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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 43th issue. This publication provides a detailed analysis of the most significant trends in the Russian economy, global trends in the social and economic development. The work 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 work is based on an extensive array of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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## **6.1. The public sector and privatization in Russia in 2021**<sup>1</sup>

### 6.1.1. The scope of public ownership

From 2016, statistical data began to be published within the framework of the System of Public Property Management Efficiency Estimates. It was approved by RF Government Decree No. 72 dated January 29, 2015, to replace the public sector monitoring data collected and released by the Federal State Statistics Service (Rosstat) since the early 2000s in compliance with RF Government Decree No. 1 dated January 4, 1999 (as amended on December 30, 2002). The System contains data on the number of federal state unitary enterprises (FSUEs) and joint-stock companies (JSCs) with the participation of the Russian Federation in their capital, which had been previously published, as a rule, in the government privatization programs for the next period (from 2011 – for a 3-year period, and prior to 2011 – for a 1-year period).

The release of an updated version of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization, where the timelines have been moved from 2020—2022 to 2022—2024, makes it possible to analyze the processes that were taking place over the course of last year (*Table 1*).

As of July 1, 2021, the Russian Federation was shareholder in 678 JSCs, and property owner of 539 federal state unitary enterprises (FSUE), 40 federal treasury enterprises (FTE), and 13,149 federal state institutions (FSI).

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Table 1

**Societies and organizations in federal ownership entered in the Federal Property Register and the System of Public Property Management Efficiency Estimates in 2010–2021**

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>c</sup>		1,683/1,620 <sup>d</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
As of January 1, 2021	756	67	581	44	13,681
As of July 1, 2021	678	29	539	40	13,149
As of November 25, 2021	691 <sup>f</sup>		498 <sup>f</sup>		

<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-owned stakes in joint-stock capital;

<sup>b</sup> the 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> data published in Rosimushchestvo's 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 can be assumed that the difference between the two figures equals the number of JSCs with a golden share without any stake, but there is no explicit statement of that fact);

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

<sup>f</sup> the number of JSCs and FSUEs as stated in the privatization program for 2022–2024.

Source: Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2011–2013; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2014–2016; URL: [www.economy.gov.ru](http://www.economy.gov.ru)); 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; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2022–2024; statistical data from the System of Public Property Management Efficiency Estimates; URL: <http://rosstat.gov.ru/>

When these data are compared with the data published a year earlier, it can be noted that the number of FSIs shrank by 766 (5.5%); that of FSUEs, by 101 (15.8%); and that of FTEs, by 6 (13%). The presence of the State was reduced to a much greater extent in the corporate sector. The number of JSCs with state-owned stakes lost 270 units (or 28.5%), while that of JSCs where the State held the special right to participate in a company's management granted by a golden share shrank 2.3 times (by 38 units), and this happened in H1 2021.

As of November 25, 2021, the Russian Federation was property owner of 498 FSUEs, and shareholder (participant) in 691 economic societies. When these figures are set against the information derived from the System of Public Property Management Efficiency Estimates, it becomes obvious that the number of economic societies declined by 8.6%, and that of FSUEs, by 14.3%. A more illustrative example can be obtained by comparing the results of the federal property privatization program for 2022—2024 released as of November 2021 with those released as of January 1, 2019: the number of unitary enterprises was reduced by almost 29%, and that of economic societies, by just under 39%.

Now let us look at the categories of economic societies with various degrees of state participation, which are more important from the point of view of their role in the economy<sup>1</sup> (*Table 2*).

An analysis of Rosstat's data published in the framework of the System of Public Property Management Efficiency Estimates has shown that over the period between mid-2020 and mid-2021, it became possible to reverse the downward trend in the relative share of those JSCs where the State as a shareholder could exercise full corporate control, which had been observed since 2016 for almost 5 years in a row (except for H1 2018).<sup>2</sup>

Their relative share as of July 1, 2021 gained more than 4 p.p., amounting to 42.6% vs. 38.2% a year ago. The share of JSCs with blocking federal stakes increased from 7% to 9%. At the same time, the relative share of all the other companies with federal stakes shrank from nearly 55% to 48.4%.

If we compare the data as of November 2021 provided within the framework of the privatization program for 2022—2024 with the corresponding data as of January 1, 2019, one can see that the relative share of economic societies with state stakes amounting to less than 25% of their charter capital decreased by nearly 8 p.p. Nevertheless, this group remains the most numerous, accounting for more than 48% of all companies with federal stakes. Meanwhile, the share of companies where the State as a shareholder exercised full corporate control increased by the same 8 p.p., which happened in the main thanks to the input of JSCs in full state ownership (100% of charter capital). The share of companies with blocking state stakes (25% to 50% of charter capital) remained practically unchanged.

<sup>1</sup> Previously, this group of companies could be described in more detail on the basis of 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.

<sup>2</sup> Summary statement based on the total number of JSCs with 100% and majority stakes held by the State.

Table 2

**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 2016–2021**

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	%
<b>RF Government (forecast privatization plans (FPP))</b>										
As of January 1, 2016 (FPP for 2017–2019)	1,704 <sub>1</sub>	100.0	765	44.9	93	5.4	172	10.1	674	39.6
As of January 1, 2019 (FPP for 2020–2022)	1,130 <sub>2</sub>	100.0	368	32.55	30	2.65	95	8.4	637	56.4
As of November 25, 2021 (FPP for 2022–2024)	691 <sub>2</sub>	100.0	269	38.9	29	4.2	59	8.5	334	48.3
<b>Rosstat (System of Public Property Management Efficiency Estimates, JSCs only)</b>										
As of January 1, 2016	1,557	100.0	816 <sub>3</sub>		52.4 <sub>3</sub>		174	11.2	567 <sub>4</sub>	36.4 <sub>4</sub>
As of July 1, 2016	1,571	100.0	711 <sub>3</sub>		45.3 <sub>3</sub>		189	12.0	671 <sub>4</sub>	42.7 <sub>4</sub>
As of January 1, 2017	1,356	100.0	575 <sub>3</sub>		42.4 <sub>3</sub>		128	9.4	653 <sub>4</sub>	48.2 <sub>4</sub>
As of July 1, 2017	1,247	100.0	514 <sub>3</sub>		41.2 <sub>3</sub>		108	8.7	625 <sub>4</sub>	50.1 <sub>4</sub>
As of January 1, 2018	1,189	100.0	488 <sub>3</sub>		41.0 <sub>3</sub>		102	8.6	599 <sub>4</sub>	50.4 <sub>4</sub>
As of July 1, 2018	1,060	100.0	448 <sub>3</sub>		42.3 <sub>3</sub>		87	8.2	525 <sub>4</sub>	49.5 <sub>4</sub>
As of January 1, 2019	1,084	100.0	442 <sub>3</sub>		40.8 <sub>3</sub>		85	7.8	557 <sub>4</sub>	51.4 <sub>4</sub>
As of July 1, 2019	1,059	100.0	429 <sub>3</sub>		40.5 <sub>3</sub>		85	8.0	545 <sub>4</sub>	51.5 <sub>4</sub>
As of January 1, 2020	989	100.0	387 <sub>3</sub>		39.1 <sub>3</sub>		74	7.5	528 <sub>4</sub>	53.4 <sub>4</sub>
As of July 1, 2020	948	100.0	362 <sub>3</sub>		38.2 <sub>3</sub>		66	7.0	520 <sub>4</sub>	54.9 <sub>4</sub>
As of January 1, 2021	756	100.0	318 <sub>3</sub>		42.1 <sub>3</sub>		60	7.9	378 <sub>4</sub>	50.0 <sub>4</sub>
As of July 1, 2021	678	100.0	289 <sub>3</sub>		42.6 <sub>3</sub>		61	9.0	328 <sub>4</sub>	48.4 <sub>4</sub>

<sup>1</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>2</sup> The number of economic societies.

<sup>3</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>4</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.

Source: 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; Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2022–2024; statistical data from the System of Public Property Management Efficiency Estimates. URL: <http://rosstat.gov.ru/>

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

*Table 3*

**The number of organizations operating in the public sector of the economy on the records of Rosimushchestvo, its territorial branches, and the bodies responsible for the management of public property held by subjects of the Russian Federation in 2013–2014, and the number of economic subjects in public ownership in 2016–2021 (as entered in State registration records), by their organizational legal form**

Date	Total	FSUEs, including treasury enterprises	State institutions	Economic societies with shares (or stakes) amounting to more than 50% of charter capital owned by	
				State	economic societies operating in public sector
As of January 1, 2013	67,003 <sub>1</sub>	4,891	56,247	3,501	2,364
As of July 1, 2013	66,131 <sub>1</sub>	4,589	56,100	3,201	2,241
As of January 1, 2014	64,616 <sub>1</sub>	4,408	54,699	3,097	2,412
As of July 1, 2014	63,635 <sub>1</sub>	4,236	54,173	2,988	2,238
As of January 1, 2016	65,587 <sub>2</sub>	4,284	56,693/56,649 <sub>3</sub>	3,888 <sub>4</sub>	...
As of July 1, 2016	65,218 <sub>2</sub>	3,982	56,893/56,856 <sub>3</sub>	3,718 <sub>4</sub>	...
As of January 1, 2017	64,457 <sub>2</sub>	3,719	56,548/56,507 <sub>3</sub>	3,532 <sub>4</sub>	...
As of July 1, 2017	62,655 <sub>2</sub>	3,294	55,414/55,361 <sub>3</sub>	3,353 <sub>4</sub>	...
As of January 1, 2018	61,734 <sub>2</sub>	3,053	54,851/54,814 <sub>3</sub>	3,239 <sub>4</sub>	...
As of July 1, 2018	60,391 <sub>2</sub>	2,763	53,933/53,899 <sub>3</sub>	3,125 <sub>4</sub>	...
As of January 1, 2019	59,608 <sub>2</sub>	2,608	53,394/53,360 <sub>3</sub>	3,054 <sub>4</sub>	...
As of July 1, 2019	58,839 <sub>2</sub>	2,366	52,901/52,870 <sub>3</sub>	2,972 <sub>4</sub>	...
As of January 1, 2020	57,903 <sub>2</sub>	2,225	52,207/52,176 <sub>3</sub>	2,864 <sub>4</sub>	...
As of July 1, 2020	56,909 <sub>2</sub>	2,050	51,474/51,445 <sub>3</sub>	2,787 <sub>4</sub>	...
As of January 1, 2021	56,288 <sub>2</sub>	1,917	51,076/51,026 <sub>3</sub>	2,713 <sub>4</sub>	...
As of July 1, 2021	55,204 <sub>2</sub>	1,792	50,138/50,110 <sub>3</sub>	2,672 <sub>4</sub>	...

<sup>1</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 stake in charter capital) are in joint RF and foreign ownership;

<sup>2</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>3</sup> Total number of institutions created by the Russian Federation 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>4</sup> Total number of economic societies, the size of their state-owned stake (or shares in charter capital) being irrelevant. Data concerning the number of economic societies with controlling state-owned stakes are available only for JSCs with federal stakes.

Source: On the Development of the Public Sector of the Economy of the Russian Federation in 2012 (pp. 7–11), in HI 2013 (pp. 7–11), in 2013 (pp. 7–11), in HI 2014 (pp. 7–11), M., Rosstat, 2013–2014; Statistical information on public property management efficiency estimates. URL: <http://rosstat.gov.ru/>

The total number of economic subjects belonging to the public ownership category, according to data collected within the framework of the new system of estimates, by mid-2021 amounted to approximately 55,200 units, which is less by approximately 1,700 units (or by 3%) than a year earlier, and by approximately 8,400 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-2020, the number of unitary enterprises declined by 258 units (or 12.6%), that of economic societies – by 115 units (or 4.1%), and that of state institutions – by approximately 1,300 units (or 2.6%).

As far as the changes that occurred within a shorter period of time are concerned, over H1 2019 the number of unitary enterprises shrank by 6.5%, that of economic societies – by 1.5%, and that of state institutions — by 1.8%.

### 6.1.2. Privatization policy

Last year, the implementation of the Forecast Plan (Program) of Federal Property Privatization and the Main Directions of Federal Property Privatization for 2020-2022, approved by RF Government Edict No. 3260-r dated December 31, 2019, continued. This is already 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 one to three years) on the basis of the alterations introduced into prevailing legislation on privatization in spring 2010. As was the case with the previous privatization program, numerous adjustments and alterations were later introduced into that document. Over the course of last year, a total of 22 normative legal acts (NLA) pertaining to these issues were adopted (vs. 15 in 2020). The most important of them, which we are going to discuss in more detail later in this section, was approved at the very end of the year.

By the end of 2021, only 3 JSCs remained in the list of biggest companies earmarked for privatization 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), although initially there had been 8, including 4 companies where it had been planned that the State should withdraw from their capital. After Novorossiysk Commercial Sea Port OJSC was struck off the list and Adler Trout Breeding Farm JSC was sold, the RF Government, by Edict No. 3138-r dated November 3, 2021, excluded Modern Commercial Fleet PJSC (Sovcomflot), Rosspirtprom JSC, and Kizlyar Brandy Factory JSC from the privatization program. There were to transactions involving the remaining companies in that group (Makhachkala Commercial Sea Port JSC (hereinafter MCSP JSC), FSUE Foreign Economic Association Almazyuvelirexport, and VTB Bank (PJSC)), although the assessment of the market value of shares in MCSP JSC was completed.

As far as privatization following standard procedures is concerned, the year 2021 saw the sale of blocks of shares (or stakes in charter capital) in 55

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<sup>1</sup> The last bulletin of the developments in the public sector of the economy covers the period January-September 2014; however, for the purpose of our medium-term analysis, the data for H1 2014, released as of 1 July 2014, are quite suitable.



economic societies, and relevant decisions were made concerning the conditions of privatization of 64 FSUEs (*Table 4*).

*Table 4*

**Comparative data on the movement of the number of privatization deals involving federal state unitary enterprises and federal stakes in 2008–2021**

Period	Number of privatized enterprises (entities) formerly in federal ownership (data released by Rosimushchestvo)		
	privatized FSUEs, <sup>1</sup> units	sold stakes in JSCs, units	sold treasury property entities, units
2008	213	209 <sup>2</sup>	...
2009	316+256 <sup>3</sup>	522	...
2010	62	134 <sup>2</sup>	...
2008–2010	591+256 <sup>3</sup>	395 <sup>2</sup>	... <sup>4</sup>
2011	143	3175/359 <sup>2</sup>	3
2012	47 <sup>6</sup>	265 <sup>5</sup>	40
2013	26	148 <sup>5</sup>	22
2011–2013	216	730 <sup>5</sup>	65
2014	33	107 <sup>5</sup>	12
2015	35 <sup>7</sup>	103 <sup>5</sup>	38
2016	60 <sup>7</sup>	179 <sup>5</sup>	282
2014–2016	125 <sup>7</sup>	389 <sup>5</sup>	332
2017	69	47	77
2018	4	46	173
2019	8	51	171
2017–2019	81	144	421
2020	16	23 <sup>8</sup>	312 <sup>8</sup>
2021	64	55	393

<sup>1</sup> All preparatory work is completed, and the relevant decisions concerning the terms of privatization are issued.

<sup>2</sup> Including those stakes that were put up for sale in the previous year.

<sup>3</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>4</sup> Available information concerning sales of other property entities over that period is reduced to that concerning the 4 military immovable property entities sold between October 2008 and January 2009, and the decisions, issued in late 2010, concerning some other property entities to be put up for sale and the terms of their privatization, the deals being actually closed in 2011.

<sup>5</sup> Less sales of shares with the participation of investment consultants.

<sup>6</sup> Estimated value based on data on the total number of FSUEs, in respect of which government edicts 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;

<sup>7</sup> For several enterprises, the decisions concerning the terms of their privatization were abolished in 2015–2016 and then readopted, so the total 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).

<sup>8</sup> Including stakes in JSCs and treasury property entities sold within the framework of the previous privatization program.

*Source:* Rosimushchestvo's annual report for 2008; Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2009, Moscow, 2010; Report of the RF Ministry

of Economic Development on the Results of Federal Property Privatization in 2010; Report of the RF Ministry of Economic Development on the Results of Federal Property Privatization in 2011; Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2011–2013; Rosimushchestvo’s reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2014–2016 for 2014, 2015, and 2016; Rosimushchestvo’s reports on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2017–2019 for 2017, 2018, and 2019. Rosimushchestvo’s report on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2020; Rosimushchestvo’s report on the implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2021; URL: <http://rosim.gov.ru>

According to the year-end results of 2021, the number of privatized unitary enterprises jumped 4-fold on the previous year; and that of sold shares (stakes in charter capital) in economic societies, 2.5 times. This was not just a rebound from the previous year’s level (2020), but a breakthrough to a level above the annual indicators achieved during the implementation period of the previous privatization program for 2017–2019 (by the number of deals involving blocks of shares (stakes)), or to a level close to those indicators (by the number of privatization deals involving FSUEs, relative to 2017). In the latter case it was probably the effect of stricter legal norms regulating the activity of unitary enterprises introduced in early 2020.

This movement pattern also had a favorable effect on the financial results. According to data released by the Federal Treasury as of December 30, 2021, the year-end index of total proceeds of sales of shares and other forms of federal participation in capital received over the course of the past year amounted to Rb 5.27bn, which is nearly 1.5 times above the budget target and the planned revenue target set in the privatization program for 2020–2022. This result significantly exceeds the total proceeds of sales of stakes (or shares in charter capital) in economic societies other than biggest ones received in 2020 (approximately Rb4.1 bn), and roughly corresponds to the year-end result for 2017 (Rb5,396.14 mn).

In 2021, the biggest deal was the sale of 100% of shares in Research Institute of Sports and Technical Products JSC situated in the city of Moscow. In the course of an electronic auction participated by three bidders, the deal value surged from Rb800 mn to Rb1.04 bn (the auction winner’s bid), or by 30%. In terms of deal value, the sale of 100% of shares in Magnitogorsk International Airport JSC (in the Chelyabinsk region) was just below the latter (Rb999.9 mn); in an electronic auction participated by 6 bidders, the deal value climbed from Rb113.9 mn, or 8.8 times. The blocks of shares in 5 other JSCs were sold for not less than Rb300 mn each. Nearly all of those deals were handled by the Auction House of the Russian Federation (RAD OJSC).<sup>1</sup> In total, independent sellers handled 142 out of 179 biddings for economic societies (or approximately 80%).

The Federal Agency for State Property Management (Rosimushchestvo), in compliance with instructions issued by the RF Government, selected legal entities (agents) to perform the functions of a seller. The results of the selection procedure were approved by RF Government Edicts No. 1414-p dated May 31, 2021 and

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<sup>1</sup> The only exception was the sale, by the central office of the Federal Property Management Agency, of 100% of shares in Pravoberezhny JSC (in Krasnodar Krai, its core activity is rice growing). The deal value amounts to Rb677.32 mn. URL: <http://rosim.gov.ru>

No. 2647-p dated September 22, 2021, whereby the Auction House of the Russian Federation, the Agency for Direct Investments (ADI JSC) and Solid Investment Financial (Solid IFC JSC) were authorized to perform, on behalf of the State, the functions of a seller of shares (or stakes) under the terms of agency agreements.

As the pace of the privatization process involving JSCs (economic societies) intensified, the number of sold treasury-owned property entities increased by more than a quarter: 393 units vs. 312 in 2020. The number of sold treasury-owned property entities exceeded more than 7-fold that of sold blocks of shares (stakes). According to operational data released by the Federal Treasury as of December 30, 2021, the corresponding federal budget receipts amount to approximately Rb1.03 bn vs. Rb0.9 bn a year earlier. The target set in Rosimushchestvo's Order No. 378 dated December 30, 2020 "On measures designed to ensure the implementation by the Federal Agency for State Property Management of its budget assignment for 2021", the planned revenues under that item were to amount to Rb660,899,900. Thus, the resulting year-end index amounted to 157.2% relative to the budget target for the reporting year.<sup>1</sup>

Just as it had happened over the previous years, only some of the federal property entities earmarked for privatization were of interest for potential investors. Quite a few of the low-liquid assets were put up for sale more than once, and this fact is confirmed by the significant number of auctions that were canceled due to the absence of any bids. There were also some cases when the auction results were canceled because the winners were reluctant or downright refused to conclude a sale and purchase agreement (Redkinskiy Experimental Plant JSC in the Tver region and 6 treasury property entities).<sup>2</sup> Nevertheless, the privatization success rate (defined as the ratio of the number of sold assets to that of completed auctions) increased, amounting to 30.7% for blocks of shares (stakes), and to 28.4% for treasury property entities (vs. 21-23% in 2020).

Much more success was achieved with regard to realization of unfinished construction projects (hereinafter - UCP). Out of 56 federal property entities (lots) comprising 134 unfinished buildings and included in the privatization program, 47 (about 84%) were sold (the number of sold UCPs amounting to 121 (more than 90%)).

Over the course of the year 2021, in the framework of the implementation of 24 Executive Orders of the President of the Russian Federation and 25 RF Government Edicts concerning the creation or expansion of vertically integrated structures (VISs), Rosimushchestvo set out to establish 14 VISs. As of the year-end, the relevant decisions concerning the terms of their privatization were taken with regard to 7 FSUEs, 22 JSCs, and 8 treasury property entities. Among the integrated structures that were expanded in 2021, we can note state corporations (SC) Rostec, Roskosmos and Rosatom; Rosgeologiya JSC; Air and Space Defense Corporation Concern; Tactical Missiles Corporation; United Shipbuilding Corporation; Russian

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1 Rosimushchestvo's Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2020; Rosimushchestvo's Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2021.

2 These are included in the number of stakes in JSCs and treasury-owned property entities sold in 2021 (Table 4), because the results of biddings were canceled in January 2022.

Railways; Shipbuilding & Shiprepair Technology Center JSC; Head Center for Reproduction of Agricultural Animals JSC; Far East Energy Management Company JSC (DVEUK); Marine Instrument Engineering Corporation JSC; Russian Post; and Krymenergo.

In 2021, some alterations were introduced into the current privatization law (adopted in 2001). The norms regulating property sale through a tender or auction were augmented by provisions whereby it should be impossible to challenge the price established in the course of these procedures, no matter what their results might be. Besides, the privatization program involving federal property entities, the ownership powers in respect of which are exercised by the public authorities of the federal territory “Sirius”,<sup>1</sup> and the preparation of a relevant decision concerning the conditions of their privatization, should be coordinated with those public authorities.

As far as privatization prospects are concerned, it is necessary to point out the alterations to the Rules for the development of forecast plans (programs) of privatization introduced by RF Government Decree No. 1401 dated August 23, 2021.

The most important of these are as follows.

The federal property privatization program is developed for a three-year planning period, and the start and end dates of the planning period are shifted annually by 1 year in accordance with the period for which the federal budget has been approved.

Not later than April 1, the RF Ministry of Finance issues to Rosimushchestvo an assignment, whereby the latter should develop a draft program for the planned period with due regard for the results of the federal property privatization program implemented over the course of the reporting year, as well as the main directions of federal property privatization for the planned period.

A draft federal property privatization program for the planning period should include proposals for amending the current federal property privatization program as follows:

- a one-year shift in the start and end dates of the program’s planning period;
- an update of the main directions and goals of federal property privatization, the forecast effect of privatization on structural changes across the economy, including in some specific sectors of the economy (or areas of management), the forecast volume of generated federal budget revenues, as well as an update of the list of federal property entities to be privatized by special decisions of the RF Government;
- those federal property entities that have been privatized and the relevant procedures completed, should be struck off the privatization program’s list;

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<sup>1</sup> The federal territory “Sirius” is a new type of public legal entity. In accordance with Federal Law No. 437-FZ dated December 22, 2020, it enjoys economic independence and has its own public authorities that are endowed with the powers of local government and some regional-level powers, and may also be delegated certain powers of the Russian Federation.

- the privatization program’s list should be augmented by those property entities the privatization of which can be possible over the course of the planned period.

The aforesaid amendments to the current federal property privatization program are to enter into force on January 1 of the year following the current year.

Those federal property entities that are subject to mandatory privatization in accordance with decisions of the RF Government, and the privatization procedures in respect of which have not yet been completed, can be included in the privatization program for the next planning period without an approval thereof by the federal executive bodies authorized to grant such an approval.

Meanwhile, by RF Government Decree No. 1401 dated September 23, 2021, the start and end dates in 2022 for the implementation of the ongoing three-year privatization program for 2020–2022 have been moved 2 years forward, that is, its implementation de facto is postponed until 2022–2024.

The natural consequence of this change was determined by RF Government Decree No. 3993-r dated December 30, 2021, which was an update of RF Government Decree No. 3260-r dated December 31, 2019 whereby the forecast privatization plan for 2020–2022 was approved. In fact, it introduced a new privatization program for the period 2022–2024. Its main parameters are as follows.

The group of companies to be privatized on the basis of special presidential and governmental decisions now includes Makhachkala Commercial Sea Port JSC and Almazyvelirexport Foreign Trade Association<sup>1</sup> (after the State has withdrawn from their capital), as well as VTB Bank (PJSC), where the stake held by the Russian Federation in its charter capital is planned to be reduced to 50% plus 1 ordinary registered share. It should also be noted that Rosimushchestvo’s Report on the Implementation of the Forecast Plan (Program) of Federal Property Privatization in 2020–2022 for 2021 envisages the possibility of privatizing, over the period 2022–2024, of the federal stake in Vnukovo International Airport JSC, after which the State should retain the special right to participate in its management (golden share). By 2024, it is planned to reorganize several federal state unitary enterprises and treasury enterprises into joint-stock companies (Scientific and Technical Center “Khimvest”, FSUE “National Fish Resources”, FSUE Amur Cartridge Plant “Vympel”, and FSUE “Space Communications”), if the President of the Russian Federation adopts special decisions whereby they can be struck off the list of strategic organizations.

Over the period 2022–2024, it is planned to complete the privatization of 83 federal state unitary enterprises and treasury enterprises, and 221 economic societies, including state-owned stakes in 11 LLCs, as well as 1,135 other treasury-owned property entities. These targets differ little from the initial targets set in

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<sup>1</sup> After the transfer to another empowered organization of its powers to export precious metals and precious stones held by the State Institution on Formation of the State Fund of Precious Metals and Precious Stones of the Russian Federation, Storage, Release and Use of Precious Metals and Precious Stones (Gokhran of Russia), uncut and cut diamonds in the state reserves of precious metals and precious stones held by subjects of the Russian Federation, and the powers to sell representative consignments of uncut natural diamonds.

the forecast plan for 2020–2022, the exception being a slight increase in the number of economic societies earmarked for privatization.

In 2022, the amount of federal budget revenues generated by federal property privatization, less the value of shares in biggest companies dominating their specific sectors of the economy, is expected to be Rb3.9 bn; and in 2023, Rb0.9 bn. The corresponding revenue target for 2024 will be set with due regard for the alterations to be introduced in the forecast plan (program) of federal property privatization in 2022.

The reference to the RF Government Program (GP) “Federal Property Management” has been replaced by a reference to the GP “Public Financial Management and Regulation of Financial Markets” (Subprogram (SP) 6 “Federal Property Management”) because SP 6 has been incorporated into that GP, which has been implemented since 2014 under the supervision of the RF Ministry of Finance.

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

In 2021, some important alterations were also introduced into the list of strategic enterprises and joint-stock companies. Interestingly, in contrast to what had been happening over many previous years, more companies were put on than struck off that list. Thus, 15 FSUEs were struck off, an overwhelming majority of them (12) being reorganized into federal state budget-funded institutions (FSBI), while 30 FSUEs and 5 JSCs were added to the list. The most noteworthy among them are Marine Instrumentation Corporation JSC (St. Petersburg), a recently established integrated structure, and Bashkir Soda Company JSC (BSC).<sup>1</sup> The inclusion of the latter into the group of strategic joint-stock companies, with the consolidation of a 57.43% stake in federal ownership, was followed by the transfer of 38.3% of ordinary shares into regional ownership. The signed shareholder agreement on the disposal of shares in BSC and voting shares set forth the principles and mechanisms of the interaction between the Russian Federation and the Republic of Bashkortostan within the framework of corporate governance of Bashkir Soda Company JSC.<sup>2</sup> Another 11.7% of ordinary shares in BSC are to be transferred to trust management by Regional Fund JSC (Ufa) (without a tender for the right to conclude an agreement on trust management of shares (envisaged in the Executive Order of the President of the Russian Federation issued in 1996)).

In addition to these alterations, 2 strategic JSCs raised their government corporate control threshold. For RusHydro, it increased insignificantly (from 60.5% to 60.73% of the charter capital), while for Roskartography JSC the increase was steep (from 51% to 100%). Another unitary enterprise remained on the list of strategic organizations after having changed its name.

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1 In 2020, all shares in BSC were withdrawn to become public property, after the federal center presented claims over the withdrawal of the company’s profits and the ongoing conflicts triggered by its failure to comply with environmental legislation.

2 URL: <http://rosim.gov.ru>

The dividend policy was significantly updated. By RF Government Edict No. 1589-r dated June 11, 2021, the corresponding government decree adopted in 2006 was amended. Now the federal bodies of executive authority, when determining the shareholder standpoint concerning the payment of dividends, should be guided by the necessity to earmark for these purposes not less than 50% of annual profit calculated on the basis of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), less the following items recognized to be part of that profit:

- incomes and expenditures pertaining to the recognition (or recovery) of losses resulting from depreciation of fixed assets and intangible assets, as well as their write-off (except for write-offs related to their sale);
- incomes and expenditures pertaining to the movement of the fair value of financial assets determined in accordance with the IFRS;
- incomes and expenditures pertaining to the movement of foreign exchange rates;
- profits or losses that during the reporting period were charged to non-controlling stakes held by a subsidiary and determined in accordance with the IFRS.

If a JSC is not required by the law to prepare its financial statements in accordance with the IFRS, then for the purposes of paying dividends the amount of its net profit for the reporting year is to be accepted, calculated on the basis of its accounting (financial) statements, less the following items recognized to be part of that profit:

- incomes and expenditures pertaining to the recognition (or recovery) of losses resulting from depreciation of fixed assets and intangible assets, as well as their write-off (except for write-offs related to their sale);
- the difference between the estimated current market value of financial investments as of the reporting date and their previous estimated value;
- incomes and expenditures pertaining to the movement of foreign exchange rates.

If the calculated amount of profit is higher than the amount of net profit determined on the basis of accounting (financial) statements, then dividends are to be paid from the undistributed profit of a JSC.

An exception from these rules is allowed in case of adoption of special acts by the RF Government. It is directly applied only to JSCs belonging to the military-industrial complex, which may allocate less than half of their profits to the payment of dividends, if it is envisaged that profits can be reduced by the amount of actual documented investment costs pertaining to the technological reequipment of their production capacities, the formation of a scientific technical backlog to ensure that their state defense order is fulfilled, and the manufacture of hi-tech civilian and dual-use products.

Thus, at the level of a normative legal act, the general standard for the payment of dividends in the amount of not less than half of adjusted net profit is determined. Previously (since 2012), the threshold had been set at 25% (less incomes generated by revaluation of financial investments).

Now, when calculating the dividend base, the income and expenditure items that are not confirmed by cash flows (for example, those resulting from property revaluation or exchange rate differences) will no longer be taken into account. The previous practice of using unadjusted profit that included items that were not backed by cash flows ran contrary to foreign experiences and the gradual spread of the IFRS in Russia. The profit adjustment in this case would be greater due to the inclusion therein of the profits or losses attributed to the non-controlling stakes held by a subsidiary.

The new approach to calculating dividends has made it possible to properly balance the investment activity of state-owned companies and their obligations to shareholders, so that their dividend policy could become more transparent, and the treasury revenues more predictable. At the same time, a reduction in the flow of dividends into the federal budget cannot be ruled out, either. In part, this may happen due to the existence of long-term development programs (LDP) of state-owned companies, or to some special circumstances; two examples, cited by the head of the Federal Agency for State Property Management,<sup>1</sup> are the exemption from the payment of dividends granted to Sheremetyevo International Airport where the runways are being reconstructed, and the losses incurred by Aeroflot – Russian Airlines PJSC as a result of reduced air traffic during the pandemic.

While discussing the governance mechanism in joint-stock companies with state stakes, we can also note some other innovations.

The RF Ministry of Finance was granted the powers to exercise, on behalf of the State (upon an agreement with the RF Ministry of Transport), the rights of a holder of ordinary shares in Aeroflot PJSC purchased at the expense of the National Welfare Fund (NWF) within the framework of an additional issue of shares in 2020. It should be reminded that at that time, in order to stabilize the financial satiation of Aeroflot Group Companies in face of the negative impact of the pandemic, the government increased the charter capital of the major domestic air carrier by covering a larger part of its additional issue of shares from the National Welfare Fund (Rb50 bn out of Rb80 bn).

Just as was the case, in 2020, with Sberbank shares transferred from the RF Central Bank to the RF Ministry of Finance on the basis of a special law, the general Provision on the procedure for managing federal stakes in JSCs and the use of the Russian Federation's special right to participate in an OJSC's management (golden share) approved by RF Government Decree No. 738 dated December 3, 2004 does not apply to these shares.

An even more important development is that this basic government document defining the state property management mechanism for the corporate sector is no longer applied to the exercise, by the RF Ministry of Economic Development, of its powers of a shareholder in the development institutions included in the list of JSCs, in respect of which the government standpoint on a number of major issues is to be determined by the Government of the Russian Federation, its Chairman or the Chairman's deputies on the basis of proposals submitted to the government

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<sup>1</sup> Interview of the head of the Federal Agency for State Property Management Vadim Yakovenko to TASS Russian News Agency. URL: <http://rosim.gov.ru> .



by State Corporation VEB.RF and coordinated with the RF Ministry of Economic Development.

This norm is an integral part of RF Government Decree No. 358 dated March 12, 2021, which established that VEB.RF Group should act as an agent of the government on issues pertaining to the powers of property owner and the founder of development institutions specified in the list of non-profit organizations (NPO), as well as the functions of a shareholder in one of the development institutions entered on the list of economic societies, without the payment of remuneration for their exercise in 2021. The powers proper are to be exercised by the RF Ministry of Economic Development or the RF Ministry of Industry and Trade.

These are 6 NPOs (FGAU Russian Fund for Technological Development, FGBU “Fund for Assistance to the Development of Small Forms of Enterprises in the Scientific and Technical Sphere”, ANO “Agency of the Far East for Attracting Investments and Supporting Exports”, ANO “Agency for the Development of Human capital in the Far East and the Arctic”, ANO “Agency for Technological Development”, and Unitary NPO “Russian Fund for the Development of Information Technologies”) and 4 JSCs (Federal Corporation for the Development of Small and Medium Businesses JCS, RUSNANO, Special Economic Zones JSC, and Rosinfokominvest).

Besides, the rules for the implementation of relevant functions by VEB.RF were approved, whereby it is established that the state corporation should operate on the basis of an agency agreement concluded with the RF Ministry of Economic Development or the RF Ministry of Industry and Trade.<sup>1</sup>

When performing its agency functions, VEB.RF does as follows:

- makes decisions concerning the development institution’s reorganization (altering its type (this applies to federal budgetary and autonomous institutions) and liquidation;
- appoints a representative for voting at a general meeting of shareholders (GMS) and determines the shareholder standpoint of the Russian Federation on issues entered on the GMS agenda;
- convenes extraordinary general meetings of shareholders;
- adopts measures designed to improve the corporate governance mechanisms of development institutions;
- enters issues to be discussed on the agenda of a GMS (or a general meeting of founders) and prepares proposals for each of those issues;
- nominates the candidates - representatives of the State to the management and control bodies of development institutions, as well as a candidate for the sole executive body of a development institution (concludes and terminates their employment contracts);
- forms the auditing and counting commissions of development institutions registered as JSCs;
- exercises control on behalf of the founder over the activities of a development institution in the procedure and instances determined by RF legislation;

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<sup>1</sup> It executes the powers of a property owner only in respect of the Federal State Autonomous Institution “Russian Fund for Technological Development”.

- in the cases determined by the constituent documents of a development institution, considers the issues within the competence of boards of directors (or supervisory boards).<sup>1</sup>

The agency agreements with government departments should specify the following performance indicators to be applied to VEB.RF in its capacity of an agent of the Government of the Russian Federation:

- the implementation of measures for which VEB.RF has been commissioned to be the core contractor and the action plans (roadmaps) approved by RF Government Edict No. 3710-r dated December 31, 2020. The performance indicator is considered to be achieved in case of proper implementation of those measures by VEB.RF;
- monitoring of the attainment by development institutions of their key performance targets. The performance indicator is considered to have been achieved if VEB.RF monitors the achievement of key performance targets set for development institutions;
- the absence of violations of the agency agreement committed by VEB.RF. The performance indicator is considered to have been achieved if VEB.RF properly performs the functions of an agent, as stipulated in the rules.

A report on the achievement of agent performance indicators is submitted annually by VEB.RF to the RF Ministry of Economic Development, not later than December 15 of each calendar year.

The RF Ministry of Economic Development and the RF Ministry of Industry and Trade monitor the performance by VEB.RF of its agent functions.

For the purpose of carrying on this monitoring, VEB.RF submits to the RF Government information on the execution of its agent functions and the following reports coordinated with relevant government departments: (1) on the management of shares in a development institution (JSC) owned by the Russian Federation; (2) on the implementation of measures arising from the powers of property owner and (or) founder of a development institution (NPO); (3) on the management of a development institution's property owned by the Russian Federation; (4) on the results of general meetings of shareholders and boards of directors (or supervisory boards) of development institutions; (5) on the implementation of measures set in the roadmaps approved by Government Edict No. 3710-r dated December 31, 2020; (6) on the achievement by development institutions of their key performance indicators.

These reports are submitted to the RF Government, the RF Ministry of Economic Development and the RF Ministry of Industry and Trade on a quarterly basis, not later than the 15th day of the month following the reporting quarter; it must contain information on both the performance targets and actually achieved performance indicators for the reporting period, as well as the results of financial and economic activities.

The report on the implementation of measures set in the roadmaps is submitted by VEB.RF to the RF Ministry of Economic Development on a monthly

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<sup>1</sup> In addition to the functions listed here, VEB.RF also performs a number of special functions in respect of development institutions registered as NPOs.

basis, and the report on the management of federal property held by development institutions is submitted annually to the RF Government.

The year 2021, as has already been noted earlier, saw a sharp reduction in the use of the instrument that the government relies upon to participate in the corporate sector by means of a special right (golden share). This was the result of the activities of the Federal Agency for State Property Management in compliance with Directive of the Deputy Prime Minister of the Russian Federation No. DG-P13-14590 dated November 13, 2020 whereby golden shares were withdrawn from 42 JSCs. At present, the government's special right is retained in 25 JSCs (Novorossiysk Commercial Sea Port PJSC, Moscow Machine-building Plant "Vympel" JSC, etc.).

Rosimushchestvo, while exercising its powers, repeatedly relied upon the special right granted by a golden share and issued relevant directives to government representatives appointed to the board of directors of joint-stock companies to participate in general meetings of shareholders (GMS), requiring them to veto certain decisions voted by a GMS. As existing practices have demonstrated, the golden share continues to function as an additional instrument of state corporate control over privatized enterprises.

At present, the lower house of the Federal Assembly of the Russian Federation is considering a draft law on introducing alterations into Article 38 of Federal Law No. 178-FZ dated December 21, 2001 "On privatization of state and municipal property" in order to expand the grounds for the RF Government to adopt relevant decisions concerning the use of its special right towards joint-stock companies (golden share). In light of this news, the dramatic shrinkage (more than two-fold) in 2021 of the group of companies where the federal center has been applying this particular instrument has given rise to some questions, because a special right cannot be regarded as a vestige of the government property management policy, by analogy with a unitary enterprise.

The amendments to the specialized law adopted in 2002 (No. 161-FZ) whereby the functioning of subjects belonging to this particular organizational legal form has been regulated are by no means fundamental.

In connection with the emergence of a new type of public legal entity (the federal territory "Sirius"), its bodies of public authority have been granted the right to exercise the functions and powers of a founder, on behalf of the Russian Federation or the federal territory, of state-owned and municipal unitary enterprises, with due regard for provisions stipulated in the basic law governing this sphere (No. 437-FZ dated December 22, 2020). The bodies of public authority of the federal territory are setting up unitary enterprises and exercising the powers of owners of their property in compliance with the provisions of the federal law concerning the federal territory. The relevant FSUEs transfer part of their after-taxes profit and other mandatory payments to the budget of the federal territory "Sirius", the relevant procedure, amount of payment, and timelines for such transfers having been established by the regulatory legal acts adopted by the territory's public authorities.

The obligation of a unitary enterprise to submit at the end of each reporting period its annual accounting (financial) statements to the authorized bodies of state authority of the Russian Federation, regional authorities or local governments has been somewhat adjusted. Now this rule applies only to those enterprises that have been made exempt from the obligation to submit such reports in order to create the government information resource of accounting (financial) statements. If a unitary enterprise submits its annual accounting (financial) statements to the government information resource, the aforesaid bodies of state authority can receive those statements from that resource through a unified interdepartmental electronic information system.<sup>1</sup>

Besides, state-owned and municipal enterprises have been granted the right to borrow not only by means of issuing bonds or bills of exchange, but also by relying on other forms of borrowing in the cases established by the RF Government.

#### 6.1.4. The budgetary effect of government property management policy

In 2021, unlike the previous year, the movement of federal budget revenues that had to do, in one or other way, with public property displayed a downward trend, which affected both revenues generated by the use of public property (renewable sources) and those generated by privatization and sale of property (non-renewable sources).

*Tables 5 and 6* below demonstrate data taken from the reports on federal budget execution only with regard to the revenues generated by the use of public property and the sale of public property entities that belong only to some specified categories of tangible property.<sup>2</sup>

1 Now, this norm also applies to the financial statements submitted by unitary enterprises, JSCs and LLCs included in privatization programs, which are posted on the special website where privatization data are published (Article 10.1 of Federal Law No. 178-FZ).

2 Outside of the framework of this section, we have left the federal budget revenues generated by payments for the use of natural resources (including biological water resources, revenues from the use of forest fund, and the extraction of mineral resources), compensation for the losses incurred by the agricultural production sector as a result of confiscation of agricultural land, revenues generated by financial operations (revenues from placement of budget funds (revenues from federal budget residuals and their investment: from 2006 onwards, these include the revenues from the management of the RF Stabilization Fund (and from 2009 onwards – the Reserve Fund and the National Welfare Fund)); revenues from investment of monies accumulated in the course of trading RF stocks in the auction market); interest on budget-funded domestic loans, covered by the federal budget; interest on government loans (monies received from the governments of foreign countries and foreign legal entities as interest payments on RF government loans); money transfers from legal entities (enterprises and organizations), subjects of the Russian Federation, 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 Vietsovpetro (from 2001) and transfers of part of profits generated by FSUEs (from 2002); revenues from the implementation of product share agreements (PSA); revenues from the disposal of confiscated and other property earmarked as government revenue (including property transferred to state ownership in the procedure of inheritance or gift, or treasure trove appropriation); revenues generated by lotteries;

Table 5

**Federal budget revenues generated by the use of public property (renewable sources) in 2000–2021, millions of rubles**

Year	Total	Dividends on shares (2000–2021) and revenues generated by other forms of participation in capital (2005–2021)	Payment for lease of land in state ownership	Revenues generated by lease of property in state ownership	Revenues from transfer of part of net after-taxes profits of FSUEs and other mandatory payments	Revenues from other sources (in 2000–2007 and 2011 – those generated by Joint Venture Vietsovpetro; and in 2018–2021 – those generated by property transferred as pledge or to 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>	14,587.7 <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>i</sub>	4,764.1	—
2011	104,304.0	79,441.0	8,210.5 <sub>h</sub>	11,241.25 <sub>i</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

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 laws on federal budget execution for 2015–2020 contain no aggregate data listed under each revenue classification code or sub-code, or listed according to the classification codes of transactions in the public administration sector on revenue side (these are listed only by their classification code for each revenue administrator). Therefore, we used data from the annual reports on federal budget execution as of January 1, 2016; January 1, 2017; January 1, 2018; January 1, 2019; January 1, 2020; and January 1, 2021, and the monthly report on federal budget execution as of January 1, 2022.

Year	Total	Dividends on shares (2000–2021) and revenues generated by other forms of participation in capital (2005–2021)	Payment for lease of land in state ownership	Revenues generated by lease of property in state ownership	Revenues from transfer of part of net after-taxes profits of FSUEs and other mandatory payments	Revenues from other sources (in 2000–2007 and 2011 – those generated by Joint Venture Vietsovpetro; and in 2018–2021 – those generated by property transferred as pledge or to trust management)
2019	465,974.25	441,620.4	12,051.65k	1,290.4 <sub>o</sub> +3,239.2 <sub>m</sub>	7,616.9	155.7
2020	451,653.95	422,667.6	10,417.0k	7,655.3 <sub>o</sub> +2,509.2 <sub>m</sub>	8,404.7	0.145
2021	364,279.9	339,493.2	12,450.0k	1,203.4 <sub>o</sub> +3,559.1 <sub>m</sub>	7,571.7	2.481

<sup>a</sup> According to data released by the RF Ministry of Property Relations, in the Law on Federal Budget Execution for 2000 this item was not specified separately; instead, the amount of payments received from state-owned enterprises (Rb9,887.1 mn) was entered (without any components being specified).

<sup>b</sup> 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.

<sup>c</sup> The amount of revenues from the lease of property consolidated to (i) scientific research organizations, (ii) educational establishments, (iii) healthcare institutions, (iiii) state museums, and state cultural and arts institutions, (iiiii) archival institutions, (iiiii) the RF Ministry of Defense, (iiiii) organizations subordinated to the RF Ministry of Railways, (iiiii) organizations providing research-related services to the academies of sciences with the status of a state entity, and (iiiii) other revenues from the lease of property in state ownership.

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

<sup>f</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, (iiiii) state archival institutions, (iiiii) institutions of the federal postal service of the RF Ministry of Communications and Informatization, (iiiii) organizations providing research-related services to the academies of sciences with the status of a state entity, and (iiiii) 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, (iiiii) federal postal service institutions of the Federal Communications Agency, (iiiii) state cultural and arts institutions, (iiiii) state archival institutions, and (iiiii) 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

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.

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>l</sup>

⓵ 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, (iiiii) state cultural and arts institutions, (iiiii) state archival institutions, (iiiii) properties held by right of operative management by the RF Ministry of Defense and its subordinated institutions (2010), (iiiii) properties in federal ownership disposed of by the Executive Office of the RF President (2010), and (iiiii) 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);

⓶ 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 in federal ownership, situated in public motor road precincts of federal importance (2012–2021), (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 and exploitation of utility networks, installation and exploitation of elevated advertising structures (2012 and 2014–2021), (iii) payments received in the framework of agreements on the establishment of servitude with regard to land plots in federal ownership (2015–2021), and (iiii) public servitude payments received in compliance with decisions issued by the relevant authorized body concerning the establishment of public servitude with regard to land plots in federal ownership (2021).

⓷ 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).

⓸ The amount of revenues from the lease of RF treasury property (with the exception of land plots).

⓹ Less the revenues generated by the sale of the stake in Rosneft (Rb692,395 bn) (less interim dividend payments).

⓺ For the period 2016–2021, we apply aggregate data without identifying by-sector groups of institutions. The more general classification consists only of 2 revenue categories distinguished depending on the recipient of revenues generated by lease of property (federal bodies of state authority, the Bank of Russia and the managerial bodies of RF government extrabudgetary funds, and federal treasury institutions).

*Source:* Laws on federal budget execution for the period 2000–2014; reports on federal budget execution as of January 1, 2016; January 1, 2017; January 1, 2018; January 1, 2019; January 1, 2020; and January 1, 2021 (annual data); and the monthly report on federal budget execution as of January 1, 2022. URL: <http://roskazna.gov.ru>; own calculations.

In 2021, the aggregate revenues generated by renewable sources plunged on the previous year by nearly 19%, amounting to Rb364.3 bn.

This happened in the main due to the transfers of dividends to the federal budget (Rb339.5 bn), which shrank by almost one-fifth relative to 2020

<sup>l</sup> 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.

(Rb422.7 bn), but this figure still exceeds the level of 2018 (Rb312.6 bn). The receipts of part of profits paid by unitary enterprises decreased to a lesser degree, by nearly one-tenth. When taken in absolute terms (Rb7.6 bn), they turned out to be comparable with the level of 2019.

The amount of revenue generated by lease of land plots more than halved (amounting to approximately Rb4.8 bn). This was caused by an unexpected (nearly 6.5 times) drop in 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) (Rb1.2 bn), which is comparable with the level of 2018 (a record low since 2013), when the revenues generated by lease of property held by the RF Treasury (with the exception of land plots) for the first time were identified in budget reports as a separate entry within the general structure of proceeds generated by the lease of federal property. The revenues generated by lease of property which is held by the RF Treasury (with the exception of land plots), on the contrary, increased by nearly 42%, amounting to more than Rb3.2 billion. Income from the lease of property constituting the treasury of the Russian Federation (with the exception of land plots), on the contrary, increased by almost 42%, amounting to approximately Rb3.6 bn. This value has become the highest since 2013. After being excluded in 2020 for just one year, they once again began to prevail, amounting to about 3/4 of the total receipts generated by the lease of federal property. The amount of budget revenues from lease of land increased by approximately 1/5 (or Rb12.45 bn).<sup>1</sup>

In the overall structure of federal budget revenues from renewable sources, the vast majority of revenues in 2021, just as in the previous year, were provided by dividends (about 93%, a year earlier — about 94%). The share of lease payments for land amounted to 3.4%; that of rental payments for property, to 1.3%; and that of profits transferred by FSUEs, to 2.1%. The share of these sources changed only slightly relative to 2020: there was an increase in the share of payments for property lease (by about 1 p.p.), while that of rental payments for property shrank by the same amount.<sup>2</sup>

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<sup>1</sup> The amount of lease payments for land plots, just as a year earlier, includes lease payments received for the lease of land plots in federal ownership situated in public motor road precincts of federal importance, payments for the execution of agreements on the establishment of servitude with regard to land plots situated within the easement areas of general-use motorways of federal importance for the purposes of building construction (or reconstruction), capital repairs and exploitation of road service entities, installation, relocation, restructuring, and exploitation of utility networks, and installation and exploitation of elevated advertising structures, payments for the execution of agreements on the establishment of servitude with regard to land plots in federal ownership, and also, for the first time, public servitude payments received in compliance with decisions issued by the relevant authorized body concerning the establishment of public servitude with regard to land plots in federal ownership.

<sup>2</sup> Over several recent years, the classification of federal budget revenues generated by use of property was augmented by a 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 (Rb2.481 mn).



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 the bulk of such assets (state stakes; and over the period 2003–2007, also land plots) <sup>1</sup> have been treated as a source of funding to cover budget deficit.

*Table 6*

**Federal budget revenues generated by the privatization and sale of property  
(non-renewable sources) in 2000–2021, millions of rubles**

Year	Total	Sale of shares in federal ownership (2000–2021) and other forms of state participation in capital (2005–2021) <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>d</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>k</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>n</sup>	1,284.3 <sup>o</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>
2013	55,288.6	41,633.3	1,212.75 <sup>q</sup>	12,442.2+0.310 (ITA) <sup>r</sup>
2014	41,155.35	29,724.0	1,912.6 <sup>q</sup>	9,517.7+1.048 (ITA) <sup>r</sup>
2015	18,604.1	6,304.0	1,634.55 <sup>q</sup>	10,665.5+0.062 (ITA) <sup>r</sup>
2016	416,470.5	40,6795.2	2,112.7 <sup>q</sup>	7,562.6+0.012 (ITA) <sup>r</sup>
2017	21,906.7	14,284.5	1,199.6 <sup>q</sup>	6,421.3+1.3 (ITA) <sup>r</sup>
2018	28,252.0	12,787.5	1,660.6 <sup>q</sup>	13,803.0+0.2 (ITA) <sup>r</sup>
2019	20,129.3	11,527.5	1,647.5 <sup>q</sup>	6,954.3 <sup>r</sup>
2020	27,961.5	12,570.7	3,235.5 <sup>q</sup>	11,247.2+1.9 (ITA) <sup>r</sup> +906.2 <sup>s</sup>
2021	20,182.9	5,272.0	2,448.5 <sup>q</sup>	11,429.1 <sup>r</sup> +1,033.3 <sup>s</sup>

<sup>a</sup> These revenues are treated as an internal source of funding to cover federal budget deficit. The amount of Rb29.6 mn for 2008 (as stated in the Report on Federal Budget Execution as of January 1, 2009) is treated as a federal budget revenue item, but it is absent in the 2008 law on federal budget execution.

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

<sup>c</sup> The revenues generated by the sale of land plots and the right to lease land plots in public ownership (with a special entry concerning those land plots in which privatized enterprises are situated) are 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, transport vehicles,

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

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> The revenues generated by the sale of land and intangible assets, their amount is not specified as a separate entry, these are treated as federal budget revenues.

<sup>g</sup> The 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, transport 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.

<sup>m</sup> 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.

<sup>n</sup> 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.

<sup>o</sup> 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.

<sup>p</sup> 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, (iiiiii) 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 (other than land plots held by federal budget-funded and autonomous institutions (less data for 2019–2021)), treated as federal budget revenues; for the years 2015 and 2021, 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 2012–2021, also less revenues generated by the sale of timber produced as a result of measures designed to safeguard, protect, reproduce forests within the framework of government orders 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 2011–2021), less revenues generated by the activities of institutions situated abroad (2015–2021), (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 in the framework of cooperation in the field of military technologies (data for 2008 and the period 2010–2021), (iiiiii) the sale of scrapped armaments and other military hardware in the framework of the Federal Target Program of Industrial Recycling of Armaments and Military Equipment (2005–2010) (the period until the year-end of 2017), (iiiii) revenues generated by the sale of immovable property held by budget-funded and autonomous institutions (2014–2018 and 2020–2021), (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.

s Revenues generated by the sale of properties in federal ownership, in the part of non-financial treasury-owned 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; January 1, 2020; and January 1, 2021 (annual data); and the monthly report on federal budget execution as of January 1, 2022, <http://roskazna.gov.ru>; own calculations.

The amount of property-generated federal budget revenues from non-renewable sources in 2021 shrank by 28% (to approximately Rb20.2 bn), which corresponds to the level of 2019.

The revenues generated by the sale of shares fell by 58% (to Rb5.3 bn), this index relative to the past 20-year period exceeding only that for 2009 (about Rb2.0 bn). The revenues generated by the sale of land plots decreased by almost

1/4, amounting to approximately Rb2.5 bn,<sup>1</sup> which roughly corresponds to their level in 2011. Meanwhile, the amount of revenues from the sale of miscellaneous properties (Rb12.5 bn) slightly increased (by 2.5%), including those generated by privatization of property owned by the Russian Federation, in the form of non-financial treasury assets (Rb1,033.3 mn).

As a result, a greater part of revenues (approximately 62%)<sup>2</sup> was generated by the sale of property (vs. 43.5% in 2020), while the sale of shares accounted for 26% (vs. 45% in 2020), and the sale of land plots – for approximately 12% (vs. 11.6% in 2020)

The aggregate federal budget revenue generated by the privatization (or sale) and use of state property in 2021 (*Table 7*) declined by 1/5 relative to the previous year (to Rb384.5 bn).

*Table 7*

**The structure of property-generated federal budget revenues from miscellaneous sources, 2000–2021**

Year	Aggregate revenue generated by privatization (or sale) and use of state property		Revenues generated by privatization (or sale) of state property (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*	100.0	80,978.7/ 240,278.7*	26.1/ 51.2*	228,964.5	73.9/ 48.8*
2013	209,114.85	100.0	55,288.6	26.4	153,826.25	73.6
2014	282,325.95	100.0	41,155.35	14.6	241,170.6	85.4
2015	303,975.2	100.0	18,604.1	6.1	285,371.1	93.9
2016	1,363,193.85/ 670,798.85**	100.0	416,470.5	30.6/ 62.1**	946,723.35/ 254,328.35	69.4/ 37.9**

1 Including the revenues from the sale of the land plots in respect of which state ownership has not been demarcated, and which are used by budget-funded and autonomous institutions (Rb76.4 mn). The corresponding indices for the previous years published on the official website of the Federal Treasury among the indices characterizing the efficiency of government property management are as follows: Rb0.433 mn for 2015; Rb2.381 mn for 2016; Rb4.962 for 2017; Rb0.1835 mn for 2018; Rb40.1 mn for 2019; and Rb298.3 mn for 2020.

2 Including revenues generated by privatization of property owned by the Russian Federation, in the form of non-financial treasury assets (5,1%).

Year	Aggregate revenue generated by privatization (or sale) and use of state property		Revenues generated by privatization (or sale) of state property (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
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	479,615.45	100.0	27,961.5	5.8	451,653.95	94.2
2021	384,462.8	100.0	20,182.9	5.2	364,279.9	94.8

\* Including the proceeds received by the RF Central Bank as a result of the sale of shares in Sberbank (Rb159.3 bn), which is probably an overestimation of the actual aggregate share of non-renewable sources, because the budget received not the full amount of those proceeds, but their amount less the balance sheet value of that particular asset plus the costs incurred in the deal of sale. Consequently, the share of renewable sources is, on the contrary, somewhat underestimated.

\*\* Less the revenues generated by the sale of shares in Rosneft (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; January 1, 2021 (annual reports), and monthly report as of January 1, 2022. URL: <http://roskazna.gov.ru>; own calculations.

The structure of aggregate revenue generated by the privatization (or sale) and use of public property changed only slightly. The revenues generated by the use of public property amounted to approximately 95%, thus ranking third in absolute terms relative to the entire period since the early 2000s, while the revenues generated by the privatization and sale of property amounted to less than a half of their index for 2014, which corresponds to the level of 2019.

### 6.1.5. A new format of the state’s ownership policy

It should be remembered that just before the onset of the pandemic, the Government Program (GP) “Federal Property Management”, which since 2013 had existed as a separate document, became a subprogram (SP) of the Government Program “Economic Development and Innovative Economy”.<sup>1</sup> It was in this format that it was implemented over the course of the first year of the pandemic. The redistribution of powers between government departments after the changes that took place in the structure of Russia’s federal government in early 2020 also affected some issues concerning the State’s ownership policy (the privatization process, the management of economic subjects operating in the public sector of the economy, property records, etc.). In view of the transfer of Rosimushchestvo to the jurisdiction of the RF Ministry of Finance, many functions that had previously been performed by the RF Ministry of Economic Development were also handed over to another ministry. Basically, this was just a mechanical replacement of one government department by another, without introducing any changes into the actual set of functions. Thus, the RF Ministry of Finance became responsible for the development of privatization programs.

1 For a detailed analysis of the process of reformatting the Government Program “Federal Property Management”, see: Malginov G., Radygin A. State’s Ownership Policy in 2017–2020: Some Results and New Outlines // Russian Economic Development. 2020. No. 7. P. 66–85.

A natural upshot of the increasing role of the financial department in matters of the State's ownership policy was the inclusion, by RF Government Decree No. 2386 dated December 30, 2020, of Subprogram 6 "Federal Property Management" into the Government Program "Public Financial Management and Regulation of Financial Markets".

Traditionally, one of the program's goals in its updated version is considered to be that of improving the efficiency of federal property management, while the set of its quantitative performance indicators now includes that of "Share, in the total number of economic societies where the rights of a shareholder (or participant) are exercised by the Federal Agency for State Property Management (Rosimuschestvo), of those economic societies that ensure the payment of dividends (the distribution of profits between their participants) in the amount not less than 50% of their net profit". Earlier, when the SP "Federal Property Management" was an integral part of the Government Program "Economic Development and Innovative Economy", its targets pertaining to the State's ownership policy were revenue growth resulting from federal property management relative to the level of 2018 (up to 22% by 2024); and the share, in the total number of JSCs where more than 50% of voting shares were held by the Russian Federation, of those JSCs that received net profit at the end of financial year (based on the annual reports of JSCs, without considering the results of audits of their activities), of the total number of such companies.

The expected results of the Government Program "Public Financial Management and Regulation of Financial Markets" are as follows:

- to ensure the integration of the procedures of keeping records and disposal of federal property with that of budget accounting;
- to transfer into a digital format the procedures pertaining to keeping records and disposal of federal property, as well as property that is subject to special treatment regimes;
- by 2024, to increase to 95%, in the total number of economic societies where the rights of a shareholder are exercised by Rosimushchestvo, the share of those economic societies that ensure the payment of dividends (the distribution of profits between their participants) in the amount not less than 50% of their net profit.

The Government Program stipulates in its text, among the government policy priorities, that of improving the quality of federal property management and maximizing the revenues generated by the use of federal property.

These priorities are fully consistent with Subprogram 6 "Federal Property Management", whose goals are the same as those set forth in the GP in the context of improving the quality of federal property management, including the digital transformation of federal property records, as well as managing properties subject to special treatment regimes; optimizing the federal property structure; ensuring long-term sustainable growth of asset value and the revenues generated by the management of state-owned companies; and reducing the participation of the State in the activities of companies in competitive markets.

At the same time, the certificate of SP 6 “Federal Property Management” does not have its own text part. The government department assigned the task of its implementation is the RF Ministry of Finance, while Rosimushchestvo is defined as its participant. The Subprogram’s implementation period is 4 years (until the end of 2024).

The total amount of federal budget allocations for the entire implementation period is more than Rb16.3 bn. This sum is divided into roughly equal parts, from Rb4,015.7 mn in 2021 to Rb4,282.5 mn in 2024 (Rb3,978.5 mn in 2022; and Rb4,046.5 mn in 2023). Compared to the previous version of the SP, the annual budget financing volume has been reduced by 4.5% for 2021, by 6.9% for 2022, and by 5.5% for 2023 and 2024 each. However, it is necessary to keep in mind that these are planned and not actual amounts of funding, because the latter will be determined by the real state of the federal budget.

The Subprogram’s list consisting of 7 targets and indicators points to the obvious continuity between its updated version and the version that was being implemented in 2020, as an integral part of the Government Program “Economic Development and Innovative Economy”.

Four of them (the share of treasury property entities involved in economic turnover in the total number of treasury property entities as of the end of a reporting year; the area of land plots in federal ownership, in respect of which the boundaries have been formed and clarified, and information has been entered into the Unified State Register of Real Estate (FGIS EGRN); the share of sold treasury property entities; and the share of blocks of shares in JSC (or stakes in economic societies) to be sold in accordance with the forecast privatization plan) are exactly those that were stipulated in the previous version of the Subprogram.

Another indicator is a modification of the previously set one. Instead of a percentage reduction in the total area of treasury-owned land plots that are not involved in economic turnover (relative to the total area of treasury-owned land plots in 2012), the new indicator is the total leased area of land plots managed by Rosimushchestvo.

Two indicators can be considered to be new ones: “The share of economic societies where the rights of a shareholder are exercised by Rosimushchestvo, and that of federal state unitary enterprises (FSUEs) generating a return on their assets not less than 85% of a given industry’s average, in the total number of such economic societies and enterprises” and “Similarity of data entered into the Federal Property Register and other state information systems containing data about federal property entities”. The latter indicator, which offers a broad range of possible interpretations, also appears to be the most vague one, although its target for 2024 is set at 100%. This pair of new indicators replaced that of the absolute number of organizations with state participation and the disposal ratio for the movable property entities transferred into state ownership over the course of one year.<sup>1</sup>

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<sup>1</sup> The ratio of the number of movable property items transferred into state ownership that have been written off based on the results of their disposal (processed, sold or destroyed) over the course of a reporting year to the total number of movable property items transferred into state

As far as the results of the SP are concerned, it should be noted that compared to its previous version, they have become more relevant and more closely related to the set of targets, and their list is longer:

- to integrate, by 2024, the Federal State Information System FGIAS ESUGI (Register of Assets Held by the Russian Federation) with the corresponding systems created by federal bodies of executive authority; it contains up-to-date information on all federal property entities (with the exception of classified data) based on primary data derived from other information systems containing data about such property entities;
- to ensure the integration of the procedures of keeping records and disposal of federal property with that of budget accounting;
- to transfer into a digital format the procedures pertaining to keeping records and disposal of federal property, as well as property that is subject to special treatment regimes;
- to create appropriate conditions for identifying inefficiently used or misused federal property entities and redistributing them among the users in order to optimize the federal property structure;
- to increase, by 2024, the share of treasury property entities involved in economic turnover in the total number of treasury property entities to 35% as of the end of the reporting year
- to ensure the implementation of the forecast plan (program) of federal property privatization;
- to safeguard (ensure the upkeep and maintenance) of treasury-owned property entities;
- by 2024, to form and clarify the boundaries of land plots with an area of not less than 415,000 ha, and to enter the corresponding data into the Unified State Register of Real Estate (FGIS EGRN);
- for Rosimushchestvo over the period 2021—2024, to lease out more than 11,000 land plots;
- by 2024, to increase to 95%, in the total number of economic societies where the rights of a shareholder are exercised by Rosimushchestvo, the share of those economic societies that ensure the payment of dividends (the distribution of profits between their participants) in the amount not less than 50% of their net profit;
- by 2024, to increase to 55% the share of those economic societies where the rights of a shareholder are exercised by Rosimushchestvo, and of those federal state unitary enterprises (FSUEs) that generate a return on their assets not less than 85% of a given industry's average.

The results pertaining to the financial and economic performance of state-owned commercial organizations seem to be overly optimistic with regard to the prospect of transferring at least half of their profits in the form of dividends. In this connection, the alterations introduced from July 1, 2021 into the dividend policy rules appear to be quite logical.

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ownership; based on balance-sheet data as of year beginning and the movement of data during the year (%).



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The second year of the implementation of the federal property privatization program for 2020–2022 was characterized by an obvious increase relative to 2020 in the rate of privatizations completed under standard procedures. The number of privatized unitary enterprises increased 4-fold; that of sold blocks of shares (or stakes) in economic societies, more than 2-fold; and that of sold treasury-owned property entities, by about a quarter, which corresponds to the best annual implementation indicators of the previous privatization program for 2017–2019. However, there were no deals that involved biggest assets earmarked for privatization under individual schemes, and some of them were altogether struck off the program's lists. As a result, by the end of the year, out of the 8 property entities initially included in the program, there remained only 3 companies belonging to that group.

Further prospects for the ongoing privatization process will have to do with the 2-year shift in the start and end dates for the current program's implementation, i.e., it has been moved to 2022–2024. The upshot of that shift was the adoption of an updated forecast plan of federal property privatization, which is de facto a new three-year privatization program. Overall, its quantitative parameters differ little from the initial version, although the group of companies earmarked for privatization under individual schemes has been seriously reduced.

The number of economic subjects in federal ownership continued to decline. The year-end indicator for 2021 and the year-beginning indicator for 2019 in the forecast plans of federal property privatization demonstrate that the number of unitary enterprises over that period shrank by nearly 29%, and that of economic societies, by nearly 39%. At the same time, based on an analysis of data from various sources (the System of Public Property Management Efficiency Estimates and forecast plans of federal property privatization), it can be concluded that the negative trend of an increasing relative share of minority stakes alongside a shrinking relative share of companies where the government could exercise full corporate control has been successfully reversed. The latter began to grow, but it is still far from the level of 2016 (more than half of all state-owned companies).

The balance of changes in the list of strategic organizations points to its expansion. The mechanism for State Corporation VEB.RF to perform the functions of a government agent concerning the issues pertaining to the powers of property owner and founder of development institutions that are non-profit organizations, as well as the powers of a shareholder in development institutions that are economic societies, has been formalized in legislative norms. Against the backdrop of the formation of vertically integrated structures by the government and the strengthening of state corporations (the two processes that have already become traditional), one important innovation in the State's ownership policy in 2021 was a dramatic reduction in the number of companies where it had been exercising the special right secured by a golden share. The feasibility of the abruptly narrowed scope of the use of that tool at the federal level is debatable,

and it once again gives rise to the question as to the real degree of transparency of government ownership policy.

Similarly to the situation over the previous year, the revenues generated by renewable sources prevailed in the structure of federal budget revenues generated by privatization (or sale) and use of state-owned property (approximately 95%). The largest part of those revenue, as before, was made up of dividends transferred to the budget, although their amount reduced by about one-fifth. The shrinkage in the amount of revenues was observed across the majority of revenue sources. One important exception was the income generated by lease of land plots and lease of treasury property entities.

Last year, the government's property management policy was implemented within the framework of the Subprogram "Federal Property Management", which at the very end of 2020 was included into the Government Program "Public Financial Management and Regulation of Financial Markets". The Subprogram's implementation period is 5 years (until the end of 2024).

An analysis of the goals, targets and expected results of the new reformatted Subprogram points to ascertain continuity with the corresponding document adopted over the previous period, when the Subprogram "Federal Property Management" was an integral part of the Government Program "Economic Development and Innovative Economy". The prevalence, among its indicators, of those that are not explicitly pegged to costs is indicative of its greater resilience against risks in crisis conditions. Much attention is focused on immovable property entities and the integration of various information systems involved in the process of property management. At the same time, the prospects for improving the financial and economic performance of state-owned commercial organizations appear to be overly optimistic - for example, the widespread practice of transferring at least half of profits as dividends.

The tool that is expected to ensure that this target is met is the updated normative legal act that sets the general standard for the payment of dividends at this particular threshold value (1/2) vs 25% in its previous version (adopted in 2012). In the calculations of the dividend base, the revenue and expenditure items not secured by cash flows (for example, those pertaining to property revaluation of forex fluctuations) will no longer be taken into account, which is consistent with foreign experiences and the gradual spread of the IFRS across Russia.

The impact of such a decision on the replenishment of the federal budget is not entirely clear, especially in view of the new economic and political situation that has been taking shape in the late winter and early spring of 2022. In a broader sense, it can be assumed that in the new economic conditions, the role of the State as the owner, regulator and subject of ownership relations will be increasingly prominent in all its various aspects.