

FEDERAL PROPERTY MANAGEMENT: FACTORS DETERMINED BY TARGETED PROGRAMS AND BUDGET POTENTIAL

A.Radygin, G.Malginov

The prospects for implementing the Federal Property Management government program depend on the amount of financial backing, as determined by the budget system's actual potential. The approved federal budget for 2014–2016 envisages a gradual reduction, over the next few years, in the amount of expenditure earmarked for the implementation of this government program, while the requests of the RF Federal Agency for State Property Management (Rosimushchestvo) for some additional funding have not been satisfied.

About a year ago, by its Regulation of 16 February 2013, No 191-r, the RF Government approved the Government Program *Federal Property Management*, which became a major landmark and influenced the entire system of ownership relations in this country.

This document proclaims that the government policy of federal property management (to be further elaborated by the new government program) is pursuing the following goals:

- clear definition and formation of a complete set of federal property needed by federal government bodies and their subordinated federal organizations in order to adequately perform their government functions;
- creation of an efficient federal property management system capable of creating, in accordance with the functions assigned to federal government bodies, appropriate mechanisms for estimating the actual usefulness and necessity of the property entities to be thus managed, as well as regulatory procedures for their entry or exclusion from management lists;
- effective alienation of federal property required for commercial use;
- creation of an efficient system for entry into records and control of federal property in a single system for record-keeping and management of federal property.

On this basis, two principal areas for improving the existing federal property management procedures are outlined:

- management of the process of property alienation (improvement of the government's performance in the capacity of asset seller);
- management of the development of properties remaining in state hands.

One of the program's merits is that it has singled out as, an independent goal, the management of potential risks associated with the program's implementation, and the orientation to a new, higher level of techno-

logical backing for the record-keeping and monitoring procedures.

Not wishing to discuss all the details of the new government program, we should like to dwell on its key targets, in particular those that can be expressed in quantitative terms.

First of all, the target function of every federal property object should be properly defined and consolidated, and the said property be alienated if no such target function is determined.

This task is to be fully accomplished in respect of federal state unitary enterprises (FSUE) no later than 2018 (in an event of allocation of additional resources – in 2015); in respect of economic societies with state stakes – no later than 2018; in respect of federal state institutions (FSI) – at the level of 15% in 2018 (on condition that additional resources be allocated – in the same year, but fully completed); in respect of property entities owned by the RF Treasury – at the level of 30% in 2018 (on condition that additional resources be allocated – in the same year at the level of 90%). The definition, for each of those organizations, of their target functions for the purposes of management will imply their reflection in the single system for record-keeping and management of federal property.

This standpoint is supported by the plans envisaging that, every year, the lists of joint-stock companies with state participation and FSUEs, the size of land plots owned by the RF Treasury (with the exception of land plots removed from turnover or those limited in turnover), and other property entities owned by the RF Treasury, should be reduced by a certain fixed number (based on the estimations for the year 2012) (without taking into account the properties to be received by the RF Treasury as a result of privatization of FSUEs over the period of 2013–2018). It is envisaged that all the four targets should be entered in the Federal Statistical Work Plan.

As a result, by 2018 there should remain no unitary enterprises with the right of economic management, while the number of joint-stock companies with state

stakes will be reduced more than tenfold¹, the number of properties owned by the RF Treasury (with the exception of land plots) – by 90%, the area of land plots owned by the RF Treasury and uninvolved economic turnover – by 35% (on condition that additional resources be allocated, as well as financial backing provided for their subdivision and entry in the cadastre, in accordance with the expenditure items earmarked for covering the activity of the Federal Service for State Registration, Cadastre and Cartography (*Rosreestr*)).

The completeness of federal property records (share of properties actually entered in the register vs. total number of properties to be in the register), from 2014 onwards, must be no less than 80%.

Besides, the key targets include:

- increasing the relative share of stocks issued by companies with state participation and circulating on Russia's organized securities market, in order to gradually double this index by 2018 (increasing the number of state-controlled open-ended joint-stock companies whose stocks are listed for circulation on Russia's organized securities market);
- ensuring, by 2018, adequate competitiveness, investment attractiveness and public openness of partially state-owned companies (ensuring that these organization meet their key targets comparable with those of their leading counterparts around the world);
- meeting the established budget targets for the amount of revenues generated by use and sale of federal property.

From 2013 onwards, no less than 4 sales of big properties with high investment attractiveness must be conducted via public offering of stocks (out of the number of properties designated for sale in the course of this year by decisions of the RF President and/or the RF Government) (exchange transactions and strategic sales).

The organizational and technical aspects of the goal of improving the quality of state property management involve the following measures: (1) ensuring a single record-keeping and control system based on the incorporation of informational technologies in all the management processes and procedures, at any stage and level, including the operation of territorial bodies; (2) ensuring transparency of *Rosimushchestvo's* performance by means of granting public access to information on federal properties entered in the completed inventory records, as a basis for creating a complete and verified database of such entities; (3) determina-

tion and consolidation, to each member of *Rosimushchestvo's* staff, of their personal areas of responsibility; (4) establishing within *Rosimushchestvo* a special internal control subdivision and charging it with the task of implementing the necessary control mechanisms, in order to adequately supervise the implementation of adopted regulations, processes and procedures.

One of the key targets outlined in the government program in this connection is the almost complete elimination, by 2018, of all paperwork related to the management of information flows: all government services must be delivered in an electronic form, and the share of electronic legal documents in the document turnover between *Rosimushchestvo*, its territorial bodies and government organizations must be no less than 99%. This new operation mode will ensure the required transparency level and adequate control over all the ongoing processes.

The goal of creating a legislative backing for the program envisages the adoption, over the period of next five years, of 25 new normative legal acts, including the introduction of alterations in the federal laws on state and municipal property privatization, on State registration of titles to immovable property and the transactions therewith, and on unitary enterprises.

Similarly to any government program, the prospects of successful implementation of the Government Program *Federal Property Management* will depend on the availability of financial resources which, in its turn, is determined by the budget system's actual potential. The planned volume of financial resources to be allocated from the federal budget to this government program over the entire period of 2013–2018 amounts to a total of more than Rb 33.4bn, to be supplemented by additional allocations envisaged in the government program (in an event of emergence of some additional potential in the federal budget) in the amount of approximately Rb 19bn.

In the draft federal law *On the Federal Budget for 2014 and Planning Period of 2015 and 2016*, submitted by the RF Government to Russia's parliament, a certain amount of expenditure is earmarked for the implementation of this particular government program (alongside other government programs). In the explanatory note attached to the draft law it is explained that the amount allocated to this subitem should be Rb 5,486.1bn in 2014, Rb 5,348.9bn in 2015, and Rb 5,188.9bn in 2016.

The amount of relevant budget allocations to this government program as specified in the draft law has increased on the initially planned amount, specified in the government program's passport, by Rb 234.7bn in 2014 and by Rb 73.8bn in 2015. It was intended that over this period, some additional budget funding should

¹ At the same time, judging by the estimations presented in the appendices to the program, such a scenario can actually be implemented only on condition that some additional funding is provided.

be allocated to *Rosimushchestvo* in order to enable it to draw up an individual technical passport for each federal property entity, with the purpose of its subsequent use.

However, the increased funding planned for the years 2014 and 2015 (a total of Rb 308.5bn) was to be almost completely neutralized by the reduction in the amount of expenditure earmarked for the implementation of this government program in 2016 (by Rb 280.9bn) by comparison with the amount initially specified in its passport, due to the cut, by 5%, in the amount of federal budget expenditure earmarked for government purchases of goods, work and services in the draft federal budget. Moreover, in per annum terms, a planned cut in expenditure earmarked for this government program was to begin in 2015, when this amount was to decrease on 2014 by Rb 137.2bn. And then, in 2016, the amount of planned reduction on 2015 in absolute terms was to increase to Rb 160bn.

However, the main targets specified in the explanatory note to the draft law with regard to the implementation of the Government Program *Federal Property Management* over the period of 2014–2016 fully corresponded to the already approved values (in accordance with the basic scenario, without any additional budget allocations), without any further adjustments.

In the end, in the adopted Federal Law *On the Federal Budget for 2014 and Planning Period of 2015 and 2016*, the amount of planned allocations to the implementation of the Government Program *Federal Property Management* (in the part relating to the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization*)¹ is Rb 5,436.1bn for 2014, Rb 5,298.9bn for 2015, and Rb 5,138.9bn for 2016. For the planned scenario-based annual funding allocations to the government program, see *Table 1*.

Thus, the annual amount of allocations from the federal budget to the Government Program *Federal Property Management* (in the part relating to the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization*) is somewhat higher than that envisaged in the government program's passport in accordance with the basic scenario, with the exception of 2016, when the amount of allocations to the government program turns out to be approximately 5% less than that envisaged in the passport's current version. However, this reduction (by Rb 330,9bn) is 1.6 times more than the aggregate amount in excess of that envisaged in the passport for the two preceding years (Rb 208.5bn).

1 It should be borne in mind that the government program envisages the implementation of one more Subprogram entitled Government Material Reserve Management, which mostly involves confidential information classified as state secret or as restricted-access information.

Table 1

BUDGET ALLOCATIONS TO THE GOVERNMENT PROGRAM FEDERAL PROPERTY MANAGEMENT IN 2014–2016 (BILLION RB)

Source	2014	2015	2016
Basic scenario (as in GP's passport, current version)	5,251.4	5,275.1	5,469.8
Additional financing volume (as in GP's passport, current version)	4,415.2	4,567.7	5,710.7
Optimistic scenario (as in GP's passport, current version)	9,667.0	9,843.0	11,181.0
Conservative scenario (as in GP's passport, current version)	5,859.0	5,823.0	6,825.0
Explanatory note to draft law On 2014–2016 Federal Budget	5,486.1	5,348.9	5,188.9
Law On 2014–2016 Federal Budget of 2 December 2013, No 349-FZ (Appendices 16 and 18)	5,436.1	5,298.9	5,138.9
Rosimushchestvo's expenditures in framework of FTP Development of the Single State System of Registration of Rights and Cadastre Records of Immovable Property (2014–2019), RF GP Economic Development and Innovation Economy	50.0	57.67	100.2

At the same time, when taken in per annum terms, the amount of expenditure earmarked for the implementation of this government program displays a downward trend, while *Rosimushchestvo's* requests for additional funding have remained unsatisfied. Moreover, the amount of allocations envisaged in the current federal budget for this government program is much less than that planned in accordance not only with the optimistic scenario, but also the conservative scenario. So, as far as the actual possibility of achieving the key targets set by this government program for the next 3 years is concerned, one should be oriented to the figures corresponding to the basic scenario (*Table 2*).

The bulk of expenditures allocated under the basic scenario, which must be taken as the main guidelines due to the specific targets set in the approved budget for the period of 2014–2016, is earmarked for the measures involved in the implementation of this government program (more than $\frac{3}{4}$). Next in line are the expenditures allocated to federal property management development (10–15%) and improvement of the procedures of record-keeping and monitoring of the use of federal property (more than 7%); of these, the amount of funding allocated to the drawing-up of technical passports for each property entity owned by the RF Treasury is as follows: Rb 750bn in 2014–2016, including Rb 410bn in 2014; Rb 250bn in 2015 and

Rb 90bn in 2016). The amount of funding allocated to other areas of activity is minimal.

Table 2

**MAIN TARGETS FOR 2013–2016, ENVISAGED
IN THE GOVERNMENT PROGRAM *FEDERAL PROPERTY
MANAGEMENT***

Indicators	2013	2014	2015	2016
Share of federal property entities, for which target functions are determined (%), including:				
federal state unitary enterprises	25	35	45	60
economic societies with shares (stakes) in federal ownership	25	35	45	50
property entities owned by Treasury of Russian Federation	5	10	15	20
federal state institutions	0	0	0	5
Annual reduction of number of partially state-owned joint-stock companies, on previous year, as %	9	15	12	6
Annual reduction of number of federal state unitary enterprises, on previous year, as %	6	12	13	15
Reduction of total area of land plots owned by Treasury of Russian Federation and removed from turnover relative to total area of land plots owned by Treasury of Russian Federation in 2012 (except for land plots removed from turnover and those limited in turnover), as %	5	10	15	20
Reduction of number of property entities owned by Treasury of Russian Federation (less land plots) relative to number of property entities owned by Treasury of Russian Federation in 2012 (except property entities exclusively owned by Russian Federation), as %*	1	3	5	7

* less property entities to be received by the Treasury of the Russian Federation as a result of privatization of FSUEs over the period of 2013–2018.

Rosimushchestvo's approaches to the implementation of this government program imply the allocation of funding to certain types of activity like the determination of the functions of each managed federal property entity, the management of their development, alienation and potential risks, improvement of the procedures of record-keeping and monitoring of the use of federal property, and the implementation of measures envisaged in the government program.

Additional support for the implementation of the Government Program *Federal Property Management* will be provided in the form of allocations to *Rosimushchestvo* in the framework of the Federal Targeted Program (FTP) *Development of the Single State System of*

Registration of Rights and Cadastre Records of Immovable Property (2014–2019) (approved by Decree of the RF Governmenta of 10 October 2013, No. 903), which is part of the Government Program (GP) *Economic Development and Innovation Economy*. These will amount to approximately Rb 208 bn in 2014–2016 (including Rb 50bn in 2014, Rb 57.8bn in 2015, and Rb 100.2bn in 2016), while the bulk of funding is carried forward to the period of 2017–2018 (approximately Rb 1.8bn).

In this connection, it should be noted that the distribution of budget allocations, as outlined in Appendices 16 and 18 to the Law on the 2014–2016 Federal Budget with regard to the Government Program *Federal Property Management* in the framework of the Subprogram *Improvement of the Efficiency of Government Property Management and Privatization*, makes it possible to distinguish only 4 groups of expenditures: (1) expenditures on the payment of salaries to the staff of state and territorial bodies (expenditures on personnel remuneration designed to ensure proper performance of state (or municipal) bodies, treasury institutions, the administrative bodies of government off-budget funds); (2) expenditures designed to ensure proper performance of government bodies, including territorial bodies (purchase of goods, work and services for state (municipal) needs (two separate items with identical titles)); (3) expenditures designed to ensure adequate performance of government bodies, including territorial bodies (other budget allocations); (4) expenditures allocated in the framework of the Subprogram (purchase of goods, work and services for state (municipal) needs).

From this point of view, it is impossible to properly understand the configuration of cash flows related to government policies in respect of specific types of property, for example expenditures on the management of government blocks of shares (or stakes) in economic societies. Meanwhile, this expenditure item is one of the most important ones in the framework of this government program which envisages, among other things, that from 2014 onwards, the share of civil servants employed in the managerial and control bodies of partially state-owned joint-stock companies will be reduced to 30%. Consequently, their replacement with professional CEOs will inevitably require the allocation of an appropriate amount of funding.

So, later on it will be logical to expect further elaboration of the government programs addressing the issue of federal property management – especially given the fact that the recent switchover to the allocation of the bulk of budget resources on the basis of targeted programs have given rise to many questions, and the estimation of performance of government program may provide yet another impetus for their further improvement. ●