,954.3 <sub>r</sub>
2020	27,929.9	12,570.7	3,219.2 <sub>q</sub>	11,240.1+1.9 (ITA) <sub>r</sub> +898.0 <sub>s</sub>

<sup>a</sup> – treated as an internal source of funding to cover federal budget deficit; the Rb29.6 mn received in 2008 (as stated in the report on federal budget execution as of January 1, 2009) is treated as federal budget revenue, but it is absent in the 2008 law on federal budget execution;

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

<sup>c</sup> – 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;

<sup>d</sup> – 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 (i) the sale of apartments, (ii) the sale of state-owned production and non-production assets, transportation vehicles, other equipment and tangible assets, and (3) revenues generated by the sale of intangible assets (ITA), treated as federal budget revenues;

<sup>e</sup> – including Rb6 mn generated by the sale of shares held by subjects of the Russian Federation;

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

<sup>g</sup> – revenues generated by the sale of property in public ownership (including Rb1.5 mn 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;

<sup>h</sup> – 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;

<sup>i</sup> – 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;

<sup>j</sup> – 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;

<sup>k</sup> – 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 (i) the sale of apartments, (ii) the sale of equipment, transportation vehicles and other tangible assets, the proceeds being transferred to the federal budget, (iii) the sale of the products of ships recycling industry, (iiii) the sale of property held by state unitary enterprises and state institutions, as well as the sale of military property, (iiiii) 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;

<sup>l</sup> – 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 (i) the sale of apartments, (ii) the sale of property held by FSUEs, (iii) the sale of property held by right of operative management by federal institutions, (iiii) the sale of military property, (iiiii) the sale of the products of recycled armaments, military technologies and ammunition, (iiiii) the sale of other properties in federal ownership, (iiiii) 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 (i) the sale of apartments, (ii) the sale of property held by FSUEs, (iii) the sale of property held by right of operative management by federal institutions, (iiii) the sale of military property, (iiiii) the sale of the products of recycled armaments, military equipment and ammunition, (iiiii) 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 (i) the sale of apartments, (ii) the sale of property held by FSUEs, (iii) the sale of property held by right of operative management by federal institutions, (iiii) 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, (iiiii) 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, (iiiii) 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)) (except 2019–2020), 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 2012–2019, also less revenues generated by the sale of timber produced as a result of measures designed to safeguard, protect, and 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 (i) the sale of apartments, (ii) 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 2011–2020), less revenues generated by the activities of institutions situated abroad (2015–2020), (iii) 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, (iiii) the sale of the products of recycled armaments, military equipment and ammunition, (iiiii) the sale of products intended for military use and entered

on the list of properties held by federal bodies of executive authority within the framework of cooperation in the field of military technologies (data for 2008 and the period 2010–2020), (iiiiii) the sale of scrapped armaments and other military hardware within 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), (iiiiiii) revenues generated by the sale of immovable property held by budget-funded and autonomous institutions (2014–2018 and 2020), (iiiiiiii) 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.

<sup>s</sup> – revenues generated by the privatization of properties owned by the Russian Federation, in the part of non-financial treasury assets.

*Sources:* 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; and January 1, 2020 (annual data); and the monthly report on federal budget execution as of January 1, 2020 (operational data). URL: <http://roskazna.gov.ru>; own calculations

When taken in absolute terms, the amount of property-generated federal budget revenues from non-renewable sources in 2020 increased by nearly 39% (to Rb27.9 bn). In spite of the impressive growth, which was unexpected during the crisis, this index, when set against the indices for the entire period after 2010, surpassed the results of only three years (2015, 2017 and 2019), being just below the index for 2018 (Rb28.3 bn).

The revenues generated by the sale of shares increased by 9% (to Rb12.6 bn), this index relative to the period after 2010 exceeding only that for 2015 (Rb6.3 bn). The revenues generated by the sale of land plots jumped nearly twofold, amounting to Rb3.2 bn,<sup>1</sup> which is a record high of the entire decade, with the exception of the index for 2012. The amount of revenues from the sale of miscellaneous properties jumped by nearly 62%, and their index in absolute terms (Rb11.24 bn) is a record low of the entire period since 2013 but for the index for 2018. In this connection it is necessary to note the appearance in the budget reporting forms of a new item, the revenues generated by the privatization of property owned by the Russian Federation, in the part of non-financial assets held by the RF Treasury (Rb898.0 mn).

The sale of shares accounted for 45% (vs 57.3% in 2019); the sale of property (total), for 43.5%<sup>2</sup> (vs 34.5% in 2019); and the sale of land plots, for 11.5% (vs 8.2% in 2019).

The aggregate federal budget revenue generated by the privatization (or sale) and use of state property in 2020 (*Table 7*) shrank by 1.4% relative to the previous year.

<sup>1</sup> 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 (Rb282.9 mn). This item appeared for the first time in the annual report on federal budget execution as of January 1, 2020 (Rb37.9 mn).

Previously, this budget item did not exist in budget reporting forms.

The data released by the Federal Treasury concerning the efficiency of government property management as of January 1, 2020 offer a slightly higher index (Rb40.1 mn), without specifying the land plots in federal ownership. Over previous years, similar data describing the efficiency of government property management were also released by the Federal Treasury (in 2015, Rb0.433 mn; in 2016, Rb2.381 mn; in 2017, Rb 4.962 mn; and in 2018, Rb0.1835 mn).

<sup>2</sup> Including the revenues generated by the privatization of properties owned by the Russian Federation, in the part of non-financial treasury assets (3.2%).

Table 7

**The structure of property-generated federal budget revenues from miscellaneous sources, 2000–2020**

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
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 <sub>a</sub>	100.0	80,978.7/ 240,278.7 <sub>a</sub>	26.1/ 51.2 <sub>a</sub>	228,964.5	73.9/ 48.8 <sub>a</sub>
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 <sub>b</sub>	100.0	416,470.5	30.6/ 62.1 <sub>b</sub>	946,723.35/ 254,328.35	69.4/ 37.9 <sub>2</sub>
2017	297,074.9	100.0	21,906.7	7.4	275,168.2	92.6
2018	361,648.13	100.0	28,252.0	7.8	333,396.13	92.2
2019	486,103.55	100.0	20,129.3	4.1	465,974.25	95.9
2020	479,444.24	100.0	27,929.9	5.8	451,514.34	94.2

<sub>a</sub> – including the proceeds received by the RF Central Bank as a result of the sale of a stake in *Sberbank* (Rb159.3 bn), which is probably an overestimation of the actual aggregate share of non-renewable sources, because the budget did not receive the full amount of those proceeds, but their amount less the balance sheet value of that particular asset plus the costs incurred in the deal of sale. Consequently, the share of renewable sources is, on the contrary, somewhat underestimated; <sub>b</sub> – less the revenues generated by the sale of shares in Rosneft (Rb692,395 bn) (less interim dividend payments).

*Sources:* 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; January 1, 2020 (annual reports), and monthly report as of January 1, 2021 (operational data). URL: <http://roskazna.gov.ru>; own calculations.

Beside the corresponding index for 2019, their amount in absolute terms (Rb479.4 bn) was below only the record high of 2016, when the deal of sale of stakes in Rosneft was closed.<sup>1</sup> In 2020, there were no such deals, and the relative

<sup>1</sup> 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.



share of renewable sources in the structure of aggregate revenues generated by the privatization (or sale) and use of public property slightly shrank.

The relative share of non-renewable sources in the structure of aggregate revenues generated by the privatization (or sale) and use of public property was less than 6%, vs 4% a year earlier. The revenue generated by the use of public property were above 94%, thus jumping to a record high, in absolute terms, that was below only the historic high of the entire period since the early 2000s, while the revenues generated by the privatization and sale of property amounted to approximately a half of the corresponding index for 2013, at the same time being above the indices for 2015, 2017 and 2019.

#### 6.1.5. Reformatting the public property management program

Last year, the RF Government Program (GP) “Federal Property Management”, which had been implemented since 2013, was deprived of the status of a separate document. It consisted of two subprograms: “Improvement of the Efficiency of Government Property Management and Privatization” and “Government Material Reserve Management”, the latter being the major recipient of funding.

By RF Government Decree No. 376 dated March 31, 2020, the Subprogram “Federal Property Management” was included in the Government Program “Economic Development and Innovative Economy”. One of its goals is to improve government policy in the field of federal property management. In the absence of any relevant qualitative indicators for assessing the implementation of this particular program, the applicable quantitative indicators include an increase, by 2024, in the rate of return on federal property management to 22% (relative to 2018), which is one of its targets, alongside the relative share, in the total number of JSCs where the Russian Federation holds more than 50% of voting shares, of those JSCs that generate net profit according to their year-end financial results (the amount according to data from their annual reports, less the results of audit of their activities),.

The main provisions concerning property management are stipulated in Section I of the GP, where the priorities and goals of public policy are set forth.

With reference to the Key Guidelines for the Government to 2024, which were approved in September 2018, that is, long before the emergence of the current socio-economic situation, in order to increase the rate of economic development, it was declared that the participation of the State in the activities of commercial and non-commercial organizations in competitive markets should be minimized, and the number of organizations with state participation should be annually reduced by 10%. Meanwhile, it is planned to increase the management efficiency of companies with state participation by improving their corporate governance mechanisms.

It is envisaged that new models of state property alienation should be implemented, including tenders in a format that could attract strategic investors with due regard for the industry-based specific features of those property entities, and to switch the bidding for state and municipal property entities entirely into an electronic format. In order to increase the efficiency of the use of public

assets, the mechanisms of targeted redistribution of property entities between different levels of public authority will be implemented, including the possibility of transferring the ownership of property entities to another level.

The planned development and adoption of the Federal Law “On State and Municipal Property” is expected to make more efficient the procedures of management and disposal of state and municipal property entities.

Meanwhile, the certificate of the Subprogram “Federal Property Management” does not even contain a text part. The RF Ministry of Finance is appointed to be the body responsible for its implementation, and Rosimushchestvo is specified as its participant. The Subprogram’s implementation period is 5 years (until the end of 2024). The volume of federal budget allocations for the entire implementation period is approximately Rb21.2 bn. The total sum is divided into roughly equal annual parts amounting to Rb4,152.3 mn for 2020, to be gradually increased to Rb4,282.5 over the period 2023-2024 (Rb4,204.8 mn for 2021, Rb4,272.9 mn for 2022). However, it should be borne in mind that these, in fact, are planned targets, and not the real amount of funding; the latter will be determined by the actual federal budget for each year, which may have to bear the burden of sudden and large anti-crisis expenses.

The stated goal of the Subprogram is to improve the efficiency of federal property management, and its specific objectives are (1) to create a universal accounting and management system for handling federal property entities and the property entities transferred into public ownership and other seized properties, as well as to identify the ineffectively used or misused federal property entities; (2) to increase the number of RF treasury property entities and land plots involved in civil law relations, and to ensure the safekeeping of those federal property entities that are restricted in terms of property turnover; (3) to exercise corporate control over the implementation of the tasks specified in the target program documents adopted for economic societies and unitary enterprises, and to optimize composition.

The expected results of the Subprogram are as follows:

- to create, by 2024, an up-to-date integrated database on all federal property entities (with the exception of classified data (treated as state secret), as well as the property entities transferred into public ownership and other seized properties, on the basis of primary data entered into other information systems that have been collecting information on such properties; the database is necessary for making adequate property management decisions;
- to ensure the formation and proper delineation of land plots, and to enter annually into the State Real Estate Cadaster the information on the boundaries of land plots with the total area of not less than 100,000 hectares;
- to reduce, by 2024, the area of treasury land plots that are not involved in economic turnover by more than 60% (relative to 2012);
- to ensure growth of federal budget revenues generated by the lease of federal immovable property entities;

- to ensure an annual increase, by not less than 10%, in the number of joint stock companies where the Russian Federation holds more than 50% of voting shares, and which generate net profit according to their year-end financial results;
- to minimize, by 2024, state participation in the activities of commercial companies in competitive markets, and to ensure an annual reduction in the number of organizations with state participation by not less than 10%;
- to create, by 2024, a comprehensive system for identifying ineffectively used or misused federal property entities.

An analysis of the goals, objectives, and results of the Subprogram adopted in a new format makes it possible speak of its continuity with the Subprogram “Improvement of the Efficiency of Government Property Management and Privatization” adopted within the framework of the previous government program. This is also confirmed by the list of 7 targets and indicators set in the new subprogram.

Two of them (the relative share of RF treasury property entities involved in economic turnover in the total number of RF treasury property entities as of the end of each reporting year; and the percentage of reduction in the area of RF treasury land plots that are not involved in economic turnover relative to the total area of land plots held by the RF Treasury in 2012) are exactly the same as stated in the previous government program.

Another two more indicators represent a modification of those previously applied. Instead of the annual reduction in the number of joint-stock companies with state participation and the number FSUEs, listed separately as two indicators, a single indicator is introduced – that of the absolute number of organizations with state participation; while one of the targets is the annual reduction in the number of organizations with state participation by not less than 10%.

The ratio of the value of state property entities that have been sold or transferred into state ownership to their valuation for purposes of sale is replaced by the coefficient of disposal of movable property transferred into state ownership over the course of a reporting year (the ratio of the number of movable property items transferred into state ownership and the number of those disposed of (by means of processing, sale or destruction) to the total number of movable property items transferred into state ownership in the balance sheet as of year-beginning and those received during that year) (%).

Three indicators can be considered to be new ones. These are the area of land plots in federal ownership whose boundaries have been properly determined and delineated, and the corresponding information entered into the State Real Estate Cadaster (hectares); and the sold stakes in JSCs and RF treasury property entities earmarked for sale in accordance with the forecast plan (program) of federal property privatization (% , if not directly stated that physical indicators should be applied).

At the same time, the new subprogram no longer contains the previously available indicators that described the technological development of management processes at the level of Rosimushchestvo, the management tools to be applied

to joint-stock companies with state participation and, most surprisingly, the budget-based performance indicators (the requirement that privatization should generate revenue, and the payment of dividends on federal stakes).

However, this is by no means the only issue that gives rise to questions about the feasibility of the newly introduced Subprogram “Federal Property Management” in the context of the current situation. The target of minimizing, by 2024, state participation in the activities of commercial companies in competitive markets appears to be only declarative, as it is not supported by adequate norms or organizational tools. The declared targets of annual increase, by not less than 10%, in the number of net profit generating joint-stock companies where the Russian Federation holds more than 50% of voting shares, and that of increasing federal budget revenues generated by lease of federal immovable property entities, are not reflected in the list of its indicators. It is questionable whether these targets could be actually achieved in the current conditions.

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The starting period of the new 3-year privatization program for 2020–2022 coincided with the onset of the crisis, which inevitably affected the course of its implementation.

As far as the major assets earmarked for privatization in accordance with individual schemes are concerned, the long-awaited and repeatedly postponed deal to reduce the state stake in Sovcomflot was finally closed. However, it generated no budget revenue. The funds received through an additional issue of shares (about Rb43 bn) are earmarked for the company development. Aeroflot attracted funding in the same way (Rb80 bn), but the bulk of that funding was supplied by State. In both cases, the State remains a direct majority shareholder, which cannot be said about Channel One Russia JSC, where the state stake reduction was followed by securing the special right of the Russian Federation to participate in the company’s management (“golden share”) and signing a shareholder agreement with private shareholders. Thus, the coronavirus crisis has sped up the trend of reducing state participation in big and important companies of nationwide status, while the State retained its control over them with the help of a variety of instruments.

There was an obvious failure to keep up the sales of blocks of shares (or stakes) in economic societies in accordance with standard procedures and the corporatization of unitary enterprises. The number of sold economic societies shrank more than twice relative to the annual indicators of the previous privatization program, and hit its record low of the entire previous period. At the same time, the number of sold treasury property entities increased by more than 80%, jumping above its previous record high of 2016; in this segment, the leading role was played by Rosimushchestvo (its territorial bodies).

By the amendments introduced into the privatization law, the federal procedures for developing privatization programs and reporting on the course

of their implementation are extended to the level of subjects of the Russian Federation and municipalities.

The number of economic societies in federal ownership continued to decline. While the relative share of minority stakes increased, that of the companies where the State could exercise full corporate control declined. To the already routine process of creating vertically integrated structures and strengthening state corporations, the government added the transfer of controlling stakes in Sberbank and the Bashkir Soda Company into the direct state ownership. Of these two deals, the former was the purchase of the stake from the RF Central Bank covered by the NWF and regulated by a specially adopted law, and the latter was the result of a court ruling that followed a series of public scandals.

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 (more than 94%). As before, their bulk was represented by dividends transferred to the budget. There was revenue decline in absolute terms from practically all the sources, with the exception of the transfer, by unitary enterprises, of part of their net profits, and the general revenues generated by the lease of property. The significant growth in the amount of the latter contrasts sharply with the repeated statements made at the official level about supporting small and medium-sized businesses, although the revenues generated by the lease of treasury property entities and land plots have indeed declined. An unexpected phenomenon in the times of crisis was the growth of revenues from all non-renewable sources, the biggest input having been generated by the sale of land plots. However, the sale of shares (stakes) in economic societies remained the most significant revenue source.

Last year, the Government Program “Federal Property Management”, which had been launched in 2013 as a separate document, was reformatted. From 2020 onwards, it has been incorporated as a subprogram into the Government Program “Economic Development and Innovative Economy”. The RF Ministry of Finance is appointed to be the body responsible for its implementation, and Rosimushchestvo is specified as its participant, supervised by the RF Ministry of Finance in accordance with the new structure of the RF Government adopted at the beginning of this year. The Subprogram’s implementation period is 5 years (until the end of 2024). An analysis of the goals, objectives, and targets of the subprogram adopted in a new format points to a certain continuity with the subprogram implemented within the framework of the previous government program.

The prospects for the new Subprogram “Federal Property Management” are relatively good. Among its targets, those that are not obviously pegged to value indicators (which are prone to risks in crisis conditions) prevail. At the same time, the indicators related to property management and value measurements are set forth in the core Government Program “Economic Development and Innovative Economy”, while the set of targets and indicators set forth in the subprogram itself gives rise to questions from the point of view of their relevance in the current situation, their relationship with the declared results, and the necessity to

keep up the positive results achieved during the previous phase of implementing the RF Government's property management policy.

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