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The review provides a detailed analysis of main trends in Russia's economy in 2008. The paper contains five big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit and financial spheres; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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Public Corporations: main development directions and trends in 2007-2008

An important element of government policy in 2007 was the establishment of large public corporations. The government has established six of the them: Bank for Development and Foreign Economic Affairs (Vnesheconombank), Russian Corporation of Nanotechnologies («Rosnanotech» or «ROSNANO»), Housing and Utility Reform Foundation, Public Corporation for the construction of Olympic facilities and the development of Sochi as a mountain resort («Olympstroy»), «Rostehnologies» and «Rosatom»¹.

Those public corporations have obtained a wide range of functions and significant scope of national property (federal budget funds, various industrial and financial assets) to secure their activities over a long term. Herewith, these public corporations are rather different in terms of objectives, functions and basic principles of operation². In 2007-2008 the dynamic development of the government-established corporations took place along with the expansion of their scope and sometimes trends of their activities as well. In this section, we will primarily focus on the *analysis of major trends of the public corporations development*.

Specifics of public corporations development in 2007-2008

Development of the established public corporations' activities

State corporations, established in 2007 can be roughly split into three main groups:

- 1) Vneshekonobank and «ROSNANO» basic objectives are filling in the «gaps» in both, the market, and public administration system, as well as establishment of financial institutions for development in the form of public corporations;
- 2) Housing and Utility Reform Foundation, «Olympstroy» objectives are enhancement of efficiency and flexibility of the administrative system, «outsourcing» of some functions of government bodies at the level of public corporations;
- 3) «Rosatom», «Rostehnologies» objectives are competitive upgrading of certain strategic sectors (industries), national security support, restructuring and consolidation of the relevant national assets.

Public corporations development is rather diversified, and in some cases looks ambiguous. Let us consider some important events in each of public corporations development.

Vnesheconombank

Reviewing the public corporation as a new institution of development, the Vnesheconombank Memorandum on financial policy, defining main trends, indicators and re-

¹ In this section, we do not consider the activities of the public corporation «Deposit Insurance Agency», established in 2003.

² For the details on the establishment of public corporations in 2007, the basic assumptions and characteristics of the process, the key characteristics of structures, see, for example: Yu. Simachev, M. Kuzyk. The creation of public corporations as an important instrument of institutional policy in 2007 / The Russian Economy in 2007. Trends and Prospects. (Issue 29) - Moscow: IET, 2008, pp.505-534.

restrictions in its investment and financial activities³, adopted 2 months after the official establishment of the corporation should be regarded as the starting point. The first solutions on the approval and support of the investment projects, that meet the Memorandum requirements, were adopted in March 2008, i.e., 10 months after the public corporation official registration. By October 2008, the Supervisory Board of Vnesheconombank has approved the public corporation participation in more than 20 large projects with the funding of nearly RUR 200 bln. From the point of its incorporation, the public corporation has signed a number of agreements on cooperation and collaboration with federal authorities, regional administrations, the largest public companies, such as OAO «Russian Railways», OAO «United Aircraft Corporation», GK «Rostehnologies», OAO «Rosneft», OAO «United Shipbuilding Corporation».

Currently Vnesheconombank is an important instrument, ensuring financial stability of domestic banks and of real sector companies. In accordance with the federal law «On additional measures for the support to the financial system of the Russian Federation»⁴, this public corporation has the right to:

- provide credits to organizations for repayment or service of foreign debt, as well as acquire the right of claim to the foreign creditors;

- provide long-term subordinated loans without security;

- provide subordinated loans to OAO «Bank VTB», amounting up to RUR 200 bln and to OAO «Rosselkhozbank», amounting up to RUR 25 bln.

Also Vnesheconombank was authorized to act as the RF Government Agent in 2009 on provision and execution of national guarantees under credits, attracted by the strategic enterprises of military-industrial complex, as well as by other companies, selected in accordance with the procedure, established by the Government, for implementation of the basic business activities and capital investments⁵.

Vnesheconombank has implemented a number of measures of both, targeted and regular support, such as:

- acquisition of 98 % shares in OAO AKB «Svyaz-Bank» and 99 % shares in ZAO «Globex»;

- provision of subordinated credits to a number of Russian banks (besides «VTB Bank» and «Rosselkhozbank», mentioned in the Law): «Alfa-Bank», «NOMOS-BANK», «the Khanty-Mansiysky Bank», «Gazprombank» for the total amount, exceeding RUR 30 bln;

- participation in refinancing of fuel and energy sector, mining, metallurgy industry, micro-electronics companies and OAO «Bank VTB» transactions for the amount of nearly USD 14 bln⁶.

To ensure the implementation of anti-crisis measures, additional resources were provided to the public corporation. Thus, in accordance with federal law «On additional measures to support the financial system of the Russian Federation», the Bank of Russia has placed in Vnesheconombank deposits totaling up to USD 50 bln for one year, and it is also foreseen to place the "National Welfare Fund's assets amounting to RUR 450 bln, in Vnesheconombank

³ Memorandum on financial policy of «the Development Bank and foreign trade activities (Vnesheconombank)» public corporation is approved by the Order № 1007-p of the RF Government on July 27, 2007.

⁴ Federal Law №173-FZ, dated of October 13, 2008 «On supplementary measures for the support of the Russian federation financial system».

⁵ Resolutions of the RF Government N 103, 104 dated of February 14, 2009.

⁶ It should be noted, that in early February 2009 Vnesheconombank has suspended the applications for the companies' debt refinancing. Ref.:<http://www.veb.ru/ru/about/press/news/index.php?id32=5036>

till the end of 2019. Herewith, there was taken the decision on contribution into the charter capital of Vnesheconombank in the amount of RUR 75 bln to implement measures to support financial market⁷.

In the future, the use of Vnesheconombank as a priority instrument to ensure sustainability of the Russian financial system and of the real sector, without doubt, will continue and, most likely, will be extended. Herewith, we believe, it would be rather difficult to ensure a reasonable combination of measures to overcome the financial crisis and the opportunity of long-term support for innovation and investment projects within one public corporation (there is a risk, that efforts will be concentrated in the first direction at the expense of the second one).

“ROSNANO” Public Corporation

Practical activity of the public corporations to support the development projects in nanotechnology started, in fact, 10 months after the date of its formal establishment. However, before that point, the public corporation has carried out significant preparatory work: a large amount of documents was obtained, a number of departments were established, the scope of activities has been investigated, etc. In May 2009, the strategy of the corporation until 2020 was approved⁸.

During the first year of the public corporation operation, about 650 applications from more than 350 organizations for the amount exceeding RUR 400 bln were received, but only one of them was approved, at the end of May, 2008 the Supervisory Board has approved the first investment project for production of aspheric optical elements. However, afterwards, the process was accelerated and by early 2009, the corporation management took the decisions on seven projects refinancing in amount of about RUR 6 bln.

An important area in the public corporation activity is its participation in the infrastructure projects and programs. The public corporation is working to deploy, support and coordinate both, new and existing elements of nanotechnological infrastructure: it participated in co-financing of the development of material-technical base of the centers of collective usage, scientific and promotional centers, including engineering centers, as well as non-profit development institutions, such as technology parks, technology transfer centers, special economic zones and business incubators. Ten infrastructure projects have been submitted to the state corporation.

Currently, the corporation is developing the concept of infrastructure scientific and technological nano-centers development network for the support of business processes in different sectors of nanotechnological industry. Herewith, in late 2008, the «ROSNANO» management and the Moscow State University have agreed to establish a Center for Nanotechnology, on the basis of which research and experimental work will be carried out, as well as pilot production.

In December 2008, the «ROSNANO» Supervisory Board has approved a project in establishment the first private equity fund of venture investments. As a result of a tender among the Russian business schools, «SKOLKOVO», Moscow School of Management was selected as the «ROSNANO» corporate partner, which is going to attract to the mutual fund RUR 1 bln from co-investors. The total amount of the fund accounts to RUR 2 bln. «Troyka Dialog» will become the management company of the Fund.

⁷ RF Government resolution N1665-p, dated November 19, 2008.

⁸ The document was approved by the «ROSNANO» Supervisory Board on May 29, 2008.

The public corporation plans to launch several educational projects, aimed primarily at training and retraining the specialists needed to implement investment projects in the field of nanotechnology, which «ROSNANO» finances or is planning to finance⁹. There already have been received applications from several leading national universities for implementation of pilot projects, one of which was approved by the Supervisory Board at the end of September 2008. The project will be implemented jointly with the Moscow Institute of Steel and Alloys and with the Moscow Physical-Technical Institute. The project budget amounts to RUR 13.1 mln, whereas the share of «ROSNANO» makes RUR 11,2 mln.

The public corporation is making significant efforts to the development of communication system and to promotion of its activities, including the international level. In the preceding period, cooperation agreements are concluded with a number of federal authorities, regional administrations, Russian authorities(including the GC «Rosatom») and foreign companies, research centers (RRC «Kurchatov Institute»), Universities (Moscow State University), as well as the Russian Academy of Sciences. An important milestone in the activities of the corporation was the organization and carrying out a representative international forum on nanotechnologies¹⁰ in December 2008, which was attended by more than 7 thousand people.

In general, over the preceding period, the public corporation activity was basically associated with the preparation for the immediate implementation of functions to support the development of nanoindustry - the study and analysis of the situation in the markets, the development of strategy of its activities, selection of principles and procedures for projects support, partnerships formation, promotion of its activity, whereas the actual implementation of projects has been started nearly a year after the corporation establishment. In the future, with regard to the distinct provisions on the public corporation activity, procedures for pilot projects selection, one can be expect intensification and expansion of the corporation activity in the search and selection of the innovation projects in nanotechnologies¹¹.

Housing and Utility Reform Foundation

This public corporation started its practical activities on the resources provision about six months after its formal establishment. Nevertheless, in late 2007 - early 2008 a number of documents on practical activity of public corporation and its interaction with the regions was adopted.

The first application for financial support has been approved by the public corporation management in February 2008. However, by the end of July, the number of approved applications has reached 60. Simultaneously, efforts were taken for the development of regional authorities awareness on the procedures of interaction with the fund, its assets investment, etc. In addition, the public corporation started to carry out audits of the allocated funds utilization. Currently, such audits are performed regularly.

⁹ <http://www.rosnano.ru/Publication.aspx?PublicationId=860>

¹⁰ The high level of the event was confirmed by the fact that it was approved by the Order of the RF Government N 1169-p of August 12, 2008.

¹¹ It should be noted, that according to the public corporation management estimates, it will start to work «at full scope» in the middle of 2009, when there will be considered five-six projects per month with funding of about RUR 1 billion. <http://www.rusnano.com/Rubric.aspx?RubricId=494>.

According to the law on public corporation provisions and amendments¹², adopted in December 2008, until the end of 2009 the Fund was granted the right to provide financial support to the subjects of the Russian Federation from its assets of RUR 50 bln for resettlement of citizens from the shabby housing fund. Only 10 days later, the fund management has approved the first applications for the financial support from the the corporation funds for the resettlement of citizens from the shabby housing fund.

Currently, applications of approximately 80 subjects of the Russian Federation have been approved and financial support is provided. Moreover, to a number of regions several applications have been approved. In 2008, according to the Fund records, the corporation has transferred RUR 45.7 bln to the regional and municipal budgets in the framework of regional programs financing of apartment houses restructuring and resettlement of citizens from the worn-out housing fund. RUR 37,5 bln of this amount was addressed at capital renovation co-financing and nearly RUR 10 bln for co-financing of citizens resettlement from the worn-out housing facilities. The volume of regional co-financing of the relevant programs amounted to approximately RUR 27.5 bln¹³.

It should be also noted, that the public corporation has entered into agreements on cooperation with a number of federal authorities, which should support its activities.

In late 2008, the Housing and Utility Reform Foundation was to a certain extent involved in the implementation of anti-crisis measures: it has allocated on the deposits of 11 banks an amount of RUR 35 bln for six months under special condition to the banks to provide loans in the amount of at least 50 % of the deposits to the Russian companies, operating in the areas of housing construction, military industrial complex, agriculture, automobile production, agricultural production, aviation, electronics industry or metallurgy.

In our view, the procedures for the operation of the public corporation are effective enough, the foundation operates in the «regular» mode, participates in the anti-crisis measures, despite the considerable volume of funds, addressed for this purpose (about 7% of the capital, allocated by the government) can hardly significantly affect the fund performance of its core functions. Therefore, the risks, associated with further development of the corporation seem to be relatively low.

Public Corporation «Olympstroy»

Practical operation of this public corporation, in fact, has been started after the RF Government has approved the Program of construction of the Olympic objects and development of Sochi city as a mountain resort at the end of December 2007, when the amount of contribution from the Russian Federation budget to the public corporation was determined¹⁴.

Currently the «Olympstroy» is actively implementing the construction program: plans the land allocation, transfers tenders, carries out procedures, related to the repurchase and acquisition of real estate and land areas, enters into contracts for construction objects, organizes public events, including public hearings.

¹² Federal Law N 225-FZ of December 1, 2008 «On Amendments to the Federal Law «On Housing and Utility Reform Foundation» and separate legislative acts of the Russian Federation».

¹³ <http://www.fondgkh.ru/news/27931.html>

¹⁴ Resolution of the RF Government N 991 of December 29, 2007 (as amended by the RF Government Resolution N 443 from June 11, 2008) «On the Program of construction of Olympic objects and development of Sochi city as a mountain resort».

Perhaps, the most notable events in the activities of the public corporation are still the replacement of its president¹⁵ (urged, according to some experts, by the backlog in the construction of Olympic facilities schedule¹⁶), expansion of the Supervisory Board¹⁷ of the corporation¹⁸, as well as an increased property contribution from the Russian Federation in the corporation to finance the program of the construction of Olympic facilities and development of Sochi city as a mountain resort. It is remarkable, that such increase occurred twice with the intervals of less than two months: in early November 2008, by RUR 25.2 bln (or approximately by 16 %)¹⁹ and in late December of the same year by at RUR 61.2 bln (34%)²⁰. The latter case is interesting not only due to significant volume of additional resources, in both, absolute and relative terms, but also because of the diverse amendments, made to the financial plan: if in the period from 2008 to 2010 an extended financing is foreseen, in 2011 its decline is planned. Herewith, according to the representatives of the Russian Government and of the corporation information, the extended financing of the Russian Federation to «Olympstroy» was planned, based on the transition from the stage of projects expert assessment to the construction process.

Public Corporation «Rostehнологies»

Development of the public corporation activities was largely based on the expansion and diversification of its property by various kinds of industrial assets:

- almost simultaneously with the creation of the public corporation, it was decided to transfer to it 100 % of shares of the OAO, created on the basis of FSUE «Rosoboroneexport»²¹;
- at the end of May 2008 it was also decided to transfer large packages in the shares of three public aircompanies for the OAO «Air union» establishment together with a group of outside investors²²;
- in early January 2009, the RF President has cancelled the earlier decision on the allocation of the transferred shares of air companies to the GC «Rostehнологies» in the charter capital of OAO «Air union», and also decided to transfer large blocks of shares of three more carriers²³;
- in July, 2008, a decision was taken to transfer to the corporation blocks of shares from 183 joint stock companies, established through FSUEs conversion, from 243 existing joint-stock companies, as well as 2 joint ventures with the RF share in the capital²⁴ (the majority of those enterprises and the societies represent the various sectors of defense industry. In

¹⁵ Decree of the RF Government N 509-p of April 17, 2008, V.V. Kolodyazhnyi has been appointed the President of the public corporation.

¹⁶ For example: D. Butrin, D. Rebrov, A. Sborov. «Olympstroy» lived to restructuring. – «Commerçant» N66, April 18, 2008.

¹⁷ RF Government Resolution N 1091-p, dated of July 30, 2008.

¹⁸ RF Government Regulation N 807, dated of November 6, 2008.

¹⁹ RF Government regulation N 807 of November 2008.

²⁰ RF Government regulation N 1086 of December 31, 2008.

²¹ RF President's Decree N1577 of November 26, 2007.

²² RF President's Decree N853 of May 26, 2008. It should be noted, that the decision on OAO «AirUnion» incorporation was taken in the first part of 2007 by the RF President's Decree N570 of April 28 2007.

²³ RF President's Decree N28 of January 2009.

²⁴ RF President's Decree N1052 of July 2008.

addition, a number of organizations belong to the sphere of foreign economic activity, science, engineering, metallurgy, aviation, and non-productive sector as well)²⁵;

- in the middle January it was decided to transfer to GC «Rostekhnologii» 18,83% of shares from OAO «AvtoVaz», which were in economic management of «Rosoboronexport» company²⁶ (the latter, however, continues to operate as FSUE, despite the decision on corporatization, taken more than a year ago).

In February 2009, the transfer of industrial assets was continued already at the regional level; in accordance with cooperation agreement between the GC «Rostekhnologii» and the Government of Tatarstan, the blocks of shares of 5 companies of the radio-electronic sector, owned by Tatarstan Republic, will be invested into the corporation²⁷.

It should be noted, that in addition to obtaining the granted industrial assets, the corporation also carried out purchase thereof: at the end of 2008, GC «Rostekhnologii» has purchased 25,1 % of the WiMax Holding Ltd shares, the sole owner of WiMax-operator «Skartel»²⁸. The deal was estimated at not less than USD 75 mln²⁹.

Along with the vast-scale growth in productive assets, this public corporation also had additional functions in regard to its subsidiaries, by, including the works in the framework of the government military program, the national defense order and mobilization plan, federal target programs and military-technical cooperation, as well as the restructuring of subsidiaries, establishment of integrated structures on their basis. Furthermore, additional powers have been provided to the supervisory board, among them:

approval of work programs and public corporation restructuring;

upon agreement with the RF Government, approval on the alienation of shares, owned by the public corporations and holding companies;

approval of effectiveness indices of the public corporations management³⁰.

- In spring 2008, the «Rostekhnologii» management has taken the initiative to provide to the public corporation an authority of the Administrator and the Recipient of budgetary funds, as well as of the State Contractor in respect of the national defense order and six Federal Targeted Programs; a draft project was submitted to the RF Government by the corporation³¹. However, this act was not adopted, primarily due to objections of the Federal Anti-

²⁵ It is remarkable, that the original list of companies, subject to be included in the corporation, contained about 250 names, then their number has been extended to about five hundred, but at the stage of interdepartmental coordination, a number of companies was excluded from the list, in particular, «Uralvagonzavod», the largest manufacturer of civil and military equipment. See, for example: E. Kiseleva, A. Gritskova. «Rostekhnologii» get on the track. - «Kommersant» N 11, dated January 28, 2008; E. Kiseleva, R. Yanbayeva, A. Gritskova. Wagons are detached from «Rostekhnologii» detach. - «Kommersant» N55, dated April 3, 2008; E. Kiseleva, A. Gritskova, K. Lantratov. Trillionth Technology - «Kommersant» N 70, dated of April 24, 2008.

²⁶ RF President Decree N53, dated of January 13, 2009. It is worth noting, that the document also provides for the exclusion of companies from the list of FSUEs, transferred into joint stock companies, 100% of the shares are subsequently to be transferred to the GC «Rostekhnologii».

²⁷ <http://www.rostechnologii.ru/upload/984/RT+tatarsnan%2010%2002%202009%201.pdf>

²⁸ http://www.rostechnologii.ru/upload/742/Yota_RT.pdf

²⁹ See, for example: A. Malakhov. «Rostekhnologii» have grown up. – «Kommersant» N204, dated of November 11, 2008.

³⁰ RF President Decree N1052, dated of July 10, 2008.

³¹ Ref., for instance: E. Kiseleva, A. Gritskova, K. Lantratov. Trillionth technology. - «Kommersant» N70, dated of April 24, 2008.

monopoly Service, as in this case the corporation would act as both, the business owner and the buyer of products at the state budget funds;

- At the end of October 2008, a group of the State Duma Deputies has introduced a bill, that provides, in particular, «Rostehntologies» with the authority of the Administrator and the Recipient of budgetary funds (as well as the rights of ownership for FSUEs property to be included in the corporation ownership, until corporatization thereof)³², which however, has not been approved even the first reading;
- In December 2008, the property complex SC «Rostehntologies» has been replenished with a significant amount of monetary assets in accordance with the introduced a month earlier amendments to the Budget Law, made by the RF Government, the decision made to extend the corporation fund by RUR 1,5 bln³³ as a financial contribution from the Russian Federation;
- In January 2009, the corporation has appealed to the Ministry of Economic Development of Russia for considerable volumes of financial support: RUR 262 bln, out of which RUR 151 bln - in the form of monetary assets, RUR 111 bln - in the form of the national guarantees³⁴.

The third key focus of the SC «Rostehntologies» activity in the preceding period (in addition to the accumulation of production and financial assets) has become the promotion of the included (or just going to be included) enterprises into the corporation, by attracting investors, entering into strategic partnerships, implementation of anti-crisis measures, and, in some cases, the formation of new businesses:

- At the end of 2007, the corporation has signed a Memorandum of Understanding with the companies Troika Capital Partners and Renault³⁵ and in February 2008 it has entered into agreements, in which in addition to the above-mentioned companies, the partners were FSUE «Rosoboronexport», OAO «AvtoVAZ» and «Troika Dialog» Group of companies. Those documents were focused on the strategic partnership between Renault and AvtoVAZ, which assumed the acquisition by the Renault group of 25% in the «AvtoVAZ» shares from «Troika Dialog». In October 2008, SC «Rostehntologies», «Troika Dialog» Group of companies, Renault and OAO «AvtoVAZ» companies have signed a shareholders' agreement, aimed at harmonizing the actions of the parties in decision-making process³⁶;
- At the end of June 2008, the public corporation has informed on intention to create a holding to produce automotive parts together with «AvtoVAZ» and «Troika Dialog»³⁷;
- In August 2008, Pirelli Group and the SC «Rostehntologies», with the support of the Government of Samara Region have signed an agreement, under which there will be established

³² Draft Federal Law N118175-5 «On specifics of the transfer of property contribution from the Russian Federation Public Corporation «Rostehntologies» and on amendments to some legislative acts of the Russian Federation in view of the adoption of the Federal Law «On «Rostehntologies» Public corporation».

³³ RF Government Order N 1847-p, dated of December 8, 2008.

³⁴ E. Kiseleva. «Rostehntologies» have rejected the national budget assets. – «Kommersant» N25, dated of February 12, 2009.

³⁵ <http://www.gzt.ru/auto/2007/12/08/205926.html>

³⁶ http://www.lada-auto.ru/cgi-bin/pr.pl?id=0&id_article=40267&prev=1

³⁷ http://www.rostehtnologii.ru/upload/57/pr_015.pdf

a joint venture to produce automobile tires³⁸. The total investment in the project should reach EURO 300 mln³⁹;

- In December 2008, German automobile concern Daimler AG, OAO «KAMAZ», SC «Rostehnologies» and «Three Dialogue» group of companies have signed an agreement, defining the terms of an exclusive strategic partnership and principals of cooperation, under which Daimler AG acquires from «Troyka Dialog» Group of Companies 10% of «KAMAZ» shares in the amount of USD 250 mln⁴⁰;
- in July 2008, SC «Rostehnologies» and «Metalloinvest» holding have signed an agreement to establish a joint venture for the development of the world's largest deposits of copper in Udokansk⁴¹. The share of public corporation in the enterprise should make at least 25 %. Currently, the SC «Rostehnologies» and «Metalloinvest» holding consider an opportunity of incorporation their metallurgy assets⁴²;
- in September 2008, in response to the crisis, in which has got OAO «AirUnion» happened to be, the SC «Rostehnologies» has provided the to the avia alliance the financial guarantee, amounting to USD 100 mln⁴³. Around that time, the public corporation in cooperation with the authorities of Moscow and Krasnoyarsk Region, in agreement with the RF Government, made the decision to create a new consolidated aircompany «Airlines of Russia» on the basis of OAO «AirUnion», as well as a number of «Rostehnologies». Herewith, the control stock of the «Russian Airlines» shares will belong to «Rostehnologies»⁴⁴;
- In November 2008, SC «Rostehnologies» and Italian group Finmeccanica have signed an agreement on common activities on establishment of a number of enterprises in the production of components out of composite materials (carbon fiber)⁴⁵;
- In December 2008, the public corporation has started to establish a holding company in the optical industry, OAO «NPC «Optical Systems and Technologies», which will consolidate 20 companies⁴⁶;

Therefore, up to the current date, there are two interrelated trends in the public corporation activities: the expansion of assets, extension of their functions, powers and implementation of measures on formation of production holdings, strategic alliances and creation of new businesses. There is a high degree of uncertainty in the scope and trends of further expansion of this public corporation.

Public corporation «Rosatom»

³⁸ <http://www.rosbalt.ru/2008/08/05/510397.html>

³⁹ <http://www.interfax.ru/business/news.asp?id=44017>

⁴⁰ Herewith, in case of positive results of financial and economic performance of OAO «KAMAZ» in 2012, Daimler AG will have to pay another USD 50 million <http://www.rosbalt.ru/2008/12/12/602667.html>

⁴¹ <http://www.rosbalt.ru/2008/07/18/505433.html> According to the Agreement terms, the joint venture will be established in case SC Mikhailovsk (Metalloinvest member company) wins the tender for the development of Udokansk deposit. In September 2008 the enterprise was declared the winner of the tender.

⁴² http://www.mc.ru/page.asp/news/nw/news_id/2145

⁴³ <http://www.rian.ru/economy/20080905/150997652.html>

⁴⁴ Herewith, it is planned that in the long run, the GC «Rostehnologies» will retain only the blocking minority, and the remaining shares will be sold at the market. <http://www.ma-journal.ru/news/57297/>

⁴⁵ http://www.akm.ru/rus/news/2008/november/06/ns_2520270.htm

⁴⁶ http://www.mashportal.ru/company_news-13826.aspx

The public corporation was designed to replace the state authority, the Federal Agency for Atomic Energy, that is why the starting point for its activity as an independent entity should be considered the abolishing of the agency and transfer its functions to the public corporation. The decision was taken on March 2008, nearly 4 months after the formal establishment of the corporation⁴⁷.

An important objective of its activity, along with the implementation of the state authority functions, is the management of state property. The decision to transfer to the corporation the first «tranche» of the national assets was made in early February 2008⁴⁸, even before the relevant federal agency liquidation. Then, simultaneously with the agency liquidation, it was decided to transfer to the public corporation the shares of 5 joint stock companies, as well as the right to perform powers of ownership for a hundred of of FSUEs on behalf of the Russian Federation.

An important step in the development of the public corporation was the adoption of its long-term (2009-2015)⁴⁹ program of activities in September 2008. The significance of this program is based on the fact that, along with the overall objectives, the public corporation defines also a precise list of measures to be implemented and the scope of budget financing of each of them.

In fact, the corporation is not so much an economic entity, as a government authority. As the scope of the corporate profile, its long-term objectives and targets seem clear, in our assessment, there are good prospects for its development.

Plans to create new public corporations

The intensity of different corporations formation in 2007 has assured various power authorities, that this trend of national policy could be significantly expanded⁵⁰. Due to such understanding, plenty of proposals for the creation of new corporations have been developed, which provoked strengthening of relevant lobbying. Thus, at the end of 2007, the Ministry of Transport has presented an initiative on the establishment an «Autodor» public corporation to carry out the functions of the global federal road network operator (repair and maintenance of roads of federal importance, as well as investors' attraction to build new commercial highways)⁵¹. Around the same time, «Rosrybolovstvo» management has informed on the plans to establish «Rosrybflot» public corporation and transfer 27 fishing vessels in its ownership⁵². In 2008, an idea was considered on the possibility of establishing a public corporation for the transfer of unused government land for housing construction⁵³. The mass media has also reported on proposals to form public corporations for medicines procurement, export of grain, insurance services rendering, etc.

⁴⁷ RF President's Decree N 369, dated of March 20, 2008 «On measures on creation of the Public Corporation in Atomic Energy «Rosatom».

⁴⁸ In accordance with the law «On the Public Corporation on Atomic Energy «Rosatom», the Order of the RF Government N 116, dated February 5, 2008, has stipulated 100 % transfer of OAO «Atomic power industry complex» to the Public Corporation.

⁴⁹ RF Government Regulation N 705, dated September 20, 2008 «On the long-term program of Public Corporation on Atomic Energy «Rosatom» (2009–2015)»

⁵⁰ <http://www.newsru.com/finance/26sep2007/fisch.html>

⁵¹ <http://www.newsru.com/finance/26sep2007/fisch.html>

⁵² E. Kiseleva, A. Ekimovskiy. Mintrans is on the big rode. – «Kommersant» №176, September 27, 2007.

⁵³ E. Kiseleva, A. Ekimovskiy. Mintrans is on the big rode. – «Kommersant» №176, September 27, 2007.

By mid-2008, the flow of initiatives to establish new public corporations was virtually exhausted. Most of the previously proposed projects and initiatives have been rejected and it was decided to establish some of the structures in a different organizational and legal form («Rosrybflot» and «Rosavtodor» in the form of open joint stock company, the Federal Fund for Housing Development in the form of the Foundation 45).

Nevertheless, in September 2008, the RF Ministry of Finance has proposed to establish a public corporation «the Russian Financial Agency» for the Fund of National Welfare⁵⁴ management. It was expected, that the Ministry would submit the relevant bill to the RF Government in October 2008. According to the proposed document, a share of the Fund will be managed by special companies, selected by public corporation, while the balance of funds will be invested in government securities under the supervision of the RF Central Bank⁵⁵. However, till the end of 2008, the draft law has not been submitted to the Russian government.

For the purpose of the allocated funds management, in the early years of its activities, the corporation should attract professional managers, both, domestic and possibly foreign ones. Later, it is expected, that the corporation will be able to invest the assets independently in accordance with the approved national investment policy.

According to the representative of Russian Ministry of Finance, establishment of public corporation is the best way to invest funds in the effective management, while maintaining public control over the investments. At the same time, the experts' assessments of that initiative are ambiguous. Some of them believe, that the formation of a new financial corporation will allow to delegate to it excessive functions of the Central Bank and Vneshekonombank, while other experts consider this as a premature measure, at least during the crisis⁵⁶.

As a result of the above analysis of major trends and characteristics in the formation and development of public corporations, one can note the following:

1. In the majority of cases, the practical operation of public corporations on the specific objectives, set forth for them, was started with a backlog (from a few months to a year), as before that, the process of development and coordination of various documents, regulating their activities and other necessary arrangements had to be made. However, to date, one can say, that all of the corporations have passed through the initiate stage and proceeded directly to their key activities.

2. The desire to expand assets (financial or industrial) and additional powers is evident in the actions of some corporations, that could result in negative consequences, such as the state intervention in the economy, deterioration of business environment, especially in the situation of insufficiently clear regulation of corporations, their objectives and functions.

3. As the financial crisis is aggravating, some of the public corporations get more actively involved in implementing of various kinds of anti-crisis measures, for example, for Vneshekonombank this trend actually has become a priority. Herewith, the extensive involvement of public corporations as anti-crisis instruments can not fail to provide an adverse affect on the efficient implementation of their major functions.

⁵⁴ It is worth noting, that earlier that Ministry restrained from the initiatives on the public corporations establishment.

⁵⁵ <http://www.minfin.ru/ru/official/index.php?id4=6545>

⁵⁶ Ref: N. Ivanitsky, E. Pismennaya, D. Zhelobanov. Chief Manager of trillions. - «Vedomosti» N 3, dated January 13, 2009; T. Afanasieva. Powers of the Ministry of Finance and Central Bank will be reduced. - «Ros-siyskaya Gazeta» N 4826, dated January 14, 2009.

4. In late 2007 - early 2008 among some executive and the legislative authorities there was certain «euphoria» in regard to public corporations and their potential capacity to resolve serious problems of socio-economic development, which urged a large number of proposals to create such structures. By mid-2008, the threat of continuing extensive establishment of public corporations and expansion of the process to the regional level got restrained. However, the financial crisis has re-awakened the interest of the power authorities to this instrument of government policy.

The development of corporate management in the established public corporations

With regard to the status of public corporations, it is very important to estimate the quality of corporate management. In this regard, we will try to assess the major developments in the formation of corporate management in public corporations and the level of progress in various trends.

Strategy

The availability of targeted strategies and publicity thereof seem to be a necessary foundation for building an efficient system of corporate management in public corporations, objective assessment of their performance, management motivation system development and restriction of conceals lobbying of various authorities and political elites. Herewith, the progress in this trend seems inadequate.

The laws on the public corporations establishment (except for «Rosatom» and «Olympstroy»⁵⁷) do not define the need to develop and adopt any strategies (long-term programmes) for their activities and moreover, there are no legal regulations, defining the requirements to such strategies, their development and discussion, as well as the updating thereof.

Currently the strategies are defined for two public corporations, Vnesheconombank and «ROSNANO»⁵⁸. Moreover, long-term programs of activities are developed for «Olympstroy» and «Rosatom» public corporations. Herewith, it is worth noting, that with the exception of «Olympstroy», those documents were accepted with a significant (nearly a year) delay from the point of corporations establishment.

Therefore, up to now, there are no strategies for Housing and Utility Reform Foundation and «Rostehnologies» public corporations. There is no problem in regard to the Foundation, as its activities are operational and are regulated in detail by the law. As to «Rostehnologies» public corporation, in view of the large-scale and diversified activities, its active participation in the restructuring of various sectors of the economy, including the civil ones, the lack of the

⁵⁷ There is no provision on strategy development in the Federal law «On the Public Corporation on Atomic Energy «Rosatom», but there is Chapter 4 «The long-term program of the corporation activities and its financial support». There is also no direct provision for strategy development in the Federal Law «On the Public Corporation for the construction of Olympic facilities and Sochi city development as a mountain resort», but herewith, it is defined that the activities of the corporation shall be performed in accordance with the Construction Program, approved by the RF Government (Article 3).

⁵⁸ Vnesheconombank development strategy for 2008-2012 is approved by the Corporation Supervisory Board on April 3, 2008. «ROSNANO» strategy to 2020 was approved by the corporation Supervisory Board on May 29, 2008.

activities strategy decreases the predictability in a number of the economy sectors and consequently, increases the risks to the investors.

In regard to Vnesheconombank and «ROSNANO» strategies, it should be noted, that there are no «milestones» set up to them for the short and medium-term, and the current policy effect is estimated in the long run. This is significantly limiting the possibility to assess the results of the ongoing activities of the corporations and management quality in terms of incentives and effectiveness.

Stakeholders participation in the Supervisory Boards

The advanced system of stakeholders and their subgroups participation in the Supervisory Boards is an essential provision to ensure an unbiased assessment of their performance, balanced representation of public interests in the public corporations activities, reduce the risks of subjectivism, prevent from lobbying the interests of certain groups and voluntarism in the decisions. Relatively broad representation of various stakeholder groups interests is ensured in such public corporations as the Housing and Utility Reform Foundation, «ROSNANO», «Olympstroy»: their Supervisory Boards structure is more extended as compared with other public corporations⁵⁹, whereas the participation of various power branches to be included in their Supervisory Boards is well defined⁶⁰. As a result, about one-third of the members of the Supervisory Boards of the above mentioned public corporations are not the representatives of federal authorities, which make for the broader representation of stakeholders' interests.

The distribution of authorityies and responsibilities between management and supervisory boards

The principal problem is the following : in the laws on public corporations establishment, there are provisions for their management authority, but neither the spheres, nor the forms of the responsibility of various structural management members for the decisions and performance results are stipulated neither in regard to the state, no to the corporations.

It is foreseen in the laws on corporations, who can take the decision on early termination of the powers of the Supervisory Board members Chairman and their executive bodies, but there is no definition, even in the most general terms, of the «motivation» for making such decisions, requirements to appointments, early termination of powers. This provokes uncertainty in the allocation of responsibility for poor performance of corporations, as well as external motivation for public corporations management⁶¹. In this regard, we would like to note, that by October 2008, there were top management replacements in two public corporations,

⁵⁹ The greatest number of the Supervisory Board members, who are not the staff members in the public corporation, is found in the Housing Reform Foundation, «Olympstroy» and «ROSNANO», namely, 16, 15 and 14, respectively, whereas the supervisory boards of other public corporations are far less extensive: there are only eight members in the supervisory boards of «Rostehnologeis», «Rosatom», «Vnesheconombank».

⁶⁰ Thus, the Supervisory Board of the GC «ROSNANO» is formed on the basis of «quota» allocated by the President, Federal Assembly, or Government. Similar principle is applied in regard to the Supervisory Board of the Housing Reform Foundation, which is formed under the applications of the President, Federal Assembly, the Government, the Public Chamber.

⁶¹ By the Decree of the RF Government № 509-p, dated of April 17, 2008, V.V. Kolodyazhniy has been appointed the «Olympstroy» President. By the RF President N 1401, dated of September 22, 2008, A.B. Chubays has been appointed the «ROSNANO» Corporation General Director.

«Olympstroy» and «ROSNANO»⁶². Herewith, in none of those cases, such decisions were not officially and publicly reasoned and were not aligned with any purpose (such as, for example, conflict of interests, the completion of start-up phase in the corporation, ineffective management, etc.) The laws on public corporations envisage «traditional» distribution of powers between management and supervisory boards: the Supervisory Board sets the priorities, principles, activities of corporations, approves major transactions, hears the Corporate Leader reports on performance, while the executive authority ensures practical implementation of the activities of the corporation actions in the framework of the preset rules, goals and objectives. At the same time, in the majority of public corporations (except for the Housing and Utility Reform Foundation and GC «Olympstroy») the positions of the leaders, appointed by the President of the Russian Federation have gained «stronger» positions. In general, that factor could be regarded as a tool for higher personal responsibility for the results of the corporations' performance, but in the absence of legible system the corporation's management assessment, that is a problem, rather than an advantage. In such public corporations as Vnesheconombank and «ROSNANO», the Supervisory Board should approve of projects, which are supported by these public corporations (although such approval is not foreseen by the laws on their establishment). As a result, the Supervisory Boards take the responsibility not only for the regulations development and monitoring, but for management decisions in the framework of these rules as well.

For the consistent implementation of the strategic lines of the public corporations development and strengthening of the Supervisory Board members accountability for the company performance, it is important to appoint the members of the Supervisory Board for a sufficiently long term (herewith, of course, the terms for the early termination of their powers should be explicit) and to decrease the dependence of the Supervisory Board structure on the political environment and changes in the federal government. This approach is particularly important in regard to the public corporations, implementing large projects within the preset deadlines (Housing and Utility Reform Foundation - in 2012, «Olympstroy» - in 2014).

Actually, there are some relevant provisions in the laws on the establishment of public corporations: it is specified, that the members of «ROSNANO» Supervisory Board should be appointed by the RF Government for the term not exceeding 4 years, those of «Rostehnologies» are appointed by the RF President for the term not exceeding 5 years, of Vnesheconombank – by the RF Government for the term of 5 years, of the Housing and Utility Reform Foundation – they are appointed by the RF Government for the term of the Fund activities (i.e., before January 1, 2012)⁶³. Furthermore, in accordance with the Law on the Bank for Development, the Vnesheconombank Supervisory Board member retirement from the civil service does not provide grounds for termination of his membership in the supervisory board⁶⁴. In our view, this approach is positive, since it strengthens the value of personal characteristics for the appointment to the Supervisory Board as compared with the official position. This approach

⁶² By the Decree of the RF Government N509-p, dated of April 17, 2008, V.V. Kolodyazhnyi was appointed the President of «Olimpstroy» public corporation, by the President's Decree N 1401, dated September 22, 2008, A.B. Chubays was appointed the General Director of «Rosnano» public corporation.

⁶³ Herewith, it seems rather strange that, in respect to the Supervisory Board of the GC «Olympstroy» there is this kind of requirement in rehard to the Olympics schedule

⁶⁴ Part 6, Art. Of the federal law (On the Bank for Development”

extension to all public institutions of development could contribute to the «evolution» of independent Directors.

Regulation of public corporations activities

The major barrier in the full-scale implementation of public corporations capacity is the incomplete definition of their activity principles and decision-making procedures. It should be noted, that only the law on «Rosatom» public corporation establishment there are provisions on the mandatory regulation of its activity⁶⁵.

One of the potential benefits of all public corporations is a significantly greater flexibility in funds management and a wider range in budget spending as compared with other instruments of public policy. However, to reduce the risk of abuse and (or) the risk of irrational use of resources, these additional capacity should be «balanced» by transparent and sufficiently detailed regulations, procedures for decision-making and performance assessment. This is particularly relevant in view of the facts that, on the one hand, there are internal functional inconsistencies in some corporations (for instance, between the non-profit nature of the corporation and commercial activities of the joint stock companies, managed by the corporation). On the other hand, in view of the extensive resources with their uncertain position in the implementation of public policy, relations with public authorities, the ambiguity of development strategies, many corporations are affected by some interested parties.

A major focus of regulatory activity in public corporations is a clear definition of principles and procedures for their interaction with the government authorities. This is particularly important in regard to financial institutions of development, which should for the successful operation have a certain level of «autonomy» from the Government in making immediate decisions in conformity with the long-term priorities of their activities. There is an expressed prohibition to the public authorities in the laws on public corporations establishment (except for Housing and Utility Reform Foundation) to interfere in the activities of public corporations (except for the cases, stipulated in federal laws). At the same time, provisions on the relations between public authorities and corporations, are rather general and are usually limited to the definition of the powers of the President and the Government in the appointment of the corporations' management, members of the supervisory board. Only in some cases, such authority is related to the definition of strategic objectives, principles and programs of their activities⁶⁶. The need of regulation the interrelations with public authorities is mentioned only in the law on «Rosatom»⁶⁷ establishment.

Transparency of the results and principles of activities

Transparency of both, the corporations performance, and the basic principles, procedure (criteria), decision-making process (especially for public corporations, acting as financial insti-

⁶⁵ Article 33 «Regulations of the Corporation» of the federal law on «Rosatom» nuclear power public corporation provides a list of the mandatory sections of the regulations (there is in particular, a section on the interaction of the corporation with the government authorities) and the requirement for the approval of the of the corporation regulations by the RF Government.

⁶⁶ Vnesheconombank – the government approves the Memorandum on financial policy, Rosatom - the government approves the long-term program for the corporation development.

⁶⁷ As one of the mandatory sections of the corporation regulations, the procedure of its interaction with public authorities is outlined.

tutions for development) are the most important task of corporate management improvement. A notable progress is observed in improving the transparency of the public corporations: their official web-sites provide sufficiently detailed information on their objectives and trends, management bodies, their powers and structure, major developments in the public corporations and the most important decisions, in many cases - informative reports on their performance results (Vnesheconombank looks better than others in this respect).

Considering the legislative requirements to the activities of public corporations, it can be noted, that the requirements to the performance transparency are defined far better than those to the transparency principles and regulations of operation thereof.

All the laws on the public corporations establishment stipulate the standards for the disclosure of their reporting, fixed assets structure, included in the annual report, their performance results to be presented in their official web-sites. At the same time, if there are legal provisions for the annual report disclosure for such public corporations as Vnesheconombank, the Housing and Utility Reform Foundation, «Olympstroy», «Rostehnologies»⁶⁸, in the case of «ROSNANO» corporation only aggregate data of annual report is presented, whereas the procedure of the annual report of «Rosatom» disclosure, including the information scope to be disclosed, should be established by the Supervisory Board.

For individual public corporations (Housing and Utility Reform Foundation, «Olympstroy», «ROSNANO») there are legislatively defined responsibilities for the regular monitoring of supported projects (programs) in the relevant reports. This is particularly important to assess the efficiency of those public corporations, which implement large complex long-term projects or act as financial institutions for development. In this context, there is a significant gap, i.e., the absence of legislative requirements for monitoring of projects with regard to Vnesheconombank. It should also be noted, that if the annual reports of the Housing and Utility Reform Foundation and «Olympstroy» public corporations have to be monitored (and hence, those results are subject to mandatory publication), there are still no requirements to the report on the projects monitoring in respect to «ROSNANO» public corporation. Moreover, the report of the monitoring results is presented to the RF President⁶⁹. As to the transparency of principles of the public corporations' activities and the decision-making process, one can note, that despite the very limited legal requirements to the disclosure of the decision-making procedure, the corporation themselves are quite active in this regard. To a certain extent, the leader here is «ROSNANO», which has placed on its site practically all basic documents, regulating the activities of the corporation and the decision-making process⁷⁰. The prin-

⁶⁸ For GC «Rostehnologies», the requirements to national security information.

⁶⁹ Part.5, Art. 7 of the federal law «On the Russian Nanotechnologies Public Corporation».

⁷⁰ It should be noted that as of March 1, 2008, many of the regulatory documents of the GC «Rosnano» were not available for public access, whereas as on October 1, 2008 the situation has improved: the following documents have been presented at the company web-site: business strategy, the concept of corporate involvement in the improvement of legislation; provisions on the Supervisory Board; on the Science and Technology Council, on the Management Board, on the Audit Committee, the requirements to the structure and content of projects in the field of nanotechnology, the procedure and conditions for R & D projects financing the field of nanotechnology, the concept of the projects' expertise; qualification requirements to the experts, consolidated data of annual report.

ciples of decision-making in the «Olympstroy» (with an overall high level of internal regulation of the corporation)⁷¹ and «Rostehnologies» remain still non-transparent.

According to the results of the analysis, the development of corporate management in public corporations, one can note the following:

1. A notable progress is observed in the development of public corporations corporate management, especially in terms of transparency of their activities, but in general, the system of corporate management became not only the major barrier is their capacity implementation and the decisions on the long-term objectives, but also a source of additional risks and problems.
2. Problems of corporate management in public corporations are largely dependant on the overall disadvantages in the representation of public interests, and in many ways are similar to corporate management problems in large shareholding companies, 100% shares of which are state-owned.
3. There is a significant potential for improvement corporate management in public corporations as through the extension («transfer») of certain provisions of the laws of their establishment, as by filling in the «regulatory gaps» by means of additional documents, developed at the level of public corporations, governing their current activity and development (strategy, selection of projects/contractors, etc.), ensuring transparency of such documents. These initiatives can not be standard, but have to be tailored to the individual public corporation.

Major trends in the changing of roles and positions of public corporations

The existing public corporations significantly differ in their purpose and objectives, the structure property, invested by the Russian Federation, their administrative status and interaction with public authorities, specifics of corporate management, the level of legislative regulation of their activities (see *Table 9*).

Table 9

Individual Parameters of Public Corporations,, Established in 2007

	Vnesheconombznk	ROSNANO	Housing and Utility Reform Foundation	Olympstroy	Rostehnologies	Rosatom
Filling in the "gaps" investments and innovations investments	+	+				
Upgrading of public functions performance			+	+		
Restructuring of national production facilities, integration structures establishment					+	+
Significant productive assets in the RF property contribution					+	+

⁷¹ The «Olympstroy» Supervisory Board has approved by a wide range of regulatory documents on the corporation activity : Regulations on the Supervisory Board activity, Management Policy, Checkup Committee, Audit, the selection of appraisers procedure, investors, works and services contractors, decision-making on entering into transactions of acquisition (disposition) of property, etc., but these documents are not displayed on the official website of the corporation.

	Vnesheconombank	ROSNANO	Housing and Utility Reform Foundation	Olympstroy	Rostechologies	Rosatom
Delegation of authorities and right from public management authorities					+	+
Corporations financing in the framework of a targeted long-term program				+		+
Wide stakeholders' representation in Supervisory Board		+	+	+		
High administration level of the Corporation Head	+	+			+	+
Transparency of performance and decision-making process		+	+			
Ability to apply earlier experience (skills)	+				+	+
Clear and accurate portioning of the Corporation	+	+	+	+		+
Detailed presentation of objectives and purpose of activities in terms of law			+			
Validity term definition			+			

As a basis for the public corporations classification, we will define, if there are or there are no signs of: (1) the rights and functions of government management, (2) significant production assets. In this case, the following *major categories (models) of public corporations*⁷² (See Fig. 1):

1. Financial Institutions of Development (Vnesheconombank, «ROSNANO»);
2. Government agents, the operators, implementing certain functions of public authorities (the Foundation for the reform of housing and communal services, the «Olympstroy»);
3. Quasi-holdings («Rostechologies»);
4. Quasi-ministries («Rosatom»).

⁷² For more details about the proposed classification of public corporations, see: Yu Simachev, M. Kuzyk - decree. cit., and Yu Simachev, M. Kuzyk. The establishment and development of public corporations: Institutional challenges and new opportunities. Articles collection «Public sector reformation: Issues of the Increased Efficiency» / Ed. T.M. Sklyar and I.N. Baranova. S. - Petersburg State University PH., 2009.

		Functions and Authorities of Public Institutions	
		no	yes
Productive assets	Not available	<u>Institutes for Development</u> Rosnano Vnesheconombank	<u>Government Agencies</u> Fund for support of housing complex development Olympstroy
	Available	<u>“Quasi-Holdings”</u> Rostechologies	<u>“Quasi-Ministries”</u> Rosatom

Fig. 1. Typology of public corporations, established in 2007

Let us consider the fundamental trends of the created *corporations “drift” and the role thereof*: the likely trends of their transformation within the proposed classification, changes in their position and role.

For the Institutions for development, a substantial likelihood of drift from the long-term strategy to the execution of current orders is observed. Herewith, in while the instrument of development is tarheted at the support of major projects, the risk of political lobbying in the choice of such projects is increasing. Public authorities are increasingly regarding the Institute of Development as a source of additional resources for the implementation of anti-crisis measures, financing the ongoing projects and programs, funded from the federal budget. On its own part, the Institute for Development, in an effort to reduce political risks and to relocate responsibility, can increasingly focus on the support to the projects of large companies with the state involvement and pay less attention to the search for the projects of private business and the support projects for small and medium businesses. In this context, multiplication of project risks and replacement of the real public-private partnership by consolidation at the project level of the institutes for developmenet and budgetary resources consolidation is expectable.

In our view, there are expressed indicators of such a drift of Vnesheconombank, which is now increasingly used as an instrument of «rapid reaction» for solving the current problems of national policy issues. The likelihood of such developments in relation to the «ROSNANO» seems reduced due to the focus of its activities on the development of the new sectors of the economy (as a consequence of the lack of large «players»), is focused on the small and medium-scale projects, related to the venture and direct investments.

For the Government agents, which are tightly tied to a particular period, can seek a chance to «unify» their activities, to find new challenges in order to justify the indefinite the term (or extend a specified term) of their activities. It is more likely n regard to «Olympstroy» and to a lesser extent - to the Housing and Utility Reform Foundation, for which the law has

established the validity term of activities. In addition, in the case of «Olympstroy», because of the need to meet the deadlines for completion of the construction of Olympic facilities, as well as due to approximate estimates of necessary resources, it is likely to strengthen further attempts to obtain additional public monetary resources⁷³.

For the «quasi-holdings», the main trend in terms of their assets, rights and powers, i.e., the strengthening of their positions as the subjects their establishment and public policy implementation. In case of insufficiency (absence) the initial investments, public corporations of the given group can seek for strengthening their role in the budgetary resources, for example, within the Federal Program or the Federal Defense Order Fund. In the absence of a clear sectoral (framework) boundaries, they are likely to focus on obtaining additional assets from the state.

The signs of such changes are clearly tracked in the «Rostehnologies» activity. The public corporation is largely focused on expanding its production and financial assets extension (usually at the expense of the state). In addition, the corporation is increasingly positioned as a kind of «anti-crisis center» on solving the problems of development of individual sub-sectors (automotive, air transportation, etc.), based on the use of direct and indirect rights on the companies management, while increasing «conglomeration» of its structure.

Finally, for the *quasi-ministries*, due to the specifics of this group, is straight focused on the implementation of clearly outlined public functions, the possibility of the drift seems limited, and the chances thereof are rather low.

* * *

Reviewing the overall development of the established public corporations, trends in changing of their roles and positions, problems and prospects for improving corporate management, one can summarise, that there is *the opening opportunities/threats, related to the public corporations development*.

As *«opening opportunities»*, we have identified:

(1) formation of new agents in the development and implementation of economic policy, particularly in relation to the development of new sectors of the economy; creation of the «sites» for consolidation of the new power elites, interested in diversification and innovation; personification of responsibility;

(2) implementation of activities, focused on the long-term prospective due to autonomy, independence from political trends, available «stock» of funds; implementation of targeted approach with flexibility of resource utilization;

(3) development of the new instruments to urge economic development, public-private partnerships formation (not only in projects implementation, but also in priorities), restructuring of the public sector; improvement of selected areas of administrative system.

In our view, the most significant threats (in terms of sustainable long-term economic development) are:

(1) decline in performance (in terms of the long-term prospective) and effectiveness of public corporations due to poor representation of the interests of «stakeholders», risks of the

⁷³ It is worth reminding, that in 2008 the growth of the Russian Federation investment in the corporation was doubled.

«shadow» lobbying of the interests of different parties, enhancing situational decision-making, «blurred» responsibilities between the government and public corporations management and supervisory bodies thereof, the lack of motivation among representatives of government authorities in principle improvement of public corporations management;

(2) irrational expansion of financial and property obligations of the State to ensure the activities of public corporations due to ambiguity of the public corporations strategic position;

(3) overall enhancement of consolidation of resources to support the development of the largest businesses (primarily public sector), extension of counteraction between public corporations;

(4) strengthening of direct government involvement in the economy and rationality reduction as a result of the expansion of the existing public corporations beyond the «market gaps» and due to the potential creation of the new public corporations;

(5) deterioration in the business environment due to the lack of predictability of public corporations performance, risks of fair competition violation, abuses in rights and powers;

(6) «slowdown» in the development of the institutional environment, lack of (reduced) activity of public authorities in improvement the indirect instruments of stimulation socio-economic development.

In that period before the financial crisis public corporations, in general, significantly improved the quality of corporate management, strategic planning, enhanced transparency in principles and results of performance, the development of practical work in accordance with the preset tasks, although there were some signs of a «drift» to the execution of the agents' functions of the institutions for development and «kvazi-holdings». Within this period, the probability of creating new public corporations has significantly decreased.

In the face of the aggravating economic crisis, the demand of the state for public corporations' agency functions in implementation of anti-crisis measures has essentially increased, while their functions as institutions of development has retreated to the second place. Extension of the agency functions of public corporations, combined with a reduction of system functioning and transparency of their activities, has reduced the scope of the «stakeholders», who actually have an impact on the decision-making processes. During this period, the sources for the creation of new public corporations within the models of «agents of the Government», and possibly, «kvaziholdings» have significantly increased.