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The review "Russian economy. Trends and outlooks" has been published by the Gaidar Institute since 1991. This is the 45th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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5.1. Public sector and privatization in Russia in 2023¹

1. Scale of state ownership

Publication of data according to the System of indicators to assess the effectiveness of state property management began in 2016 in compliance with the RF Government Decree of 29.01.2015 No.72 instead of monitoring of indicators of the public sector of the economy, conducted by Rosstat since the early 2000s based on the RF Government Decree of 4.01.1999 ` No.1 (subsequently revised on 30.12.2002). It contains information about the number of federal state unitary enterprises (FSUE) and joint-stock companies (JSCs) with the RF participation in the capital.

The new edition of the "Forecast plan (program) of federal property privatization and focal points of federal property privatization" with shifting of its time limits from 2022–2024 to 2023–2025 allows to describe the processes that took place in the previous year, however, only during H1 (*Table 1*). Due to rather early approval of the privatization program for the next term, it contains data on the number of FSUEs and joint-stock companies with RF participation in the capital as of the beginning of the summer of the previous year, similar to what it was in the first half of the 2000s.

As of June 1, 2023, the Russian Federation was a shareholder in 561 JSCs, and the owner of the property of 278 FGUP (excluding FFE).

Comparing with figures on January 1, 2019 (700 FGUP), i.e., data of the first version of the privatization program for 2020–2022, reduction exceeded 60%. The

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decline in government participation in the corporate sector at the federal level was comparable. By the summer of 2023, it had fallen by 5.1%, more than halving compared to the beginning of 2019 (1,130 enterprises).

Comparing these indicators with data for September 5, 2022, reflected in the previous privatization program for 2023–2025, it can be stated that during 9 months the number of FGUP had reduced by 5.8%.

Table 1

Entities and organizations in federal ownership accounted in the register of federal property and the System of indicators to assess the effectiveness of state property management in 2010–2023

Date	Business entities with federal participation, units		Other owners of federal property records, units		
	stocks package (share) in the capital / of which JSC	special right to participate in the management of golden share ^a in absence of a share ^a	FSUE	FTE	FSI
On January 1, 2010	3 66/2 950 ^b		3 517 ^b		
On January 1, 2013	2 356/2 337 ^b		1 800/1 795 ^b	72	20 458
On January 1, 2016	1 557/1 704 ^b	88/64 ^c	1 488/1 247 ^b	48	16 194
On April 7, 2016 ^c	1 683/1 620 ^d		1 236	48	16 726
On July 1, 2016	1571	82	1 378	47	16 990
On January 1, 2017	1 356/1 416 ^e	81	1 245/1 108 ^e	48	16 846
On July 1, 2017	1247	78	1 058	53	16 244
On January 1, 2018	1 189	77	984	50	15 985
On July 1, 2018	1 060	77	868	50	15 520
On January 1, 2019	1 084/1130 ^b	76	792/700 ^b	48 ^f	15 140
On July 1, 2019	1059	73	712	48	14 942
On January 1, 2020	989	67	672	48	14 576
On July 1, 2020	948	67	640	46	13 915
On January 1, 2021	756	67	581	44	13 681
On July1, 2021	678	29	539	40	13 149
On November 25, 2021	691 ^g		498 ^g		
On January 1, 2022	646	25	409	41	12 300
O July 1, 2022	578	26	352	41	12 197
On September 5, 2022	591 ^h		295 ^h		
On January 1, 2023	507	23	327	41	12 010
On June 1, 2023	561 ⁱ		278 ^h		
On July 1, 2023	488	23	312	39	11 678

^a Special right is not an accounting entity in the registry, but is mentioned in various materials of Rosimushchestvo in the context of data on state participation in the capital;

^b Number of JSCs and FSUE according to privatization programs for the years 2010–2013, 2014–2016, 2017–2019 (data on distribution by OKVED refers to companies whose shares (interests) are in federal ownership) and 2020–2022 (number of business entities).

^c According to report on the activity of the Federal Property Management Agency (Rosimushchestvo) for 2015.

^d In the numerator – the total number of legal entities, including CJSC and LLC, in the denominator – the number of blocks of shares and stakes (it can be assumed that the difference represents the number of JSCs using the “golden share”, but there is no direct indication).

^e According to report on the implementation of the forecast plan (programs) of privatization of the federal property for 2017–2019 in 2017

^f According to the System of indicators to assess the effectiveness of state property management on the number of business entities owned by the state by organizational-legal forms (OLF) (792 companies on the right of economic management and 48 companies on the right of operational management (state-owned), while the distribution of economic activities (OKVED) and federal authorities in charge of FSUE (OKOGU), their total number is 821 units.

⁹ Number of business entities and FSUE according to privatization program for 2022–2024.

^h Number of business entities and FSUE according to privatization program for 2023–2025.

ⁱ Number of business entities and FSUE according to privatization program for 2024–2026.

Sources: The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2011-2013; the forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2014–2016; 2014–2016, 2017–2019, 2020–2022, 2022–2024, 2023–2025, 2024–2026. URL: www.economy.gov.ru; Report on the activity of the Federal Property Management Agency for 2015; Statistical data on the System of indicators to assess effectiveness of management of the state property; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 5, 2022, March 20, 2023, September 5, 2023).

According to the System of indicators to assess the effectiveness of state property management, as of July 1, 2023, the Russian Federation was a shareholder in 488 JSCs, and owner of property of 312 FGUPs, 39 federal treasury enterprises (FTE) and 11,678 federal state institutions (FSI).

Compared to the similar data a year earlier, there was a reduction in the number of FSUE by 40 units (or 21.0%), JSC with state participation by 90 units (or 15.6%) and FSI by 519 units (or 4.3%). The number of JSCs possessing a special right to participate in the management of the “golden share”, as well as FTE, has declined by 3 and 2 units respectively. Decline in the first of the mentioned categories of business entities was observed in H2 2022 and in H1 2023 in the second category.

Dynamics of the number of subjects of the main organizational-legal forms related to federal property was as follows on a shorter time interval: in H1 2023, the number of unitary enterprises dropped by 4.6%, JSC with state participation fell by 3.7%, state institutions reduced by 2.8%.

Table 2 demonstrates dynamics of the most important category of economic entities with different degrees of state participation.¹

Table 2

Dynamics in the number and structure of business entities (JSC and LLC) by size of the state’s share in the capital (excluding JSCs using special golden share right in the absence of a share) in 2016–2023

Date and source	Business entities (АО и ООО), where RF is a shareholder (participant)									
	total, units	share, %	of these, with the size of the state’s share in the authorized capital							
			100%		50–100%		25–50%		< 25%	
			units	%	units	%	units	%	units	%
RF Government (forecast privatization plans, FPP)										
On January 1, 2016 (FPP for 2017–2019)	1704 ^a	100.0	765	44.9	93	5.4	172	10.1	674	39.6
On January 1, 2019 (FPP for 2020–2022)	1130 ^b	100.0	368	32.55	30	2.65	95	8.4	637	56.4
On November 25, 2021 (FPP for 2022–2024)	691 ^b	100.0	269	38.9	29	4.2	59	8.5	334	48.3

¹ Previously, this group of companies could be more fully characterized by reports on the management of federally owned shares of JSCs and the use of the special right for the participation of the Russian Federation in the management of JSCs (“golden share”) based on the results of the next year, published in 2012–2016 by Rosimushchestvo.

Date and source	Business entities (АО и ООО), where RF is a shareholder (participant)									
	total, units	share, %	of these, with the size of the state's share in the authorized capital							
			100%		50–100%		25–50%		< 25%	
			units	%	units	%	units	%	units	%
On September 5, 2022 (FPP for 2023–2025)	591 ^b	100.0	256	43.3	22	3.7	36	6.1	277	46.9
On June 1, 2023 (FPP for 2024–2026)	561 ^b	100.0	263	46.9	34	6.05	42	7.5	222	39.55
Rosstat (System of indicators to assess efficiency of management of the state property, only JSC)										
On January 1, 2016	1557	100.0	816 ^c		52.4 ^c		174	11.2	567 ^d	36.4 ^d
On July 1, 2016	1571	100.0	711 ^c		45.3 ^c		189	12.0	671 ^d	42.7 ^d
On January 1, 2017	1356	100.0	575 ^c		42.4 ^c		128	9.4	653 ^d	48.2 ^d
On July 1, 2017	1247	100.0	514 ^c		41.2 ^c		108	8.7	625 ^d	50.1 ^d
On January 1, 2018	1189	100.0	488 ^c		41.0 ^c		102	8.6	599 ^d	50.4 ^d
On July 1, 2018	1060	100.0	448 ^c		42.3 ^c		87	8.2	525 ^d	49.5 ^d
On January 1, 2019	1084	100.0	442 ^c		40.8 ^c		85	7.8	557 ^d	51.4 ^d
On July 1, 2019	1059	100.0	429 ^c		40.5 ^c		85	8.0	545 ^d	51.5 ^d
On January 1, 2020	989	100.0	387 ^c		39.1 ^c		74	7.5	528 ^d	53.4 ^d
On July 1, 2020	948	100.0	362 ^c		38.2 ^c		66	7.0	520 ^d	54.9 ^d
On January 1, 2021	756	100.0	318 ^c		42.1 ^c		60	7.9	378 ^d	50.0 ^d
On July 1, 2021	678	100.0	289 ^c		42.6 ^c		61	9.0	328 ^d	48.4 ^d
On January 1, 2022	646	100.0	299 ^c		46.3 ^c		54	8.4	293 ^d	45.3 ^d
On July 1, 2022	578	100.0	273 ^c		47.2 ^c		47	8.1	258 ^d	44.6 ^d
On January 1, 2023	507	100.0	260 ^c		51.3 ^c		44	8.7	203 ^d	40.0 ^d
On July 1, 2023	488	100.0	253 ^c		51.85 ^c		42	8.6	193 ^d	39.55 ^d

^a The number of JSCs according to FPP for 2017–2019 (the data on the distribution by OKVED refers to the number of companies whose shares (interests) are in federal ownership).

^b Number of business companies.

^c Total number of JSCs with a federal shareholding of over 50% (without singling out JSCs with full (100%) federal shareholdings) and their specific weight.

^d Estimated value based on the total number of JSCs data whose shares are in federal ownership and the number of such JSCs by other categories based on the share in the authorized capital.

Sources: The forecast plan (program) of privatization of the federal property and the focal points of privatization of the federal property for 2017–2019, 2020–2022, 2022–2024, 2023–2025, 2024–2026; statistical data according to the System of indicators to assess effectiveness of the federal property management; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 5, 2022); March 20, 2023, September 5, 2023), own calculations.

Analysis of the Rosstat data according to the System of indicators for evaluation of state property management effectiveness shows that in the period from mid 2022 to mid 2023 a trend, which appeared already in 2020, continued towards an increase in the proportion of JSCs, where the state as a shareholder could exercise full corporate control.¹ Their specific weight in the beginning of 2023 exceeded the halve. As of July 1, 2023, it increased more than by 4.5 p.p. and amounted to 51.9% against 47.2% a year ago, approaching the value recorded at the time of the beginning of the publication of data on the System of Indicators for Assessing the Efficiency of State Property Management (52.4% at the beginning of 2016). The share of JSCs with federal blocking stakes has slightly increased to 8.6%. In contrast, specific weight of all other companies whose shares are in federal ownership dropped almost by 5 p.p. (from 44.6% to 39.6%).

¹ Based on the total number of JSCs with full and majority state-owned stakes.

When comparing data of the privatization programs in the beginning of June 2023 and September 2022, one can state a rather significant reduction in the proportion of business entities with the state share in the capital of less than 25% (by 7p.p.). This group is not that powerful anymore, accounting for less than 40% of all companies with federal stakes, returning to the beginning of 2016.

The proportion of companies where the state as a shareholder could exercise full corporate control grew by 6 p.p. not only at the expense of entities with full (100%) federal block of shares, but also due to those with control block of shares (from 50 to 100% of the capital). As a result, the aggregate share of companies where the state as a shareholder could exercise full corporate control exceeded half for the first time in 7 and a half years, amounting to about 53% (in early 2016 – just over 50%).

They were mainly represented by companies with a full stake in federal ownership (about 47%), while companies with a controlling stake were the smallest category (about 6%). For comparison: at the beginning of 2016, similar values were about 45% and 5.4%, respectively. Meanwhile, in the interval from September 2022 to June 2023, for the first time in the entire period from January 1, 2019, there was an absolute increase in the number of the above-mentioned companies: with a controlling federal stake – by 12 units (more than 1.5 times), and with a full stake in federal ownership – by 7 units (by 2.7%).

The intermediate position was occupied by a small group of companies with blocking (from 25 to 50% of the capital) government stake, whose share decreased by 1.4 p.p. to 7.5% (over 10% in early 2016).

When considering data on the System of indicators to assess the effectiveness of the state property management, not limited to the federal level, we will see the following (*Table 3*).

Table 3

Number of organizations in the public sector of economy accounted by the Federal Property Management Agency, its territorial directorates and state property management agencies of the Russian Federation in 2013–2014 and the number of economic entities in the state sector of economy in 2016–2023 (based on state registration) by organizational/legal forms

Data	Total	State Unitary Enterprises including treasury enterprises	Government institutions	Business entities with the authorized capital more than 50% of shares (stakes) are in the ownership of business entities belonging to the state sector of the economy	
				in the state ownership	in the ownership of business entities belonging to the state sector of economy
On January 1, 2013	67 003 ^a	4 891	56 247	3 501	2 364
On July 1, 2013	66 131 ^a	4 589	56 100	3 201	2 241
On January 1, 2014	64 616 ^a	4 408	54 699	3 097	2 412
On July 1, 2014	63 635 ^a	4 236	54 173	2 988	2 238
On January 1, 2016	65 587 ^b	4 284	56 693/56 649 ^c	3 888 ^d	–
On July 1, 2016	65 218 ^b	3 982	56 893/56 856 ^c	3 673 ^d	–
On January 1, 2017	64 457 ^b	3 719	56 548/56 507 ^c	3 532 ^d	–

Data	Total	State Unitary Enterprises including treasury enterprises	Government institutions	Business entities with the authorized capital more than 50% of shares (stakes) are in the ownership of business entities belonging to the state sector of the economy	
				in the state ownership	in the ownership of business entities belonging to the state sector of economy
On July 1, 2017	62 655 ^b	3 294	55 414/55 361 ^c	3 353 ^d	–
On January 1, 2018	61 73 ^b	3 053	54 851/54 814 ^c	3 239 ^d	–
On July 1, 2018	60 391 ^b	2 763	53 933/53 899 ^c	3 125 ^d	–
On January 1, 2019	59 608 ^b	2 608	53 394/53 360 ^c	3 054 ^d	–
On July 1, 2019	58 839 ^b	2 366	52 901/52 870 ^c	2 972 ^d	–
On January 1, 2020	57 903 ^b	2 225	52 207/52 176 ^c	2 864 ^d	–
On July 1, 2020.	56 909 ^b	2 050	51 474/51 445 ^c	2 787 ^d	–
On January 1, 2021	56 288 ^b	1 917	51 076/51 026 ^c	2 713 ^d	–
On July 1, 2021	55 204 ^b	1 792	50 138/50 110 ^c	2 672 ^d	–
On January 1, 2022	53 763 ^b	1 610	48 939/48 912 ^c	2 627 ^d	–
On July 1, 2022	53 013 ^b	1 426	48 433/48 407 ^c	2 583 ^d	–
On January 1, 2023	52 361 ^b	1 353	47 927/47 901 ^c	2 514 ^d	–
On July 1, 2023	51 552 ^b	1 285	47 287//47 26 ^c	2 421 ^d	–

^a Including organizations lacking specific types in their founding documents, which have passed state registration, but without joint stock companies with more than 50% of their shares (stakes) in joint state and foreign ownership.

^b Including business entities with an organizational-legal form other than unitary enterprises, state institutions and business companies (production (artels) and consumer cooperatives, associations (unions), associations of property owners, foundations, public-law companies, etc.).

^c Total number of institutions set up by the Russian Federation and RF regions (excluding state academies of sciences and private institutions, which in the new System are attributed to institutions, but should be excluded);

^d Total number of business entities irrespective of the size of the state-owned stake (share), data on the number of business entities with a controlling block of shares owned by the state are available only for JSCs whose shares are in federal ownership.

Sources: On development of the public sector of the economy of the Russian Federation in 2012 (p. 7–11) in H1 2013 (p. 7–11), 2013 (p. 7–11) in H1 2014 (p. 7–11). M.: Rosstat, 2013–2014; Statistical information on the indicators of effectiveness of the federal property management; URL: <http://rosstat.gov.ru/> (March 20, 2016, September 5, 2016, March 20, 2017, September 5, 2017, March 20, 2018, September 5, 2018, March 20, 2019, September 5, 2019, March 20, 2020, September 7, 2020, March 22, 2021, September 6, 2021, March 21, 2022, September 7, 2022, March 20, 2023, September 5, 2023).

Total number of state-owned business entities was 51.550 units by mid-2023, down about 1500 units (or 2.8%) and by 12.100 units less compared to mid-2014.¹

For certain categories of economic entities, a reduction in the number of unitary enterprises by 141 units (or by almost 1/10), business entities by 162 units (or by 6.3%), state institutions – by about 1.150 units (or by 2.4%) can be observed by mid-2023, as compared to mid-2022.

Considering dynamics on a shorter time interval, in H1 2023, there was a reduction in the number of unitary enterprises by 5.0%, business companies by 3.7%, state institutions by 1.3%.

¹ The latest bulletin on the development of the public sector of the economy was issued for January–September 2014, but the semiannual data as of July 1, 2014 are also good enough for the medium-term analysis.

2. Privatization policy: results of implementation and short-term prospects

In 2023, implementation of the Forecast Plan (Program) of privatization of the federal property and focal points of privatization of the federal property (FPP) for 2023–2025 started, approved by the RF Government Edict No.3718-r of 02.12.2022.

As in the case of the previous privatization program, numerous amendments and additions were made to the current document. A total of 29 relevant normative legal acts (NLAs) were approved during 2023. For comparison: in 2022 there were 27, in 2021 – 22, in 2020 – 15 NLAs.

The most significant (until a new version of the FPP appeared) was the introduction of JSC Rosspirtprom into FPP in spring of 2023 with the prospect of terminating the state’s participation in the authorized capital, similar to the Makhachkala Commercial Sea Port (MCSP), transferred from the previous privatization program based on specific government solutions (Section I of FPP 2023–2025).

However, in contrast to MCSP, Rosspirtprom was present in this section less than 3 months, and then was transferred to the FPP section II 2023–2025, which includes the list of federal property privatized mainly according to standard procedures.¹ At the end of the year, the full package of shares (100%) of the company was put up for auction, which was not held due to lack of bids.² The MCSP remained in the list of major companies to be privatized based on special decisions of the RF President and the RF Government moving to the next privatization program.

Thus, in 2023, privatization was organized only according to standard procedures. As a result, blocks of shares (stakes in authorized capitals) of 39 business entities, including 2 privatized entities under specific government solutions, were sold, and decisions on terms of privatization of 3 FSUEs were adopted (*Table 4*).

Table 4

Comparative data on dynamics of privatization of federal state unitary enterprises, federal blocks of shares and objects of state treasury of the Russian Federation in 2008–2023

Period	Number of privatized enterprises (objects) of federal property (according to Rosimushchestvo)		
	Privatized FSUEa, units	Sold blocks of shares of JSC (business entities), units	Sold treasury facilities, units
2008	213	209 ^b	–
2009	316 + 256 ^c	52 ^b	–
2010	62	134 ^b	–
2008–2010	591 + 256 ^c	395 ^b	– ^d

1 However, with regard to some facilities there are clarifications about their inclusion in the authorized capital of different integrated structures and the possibility of privatization after their transfer to the treasury (indicating in some cases the status of a cultural heritage object).

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

Period	Number of privatized enterprises (objects) of federal property (according to Rosimushchestvo)		
	Privatized FSUEa, units	Sold blocks of shares of JSC (business entities), units	Sold treasury facilities, units
2011	143	317 ^e /359 ^b	3
2012	47 ^f	265 ^e	40
2013	26	148 ^e	22
2011–2013	216	730 ^e	65
2014	33	107 ^e	12
2015	35 ^g	103 ^e	38
2016	60 ^g	179 ^e	282
2014–2016	125 ^g	389 ^e	332
2017	69	47	77
2018	4	46	173
2019	8	51	171
2017–2019	81	144	421
2020	16	23 ^h	312 ^h
2021	64 ⁱ	55	393
2022	11 ⁱ	54	223
2020–2022	91 ⁱ	132	928
2023	3	39	208+386 ^j

^a All preparatory activities have been completed and decisions on conditions of privatization made.

^b Including blocks of shares with the announcement of their sale that took place in the previous year.

^c Number of FSUE for which the decision on corporatization was taken by the RF Ministry of Defense in addition to those where a similar decision was taken by the Federal Property Management Agency.

^d Available information on the sale of the facilities of other property in the specified period comes down to the sale of 4 facilities of the released immovable military property from October 2008 till January 2009, and also on the adoption of decisions on conditions of privatization and publication of information reports on the sale of facilities at the end of 2010 with results of their auctions made in 2011.

^e Excluding stock sales using help of investment advisors.

^f Calculated value is based on the report of the Federal Property Management Agency on fulfillment of the forecast plan (Program) of federal property privatization of 2011–2013 on the total number of FSUE, for which in 2011–2013 orders were issued on the conditions of privatization through conversion into JSC (216 units) and the data on the results of 2011 and 2013.

^g In respect of several enterprises decisions on privatization conditions were cancelled in 2015–2016 and adopted repeatedly, so the total number of FSUE, for which privatization decisions were adopted over 3 years separately, is somewhat higher than in the table data on results of 2014–2016 (125 units).

^h Taking into account blocks of JSCs and treasury facilities sold under the previous privatization program.

ⁱ Number of FSUEs in respect of which decisions on privatization terms have been made for 2022 differs from the data contained in the review "The Russian Economy in 2022. Trends and Prospects" (issue 44, p. 372). The latter reflect the number of FSUEs in respect of which decisions on privatization terms were made (62 units) out of the total number of FSUEs included in the privatization program as of 01.01.2022, and not for 2022. The incorrect interpretation of the data also affected the overall figures for 2020–2022 as a whole.

^j Number of objects privatized without inclusion in the FPP according to list approved by the Ministry of Finance of Russia.

Sources: Report on the Rosimushchestvo activity in 2008; Reports on the implementation of the forecast plan (program) of privatization of the federal property for 2009. M., 2010; Report of the Ministry of economic development on results of privatization of the federal property in 2010; Report of the Ministry of economic development on results of privatization of the federal property in 2011; Report on the implementation of the forecast plan (program) of privatization of the federal property for 2011–2013; The Rosimushchestvo reports on implementation of the forecast plan (program) of the federal property privatization for 2014–2016 in 2014, in 2015, in 2016; The Rosimushchestvo reports on implementation of the forecast plan (program) of the federal property privatization for

2017–2019 in 2017, in 2018, in 2019; The Rosimushchestvo report on implementation of the forecast plan (program) of the federal property privatization for 2020–2022 in 2020; The Rosimushchestvo report on implementation of the forecast plan (program) of the federal property privatization for 2020–2022 in 2021; The Rosimushchestvo report on implementation of the forecast plan (program) of the federal property privatization for 2022–2024 in 2022; The Rosimushchestvo report on implementation of the forecast plan (program) of the federal property privatization for 2023–2025 in 2023; The Rosimushchestvo report on results of implementation of the forecast plan (program) of the federal property privatization without including in the forecast plan (program) of the federal property privatization for planning period, for 2023; URL: <http://rosim.gov.ru>.

Number of privatized unitary enterprises and sold blocks of shares (stakes in authorized capitals) of economic entities and privatized unitary enterprises fell by over a quarter and approximately 4 times respectively compared to 2022.

However, financial results were also exceedingly meaningful. According to the Federal Treasury, the proceeds from sale of shares and other forms of participation in the capital owned by the federal government amounted to Rb27.28 bn, exceeding 18 times the forecast of revenues in the privatization program for 2023–2025. Compared with 2022, the revenues increased by Rb19.49 bn or by 3.5 times. It was the maximum for the whole period of 2017–2023

More than 3/4 of this result was due to the sale of assets under certain governmental decisions: LLC “Phoenix” (company – operator of the port terminal “Bronka”, St. Petersburg, 100%, Rb10.9 bn) (RF Government Edict No. 629-r dated 18.03.2023) and JSC “Kuchuksulfate” (Altai Krai, 100%, Rb10.36 bn) (RF Government Edict No. 1510-r dated 09.06.2023).

If in the first case the obligations of the buyer (NCC-Logistic Ltd.) are reduced to the standard payment, in the second case it is about a whole set of obligations, grouped into 4 blocks in the governmental edict. Three of them contain conditions of technical-economic and production-technological nature, including, in addition to preserving the main type of activity, maintaining the average number of the main production personnel, ensuring preservation of the average annual level of revenue (with the indication of specific values), a list of specific capital construction facilities (with the indication of technical characteristics).

One more block of obligations should be emphasized. It includes adoption, within one year from the date of transfer of ownership of the shares and approval by the FAS of Russia, of the rules of trading activities for the sale of natural sodium sulfate, which provide for, among other things: (1) predominantly meeting the needs of the Russian domestic market for this product at economically justified prices; (2) procedure for consideration of offers and conclusion of contracts for supply of goods; (3) pricing procedure providing for maintenance of an acceptable price for natural sodium sulfate; (4) inadmissibility of economically and (or) technologically unjustified refusals to conclude contracts with buyers; (5) publicity and accessibility of trade policy. A temporary ban is introduced on further transfer of ownership of shares in this JSC for the period of fulfillment of obligations (4–5 years) under control of the Ministry of Industry and Trade, FAS and Rosimushchestvo with the right of the latter to demand termination of the sale and purchase agreement in case of breach of obligations.

A significant amount (over Rb4.9 bn) was received from sale of JSC "Order of the October Revolution, Order of Red Banner of Labor "First Exemplary Printing House" (JSC "POT") under the government decision 2022.

The capital printing house was sold for the second time, since in 2016 the shares were already sold to «Unitex» LLC. However, the auction and the sale were subsequently declared illegal and the buyer returned the shares to the state.¹ The full (100%) package of shares of JSC «POT» was sold with the start price exceeding 1.65 times. According to the Government Edict of the Russian Federation of 24.08.2022 No.2416-r the buyer is obliged to fulfill within 5 years a number of obligations related to the main activity (indicating specific values). In contrast to the sale of «Kuchukuksulfat», they are less stringent, but there is also a temporary ban on further transfer of ownership of shares of «POT» JSC for the period of fulfillment of obligations under the right of Rosimushchestvo to demand termination of purchase and sale contract in case of breach of obligations. The largest sales (over Rb1.0 bn) also included LLC Ternei Zoloto (Primorsky krai, 100%, Rb1.2 bn). All 4 assets were sold by the Central Office of Rosimushchestvo.

On the other side of the spectrum were the sales of JSC "Novosibirsk zonal gardening station" (100%, Rb135 mn), "Pamashyalsky stone quarry" (the Republic of Mari El, 98.31%, Rb94.145 mn), "Kuedinsky breeding stud farm" (Perm krai, 100%, Rb42.75 mn), JSC "Irkutsk agroorgtekhstrom" (100%, Rb30.5 mn).²

However, even in the group of business entities sold at a relatively small price, there were deals with a noticeable increase in the initial price. For example, in case of sale of 100% of shares of JSC Krasnogorskoye (Samara region, production of seeds of grain and leguminous crops) the price increased more than 2.5 times to Rb291.35 mn.³

Rosimushchestvo continued to monitor the fulfillment of terms and conditions of transactions concluded earlier based on specific Edicts of the Government of the Russian Federation in 2020 and 2022 on the alienation of federal stakes in JSC "Adler Breeding Trout Farm" (buyer is Yug-Businesspartner LLC) and "Electronic Trading and Security" (buyer is Automated Information System of Trading LLC).

More modest results under privatization program were achieved by the sale of property of the RF state treasury. In respect of this category of assets, the authority to carry out privatization activities were fully delegated to territorial bodies of Rosimushchestvo.

The number of sold objects amounted to 208 units, decreasing by 6.7% compared to 2022 (312 units in 2020, 393 units in 2021, 223 units in 2022). Proceeds from sale of the state treasury property in 2023 amounted to Rb0.88 bn. That is, despite the decline in sales, the proceeds were comparable to results of previous years (2020 – Rb0.9 bn, 2021 – Rb1.03 bn, 2022 – Rb0.94 bn).

The territorial bodies of Rosimushchestvo continued to accelerate the process of privatization of non-core assets (NCA) facilities. Out of 18 federal property objects (lots) comprising 29 NCA included in the privatization program, 16 objects

¹ URL: <http://rosim.gov.ru>

² Ibid.

³ Ibid.

(about 89%) were sold as part of 27 NCA (more than 93%), which is comparable to the results of 2022 (16 objects as part of 33 NCA).

In 2023, like a year earlier, Rosimushchestvo conducted privatization activities with regard to confiscated property obtained as a result of corruption offenses and converted to federal property in accordance with court decisions (hereinafter referred to as corrupt property). In 2023, out of 37 lots including such property (land plots including immovable and movable property, as well as non-residential premises), 23 lots were sold at auctions open to participants, and another 1 lot was sold by exercising the tenant's pre-emptive right to buy out the leased property. Proceeds from sale of corrupt property in 2023 amounted to Rb768.9 mn. Monetary funds received from the sale of corrupt property are subject to enrollment in the budget of the Social Fund of Russia.

In 2024, privatization activities will continue in respect of 74 business entities and 98 items of property of the state treasury of the Russian Federation included in the privatization program.

Based on results of 2023, Rosimushchestvo for the first time published a report on the results of privatization of federal property included in the list of federal property, privatization of which is carried out without inclusion in the FPP for the planned period. Such a solution became possible as a result of amendments and additions to the law on privatization adopted in 2022 for property with a market value of up to Rb100 mn (except for shares and stakes in the authorized capitals of business companies, as well as property to be contributed to the authorized capitals of JSCs).

The list of relevant property approved by Order of the Ministry of Finance of Russia No. 553 dated 15.12.2022 (in numerous subsequent editions), as of December 31 of the reporting year included 616 items. Of the 560 items subject to tenders, 386 items were privatized, and budget revenues (Rb 795.3 mn) turned out to be quite comparable to the amount of funds from the sale of treasury property under the privatization program.

Main methods included sales without announcement of price (161 units, or 41.7%) and at auction (156 units, or 40.4%). They were supplemented by sales through public offer (62 units, or 16.1%) and exercising the pre-emptive right, including by small and medium-sized enterprises (SME) (7 units, or 1.8%). As could be expected, the auction became the most competitive method of privatization. The sum of sale prices exceeded almost by 1.9 times the sum of initial prices, while in the case of sale through public offer, on the contrary, it was about 1.5 times lower. As for sale without announcement of price and at realization of the pre-emptive right, there are data available only on the sum of sale prices, which according to the results of realization by these two methods more than twice conceded to the value of the similar indicator at sale by public offer.

As in previous years, only a part of the privatized federal property was of interest to potential investors. The sales success rate as a ratio of the number of sold assets and conducted bidding under privatization program was lower than in the previous year 2022, amounting to 20% for blocks of shares (stakes) and 25.4% for treasury facilities against 28.6% for blocks of shares (stakes) and 30.1%

for treasury facilities respectively in 2022. At the same time, the success rate of property privatization without inclusion in FPP was much higher, reaching 68.9%.

In the context of improving efficiency of the privatization program implementation by increasing the openness of privatization procedures and marketing of privatized property, Rosimushchestvo continued to post information on sales of state treasury property on the Avito, CIAN and Domklik websites, as well as holding “investment hours” to familiarize potential buyers with the objects announced for current and planned sale. In 2023, in order to provide additional information to potential investors, the practice of holding an “investment hour” for corporate assets¹ to be sold was introduced, which showed its effectiveness at the end of the year.

Moreover, in order to accelerate the pace of involvement in economic turnover of immovable and movable property of the state treasury of the Russian Federation, unclaimed by the state, Rosimushchestvo has developed and put into commercial operation the service “Privatization” of the federal state information and analytical system “Unified System of State Property Management” on the unified digital platform of the Russian Federation “GosTech”, which provides for automation of the process of privatization of federal property, starting from the preparation of the object for privatization and ending with its public sale.

In 2023, as part of the implementation of 15 Executive Orders of the President of the Russian Federation and 23 Edicts (Decrees) of the Government of the Russian Federation on the creation/expansion of vertically integrated structures (VIS), Rosimushchestvo took measures to establish 12 VIS. As of the end of the year, relevant decisions on privatization terms were made in respect of 1 FSUE, 79 JSCs and 261 treasury objects.

Among the integrated structures expanded in 2023, are Almaz-Antey Air and Space Defense Concern, United Shipbuilding Corporation (USC), Russian Railways, Head Center for Reproduction of Farm Animals, Russian Post, Kavkaz. RF, Transinzhstroy, VTB Bank (PAO), Russian Newspapers, Rosgeologia, Federal Grid Company – Rosseti, Center for Biometric Technologies JSC.²

The RF Government Edict No.2584-r dated 27.09.2023 approved a new version of the forecast privatization plan (program). De facto, this is about a *new privatization program for 2024–2026*. Compared to a similar document for 2023–2025, the text has not undergone any adjustments, except for the indication of a new term of validity of the document.

In terms of quantity, in 2024–2026 there are plans to complete privatization of 23 FSUE, including 14 treasury enterprises, 173 business entities (including stakes in 7 limited liability companies), as well as 27.815 objects of other property

1 Investment Hour is held by Rosimushchestvo in respect of all corporate assets, subject to privatization, using videoconferencing on the 20th day from the date of the start of acceptance of bids for participation in the relevant auction. Potential buyers can obtain expanded information on the federal property to be put up for auction.

2 It is the operator of the state information system (GIS) “Unified Biometric System”, a digital platform used for remote and face-to-face human recognition. GIS is a part of the infrastructure that ensures the interaction of information systems used to provide state and municipal services in electronic form.

of the RF Treasury. These values do not differ much from those contained in the privatization program for 2023–2025.

The number of unitary enterprises included in the program remained the same, the number of business entities increased by 8%, and the number of privatized objects of other property of the RF treasury decreased by 2.2%. A new point is the allocation of state-owned enterprises among the FSUEs to be privatized, which was not previously included in the privatization programs. Moreover, their number exceeds the number of unitary enterprises to be privatized under the right of economic management by 1.5 times, and the number of LLCs – twice.

As for revenues to the federal budget from privatization of federal property, they will amount in 2024–2026 to Rb1.2 bn annually. These amounts are also present in the draft federal budget for 2024 and the planning period of 2025 and 2026, submitted by the Russian government to parliament after the new version of the FPP had been approved.¹ The projected annual amount of revenues is about 20% less than the amount stated in the forecast privatization plan (program) for 2023–2025, and three times less than the amount contained in the initial version of the privatization program for 2020–2022 (Rb3.6 bn). It should be taken into account that the above annual amount of budget revenues does not include funds that could potentially be received as a result of transactions using shares of the largest companies occupying a leading position in the relevant sectors of economy.

Like in the previous privatization program, in the context of 2023–2025, there is a mention of corporatization of the unitary enterprise “National Fishery Resources” if the President of the Russian Federation takes a decision to exclude it from the list of strategic organizations and termination of the state participation in the authorized capital of JSC Makhachkala Commercial Seaport (in the absence of companies with a reduced share of the state). Specific terms and methods of privatization of this JSC will be determined by the Government of the Russian Federation taking into account market conditions. Similarly to FPP for 2023–2025, there is no reference to recommendations of leading investment consultants in cases stipulated by government decisions.

3. Improving privatization legislation

Provided that we consider the adopted amendments and additions to the current law on privatization of 2001 (No.178-FZ) in chronological order, one should start with establishing public easement in the privatization of state or municipally owned premises, exclusively used as a passage, access to other premises in a building or structure for realizing such an opportunity.

¹ At the same time, the relevant draft law itself did not contain information on the specific amount of privatization revenues either in the main part or in the annexes. We are talking about information from accompanying materials to the document (explanatory memorandum, data on the forecast plan (program) for privatization of federal property, calculation of the items of the classification of sources of financing the budget deficit). Revenues to the federal budget from the privatization of federal property are projected to be in the amount of: in 2024 – Rb1,229.5 mn, in 2025 and 2026 – Rb1,225.9 mn each.

Such encumbrance is foreseen as an essential condition of the transaction on privatization of such premises and is subject to state registration simultaneously with the state registration of rights to the privatized premises. This public easement cannot be established if the passage, access to other premises in a building, structure may be provided through the premises that are common property in such building, structure.

Regulation of the application of easements as one of the tools in the privatization process was further developed in three federal laws, which in July 2023 introduced significant amendments and additions affecting the privatization of certain types of property.

The list of information to be contained in an information notice on sale of State or municipal property has been expanded by (1) terms of the tender, the forms and deadlines for their execution, and (2) information on establishment of encumbrance of such property with public easements and (or) restrictions provided for by the law on privatization and (or) other federal laws. If the encumbrance relates to property sold at auction, an essential condition of the concluded sale and purchase agreement is the buyer's obligation to comply with the conditions of the said encumbrance.

The sale of property by tender has been significantly modified. The very title of the relevant article of the Privatization Law has become more concise by eliminating the list of objects potentially privatized by this method contained in the previous version. Now it is contained in the text (Art. 20, para. 1). Gas distribution networks, gas consumption networks and objects of such networks have been added to the previously mentioned shares of JSCs, shares in the authorized capital of LLCs representing more than 50% of their capital, objects of cultural heritage (OCH) included in the Unified State Register of Objects of Cultural Heritage (Monuments of History and Culture) of the Russian Federation people. The sale specifics of the latter at a tender, including requirements to participants and terms of fulfillment of its conditions, which should contain a sale and purchase agreement in respect of gas supply facilities, are established in accordance with the new special Article 30.5.

Certain norms concerning price of property sold at a tender are no longer valid (application of an offer on the price of property sold by a participant in a tender on the day of summarizing results of this tender, exclusion of a price offer from a full list of documents specified in the tender information notice, lack absence of which results in refusal of admission to the tender, right to submit only one offer for the price of state or municipal property).

The list of tender conditions has been extended by repair and other works in respect of gas distribution and gas consumption networks and their facilities, as well as other conditions in accordance with Article 29 regulating specifics of privatization of objects of cultural heritage (OCH) included in the relevant register. However, the former wording on the OCH preservation has been clarified. Now such a tender condition applies only to objects that are in poor condition (while retaining the reference to Federal Law No. 73-FZ "On objects of cultural heritage (historical and cultural monuments) of the peoples of the Russian Federation" dated 25.06.2002).

With regard to the alienation of land plots, the following innovations have been approved:

- privatization of an object of cultural heritage (OCH), which is a building, facility or construction, through sale at a tender is carried out along with simultaneous granting to the individual purchasing OCH on lease of a land plot occupied by such an object and required to use it;
- the right to buy out the leased land plot is limited by the exclusion of such an opportunity for a land plot lease agreement concluded for the period of fulfillment by the owner of the OCH located thereon of the conditions of the tender for the sale of such object held in accordance with the law on privatization;
- land plots occupied by OCH owned by federally important cities (Moscow, St. Petersburg, Sevastopol), as well as land plots located on their territory, the state ownership of which is not delimited, are not subject to alienation in cases stipulated by regulatory legal acts of such subject of the Russian Federation.

Article 29 devoted to specifics of privatization of cultural heritage objects included in the Register of Cultural Heritage Objects has been significantly revised.

The set of methods used for this purpose (as part of the property complex of a unitary enterprise when it is transformed into a JSC or LLC, contribution to the authorized capitals of JSCs) has been supplemented with an auction. Privatization by tender is now left only for objects in poor condition.

The list of conditions for privatization irrespective of the method, which included encumbrance with requirements for maintenance and use of objects, their preservation, provision of access, is expanded by requirements for placement of outdoor advertising on such objects and their territories, as well as for the installation of inscriptions and signs containing information about the object.

Objects of cultural heritage included in the Register of Cultural Heritage, except for those in poor condition, may also be privatized by SMEs in accordance with the procedure established by the 2008 law on the specifics of alienation of movable and immovable property owned by the state or municipality and leased by SME (No.159-FZ),¹ provided that they are encumbered with the above-mentioned requirements and comply with the requirements for the decision on terms of privatization and the sale and purchase agreement (information on belonging of the object to the register of OCH, attached copies of protection documents, new owner's obligation to fulfill their requirements).

The list of requirements for conditions of privatization of an object in poor condition through sale at a tender is now more clearly structured:

- requirements established by protection obligation stipulated by Article 47.6 of Federal Law No.73-FZ (2002) "On objects of cultural heritage (historical and cultural monuments) of the peoples of the Russian

¹ At the same time, the new version of the Privatization Law makes reference to the peculiarities of participation of SMEs in the privatization of leased state or municipal property is now limited to real estate.

Federation”, and in its absence by another protection document stipulated by Clause 8 of Article 48 of the said law;

- other requirements for preservation, including restoration of OCH or a part thereof, established by the bodies authorized in the field of preservation, use, popularization and state protection of cultural heritage objects at the respective levels of public authority at the request of the bodies authorized to perform functions of privatization of state or municipally owned property;
- the buyer’s obligation to ensure development of project documentation for works on preservation of the cultural heritage site, including works on its restoration, in accordance with the above requirements, within a certain period of time;
- the obligation of the buyer to ensure that the works on preservation of the cultural heritage object are carried out in accordance with the requirements.

A deposit for participation in the tender in the amount of 20% of the cadastral value of such OCH was introduced, maintaining previous norms on a chance to conclude a sale and purchase agreement with an individual who submitted the only application for purchase of an object in poor condition and the initial (minimum) sale price of Rb1. Part of the deposit in the amount exceeding the acquisition price of this property shall be returned to the winner of the tender.

Moreover, in addition to information provided by the norms on information support of privatization, the information notice on the sale of the OCH in poor condition should specify the amount of increase in the initial price (“bid step”).

There is also a direct indication that the document confirming fulfillment of the tender conditions is the acceptance certificate of the completed works on preservation of OCH, issued to the new owner of such object by the body for the protection of cultural heritage objects in accordance with the Federal Law No.73-FZ (2002).

When privatizing an object of cultural heritage, which is a building, facility or construction and is owned by cities of federal significance (Moscow, St. Petersburg, Sevastopol), through sale at auction, if the respective land plot is not sold, the notice, in addition to the information provided by the norms on information support of privatization, shall contain information on the term of lease of the land plot occupied by such object and the amount of rent.

Specifics of the privatization of social, cultural and public utility facilities are now extended to gas distribution networks, gas consumption networks and facilities of such networks.

The initial rule on the possibility of privatization of social and cultural (health care, culture and sports) and public utility facilities as part of the property complex of a unitary enterprise, subject to a number of exceptions, is supplemented with the proviso “unless otherwise provided for by this law”.

These restrictions do not apply to cases where power grid facilities, heat energy sources, heat networks, centralized hot water supply systems and (or) certain facilities of such systems are fixed production assets (FPA) of a unitary enterprise.

Now they are supplemented by gas distribution networks, gas consumption networks and their facilities, and criterion of the enterprise's revenue from sale of goods and provision of services using these facilities, which must exceed the revenue from each other type of activity carried out by the enterprise in accordance with its charter, is used to classify them as fixed assets.

Specifics of privatization of gas distribution and gas consumption networks and their facilities that are not fixed production assets of a unitary enterprise are established in accordance with the new article 30.5 of the law on privatization.

Gas distribution networks, gas consumption networks and facilities of such networks used for gas supply to gas consumers (hereinafter – gas supply facilities) may be privatized in accordance with procedures and methods stipulated by law on privatization, taking into account specifics established by this article, provided that gas supply facilities (GSF) are encumbered with operational obligations (hereinafter – operational obligations).

Decision on the conditions of GSF privatization and sale and purchase agreement must contain as an essential condition the encumbrance of the object with operational obligations (OO). In case of its absence in the sale and purchase agreement, the privatization transaction is null and void.

The OO includes obligation of the purchaser or other legal owner to use the facilities for the purpose of providing gas transportation and supply services to consumers, technological connection of gas-using equipment and capital construction facilities to gas distribution networks, their reconstruction, development of the gas distribution system and ensuring safe operation of gas supply facilities in accordance with industrial safety requirements and regulatory legal acts of the Russian Federation.

Operational obligations with respect to objects of the GSF apply to all of their components, and in general for this category of property the principle of integrity and unity of objects is established while preventing division (fragmentation) into parts.

State registration of restrictions (encumbrances) on the title to gas supply facilities in the form of operational obligations is carried out simultaneously with state registration of the title to GSF facilities.

The preemptive right to purchase them may be exercised by a body, if the following conditions are simultaneously met on the day of submission of an application on the intention to conclude a purchase and sale agreement for a gas supply facility:

- a body is a gas distribution organization (GDO);¹
- a body operates the object being privatized on a legal basis, including in accordance with a contract of gratuitous use, lease or by virtue of another proprietary or obligatory right of possession and (or) use, continuously for two years or more.

No assignment of the pre-emptive right is allowed.

¹ The terms "gas distribution organization" and "gas consumer" are used in the same sense as in the Federal Law No. 69-FZ (1999) "On Gas Supply in the Russian Federation".

A body possessing it, in case the gas supply facility is included in the forecast plans (programs) for privatization of state and municipal property or the list of federal property, when privatization is carried out excluded from privatization program, within 90 calendar days from the date of placement on the official website in the information and telecommunication network "Internet" of the specified documents, has the right to send an application on the intention to conclude a purchase and sale agreement for the gas supply facility to the body authorized to carry out functions of privatization of the gas supply facility to the state and municipal property.

Upon receipt of such an application, the authority shall:

- ensure the conclusion of a contract for the assessment of the market value of the gas supply facility in accordance with the procedure established by the legislation of the Russian Federation on appraisal activities within two months from the date of receipt of the application;
- adopt a decision on terms of privatization of the gas supply facility within two weeks from the date of acceptance of the report on its appraisal;
- send by registered mail with a delivery notice to the body having a preemptive right to purchase gas supply facility, a draft contract of sale and a copy of the decision on terms of its privatization within 10 days from the date of the decision.

If a body possessing a pre-emptive right to purchase intends to exercise it, the gas supply facility sale and purchase agreement must be concluded no later than within 30 calendar days from the date of receipt of the above documents by that body.

When using the pre-emptive right of purchase, the value of the GSF is assumed to be equal to its market value determined in accordance with the legislation of the Russian Federation on appraisal activities.

If a body possessing a pre-emptive right of purchase refuses to exercise it or fails to sign a sale and purchase agreement within the established period of time, this body loses this right, and the gas supply facility is privatized through a tender in accordance with the procedure established by the law on privatization. Bodies being gas distribution organizations are allowed to participate in the tender.

The sale and purchase agreement for gas supply facility must contain a material condition on the right of termination by the body authorized to perform the functions of privatization of gas supply facilities in case of material breach of the stipulated operational obligations.

Control over fulfillment of their conditions shall be exercised by the above-mentioned body or by a public authority or local government body to which the relevant powers have been delegated in accordance with the established procedure, while the procedure for exercising control shall be established on their own.

They also have the right, in the event of a material breach of operational obligations, to apply to the court with a claim for withdrawal through redemption of the gas supply facility, which value is determined based on results of evaluation in accordance with the legislation of the Russian Federation on appraisal

activities, less the losses caused to consumers due to the violation of operational obligations.

Failure to use gas supply facilities for the purpose of providing services for gas transportation and supply to consumers, technological connection of gas-using equipment and capital construction facilities to gas distribution networks, their reconstruction, development of the gas distribution system and ensuring safe operation of gas supply facilities in accordance with industrial safety requirements and regulatory legal acts of the Russian Federation is recognized as a material breach thereof.

Operational obligations in respect of a gas supply facility are retained in case of transfer of ownership of it to another body.

Finally, another category, in respect of which significant innovations concerning privatization appeared, turned out to be a type of corrupt property.

If, in general, the effect of the law on privatization does not apply to relations arising from the alienation of state and municipal housing stock,¹ now it contains provision, to which new Article 30.4 is dedicated.

It is stated that residential premises entered into the housing fund of the Russian Federation based on court acts, in cases where such residential premises have been recognized as property obtained as a result of the commission of corruption offences or where, in respect of such residential premises, information confirming their acquisition on lawful income has not been submitted in accordance with anti-corruption legislation, shall be privatized under privatization legislation.

The condition for this is that market value of the residential premises on the secondary housing market exceeds the amount of money determined based on the size of total area multiplied by the amount determined according to official data² indicator of an average price of 1 sq. m. of the total area of residential premises in the relevant subject of the Russian Federation.

Privatization of such housing is possible only through sale at auction. In case of its invalidation, the announcement on holding a repeated auction with a 5% reduction of the initial selling price of such residential premises shall be placed in the order established for information support of privatization, within three months from the date of invalidation of the auction.

If the outcome of the repeated auction is similar, the next procedure can be held no earlier than six months later. Standard procedure for sale of state or municipal property through a public offer in the event that the auction for its sale was recognized as failed is not conducted for the above-mentioned housing.

This procedure applies to the relevant residential premises entered into the housing fund of the Russian Federation not only after the date on which the amendments to the law on privatization come into force, but also to those

1 The legal basis for free privatization of housing by citizens is a separate law 1991.

2 Reference to the federal body of executive power that performs the functions of forming official statistical information on social and economic functions of forming official statistical information on social, economic, demographic, ecological and other public processes in the Russian Federation.

previously entered before that date, if they have not been provided to individuals under social rent agreements as of that date.

It is obvious that all these legal innovations are *in line with the removal of existing restrictions on privatization aimed at accelerating its pace and increasing its efficiency*. The assessment of their consequences is far from ambiguous.

The adopted amendments allow for privatization of cultural heritage objects in satisfactory condition through sale at auction when they are encumbered with requirements for maintenance and use of the cultural heritage objects included in the register, as well as for their redemption by tenants under provisions of Federal Law No.159-FZ (2008) on specifics of alienation of state or municipal property leased by small and medium-sized enterprises (SMEs). A new procedure for privatization of OCH in poor condition through a tender has been established, as well as the possibility of privatization of such objects, which are freestanding structures, constructions, without land plots.¹

On the one hand, the scheme of privatization of OCH is prescribed in sufficient detail. The list of its conditions has been expanded regardless of the method of privatization, there are restrictions on the alienation of land plots occupied by the OCH (impossibility of redemption until the conditions of the tender are met, stricter restrictions in cities of federal significance, allowing de facto mainly the lease regime).

On the other hand, the issue of criteria for assessing the condition of the OCH for their objective differentiation and the choice of a specific method of privatization, a large number of reference (to the law on objects of cultural heritage) norms, risks of a formal approach in the development of project documentation for works on preservation of the object and assessment of compliance with the conditions of the tender inspire concern.

As for relaxation of restrictions on privatization of gas supply facilities like power grid facilities, heat energy sources, heat networks, and centralized hot water supply systems, it remains an open question to what extent the previous negative experience has been taken into account.

At the same time, with regard to gas supply facilities, basic norms of the privatization law as such have been substantially revised (priority of the pre-emptive right to buy out, limitation of bidding in terms of the number of participants). The well-known issue of control over fulfillment of operational obligations and tender conditions in case of repair and other works still exists.²

The innovation concerning privatization of residential premises as corrupt property is clearly aimed at maximizing budget revenues through use of an

1 Corresponding amendments were also subsequently introduced to the Land Code of the Russian Federation and to the Decree of the Government of the Russian Federation No. 860 of 27.08.2012 "On the Organization and Conduct of the Sale of State or Municipal Property in Electronic Form".

2 A vivid illustration of the problems in the housing and utilities sector was the accident during the New Year holidays of 2024 in the Moscow region, when a malfunction in the boiler plant of the Klimovsk ammunition plant led to large-scale heat supply cuts to housing and social facilities. The composition of owners of the enterprise privatized in the early 1990s has changed several times. State Corporation Rostec does not hold a controlling stake in the capital structure, and the Prosecutor General's Office is going to file a lawsuit to transfer the enterprise into the ownership of the state.

exclusively auction mechanism, which makes it impossible to noticeably lower the price of the property sold, as in the usual sequence of privatization procedures (from a failed auction through a public offer to a sale without announcement of the price). Such a scheme does not raise obvious objections. However, in practice there may be conflicts in the context of confirmation of information on the legality of real estate acquisition and the reliability of data on housing prices published by Rosstat.

4. The state participation in the economy and its presence in the economy

General approaches of the state property policy from the end of 2020 are referred to the State Program (SP) "Public Finance Management and Regulation of Financial Markets" supervised by the Ministry of Finance of Russia, which includes the trend (subprogram) "Management of Federal Property".

In its current version, the set of results of SP includes:

- Increasing revenues from management of federal property on the whole (at least 2 times by 2030 vs 2021);
- creating a digital profile of federal property (all information on federal property (area, cost performance, information on property category, location, right holders, actual use, investment potential) have been digitized);
- establishing a digital system based on artificial intelligence, which makes it possible to prepare management decisions in respect of federal property in an automated mode (complete rejection of operations with federal property using paper documents);
- ensuring the alienation of property from federal ownership not used by Russian government bodies for fulfillment of state functions within a period not exceeding 6 months from the date of the relevant decision;
- ensuring the involvement in economic turnover for agricultural use of at least 60% of the total number of agricultural land plots in federal ownership;
- ensuring at least 60% of the total number of federally owned agricultural land plots to be involved in economic turnover for agricultural use;
- at least 2-fold growth of the share of the RF state treasury property objects involved in economic turnover from total number of state treasury property objects at the end of the reporting year (compared to 2021).

The last of the set of results has been redefined due to changes introduced by Decree of the Government of the Russian Federation No.1397 dated 26.08.2023. Previously, the expected result in respect of the federal treasury property was measured as a specific weight of the total number of property objects (by analogy with the involvement of agricultural land plots in economic turnover).

Interpretation of the stated growth of at least 2 times of the share of objects involved in economic turnover from the total number of objects at the end of the reporting year (compared to 2021) depends on base figure: planned or actually achieved.

Selection of the first of them de facto means stagnation of this indicator, since the Report of Rosimushchestvo on the progress of implementation of the complex of process measures (CPM) "Management of the federal property"¹ for 2022 shows its base figure of 18% with the actual estimated value at the end of the reporting period of 36%. At the same time, according to the Report on the implementation of Rosimushchestvo's activity plan for 2021, as of December 31, 2021, the current value of the indicator was 25.3%. This allows us to assume that by 2030 slightly than half of all the treasury objects will be involved in economic turnover, which exceeds the previous benchmark of 44%, but is very far from the value of 65% set in 2021. It has to be taken into account that it is about relative values, while allowing for fluctuations in absolute values in a very wide range. It should also be noted that the expected results of the State Program "Public Finance Management and Regulation of Financial Markets" in the trend of "Management of Federal Property" only partially coincide with data of the annual reports on the activities of Rosimushchestvo.²

Changes in the list of strategic enterprises in 2023 were minimal. Only 1 FSUE was excluded from this list and 2 included (including 1FTE), while the State Corporation (SC) "Roscosmos"³ began to exercise the rights of property owner. At the same time, two companies increased the threshold of state corporate control.

In PJSC Federal Grid Company-Rosseti, it increased to more than 75% (the previous value was less than 0.1%). This change is very significant for the electric power industry. Decisions adopted in 2012 provided for the contribution of almost the entire federal stake in Federal Grid Company of the Unified Energy System (FGC UES) (about 80%) to the authorized capital of JSC Rosseti (former Holding of Interregional Distribution Grid Companies) (IDGC))⁴ while maintaining direct state participation in the capital of FGC UES of at least one share. In Rosseti, the threshold of state corporate control has been raised 4 times since then and currently constitutes more than 88% of the authorized capital.

In JSC "Transinzhstroy" the threshold of state corporate control increased to 95.2% against 50.3% since the end of 2022. It should be noted that earlier it

- 1 Budgetary financing of the mentioned SE "Public Finance Management and Regulation of Financial Markets" is represented in recent years by federal and departmental projects, as well as a set of process activities (PA). One of the latter is the PA "Management of Federal Property".
- 2 The latter contain indicators that are not available in the GP: registry matching federal property and other state information systems containing information on objects of federal property, share of economic companies, rights of shareholder (participant) where implements Rosimushchestvo, and FSUE, the level of profitability of the assets of which is at the level not lower than industry average according to results of reporting financial year; in the total number of such entities subjects, JSC's share of more than 50% of voting shares owned by the Russian Federation, received a net financial year profit.
- 3 According to the amendments to the Law on Privatization (No 72-FZ) adopted in 2023, an employee of the State Company "Roscosmos, who performs his activities on the basis of a regulation approved by the Government of the Russian Federation, may be appointed as a representative of the state in JSCs, in respect of which a decision to use the special right "golden right" has been taken.
- 4 The state became the owner of controlling stakes in these infrastructure companies after completing the long process of restructuring of electric power industry and liquidation of the power sector RAO UES of Russia in 2008

amounted to 38% of the authorized capital and was increased due to introduction of a full (100%) block of shares of one JSC, excluded from the list of strategic organizations at that time.

The transfer of a full (100%) federal block of shares of JSC United Shipbuilding Corporation (USC) to VTB Bank for trust management was not accompanied by changes in the list of strategic JSCs.

In contrast to the transfer in 2018 of a controlling stake in the United Aircraft Corporation (more than 90%) to Rostec State Corporation as a property contribution, in this case it is about a change in the management tool. Besides, VTB, along with USK, is on the list of strategic organizations, while such an organizational-legal form as state corporations does not exist in principle.

Based on the Executive Order of the RF President No.753 dated 09.10.2023, the Government shall, within six months, ensure the conclusion of a trust management agreement (TMA) for a period of 5 years without holding a tender for the right to conclude a TMA for shares that does not provide for remuneration. The contract should define key performance indicators of trust management of USC shares, obligations on their fulfillment and conditions of early termination of trust management.¹

At the same time, transfer of an integrated structure with obvious mono-specialization, created more than 15 years ago, to the second most important Russian bank looks at least ambiguous. By all means, VTB has some experience in holding non-core assets. Thus, in 2023, it withdrew from the capital of Demetra-Holding (a vertically integrated company combining assets related to the sale of grain, including for export) and one of the largest developers, PIK, but the bank's stake there did not allow to exercise full corporate control. Here it is about a company of national importance, occupying a leading position in a strategic industry, responsible for fulfillment of the most important state orders. Moreover, since its emergence in the 1990s, trust management as a tool for managing the state's assets in the corporate sector has rarely been used.

Financial and economic situation of state-owned companies is reflected in their dividend policy. While the scheme and the dividend transfer norms remained unchanged after the 2021 adjustment, the distribution was subject to the profit based on results of operations amid new sanctions in 2022, whereas a year earlier, dividends were a derivative of recovery growth after the economic downturn in 2020. When Gazprom refused to pay dividends, the top five largest dividend payers were Transneft (held splitting of shares), Rosneftgaz (owns 40% of Rosneft, 11% of Gazprom), Caspian Pipeline Consortium (CPC-R), RusHydro and ALROSA.²

Court cases related to seizure of assets in favor of the state became a distinctive feature of 2023. The law enforcement authorities put forward a fairly wide range of claims, including illegal privatization of hazardous and strategically important industries and facilities, violation of anti-corruption legislation, use of official

¹ List of conditions defined by agreement on trust management has been approved in January 2024.

² Excluding Sber dividends with its control stock belonging to National Wealth Fund (NWF) URL: <https://www.rbc.ru/economics/13/03/2024/65f1684b9a7947a4988d7667>

position by individuals in the civil service and illegal income to acquire assets, ownership by residents of foreign countries, and outward financial flows using offshore companies.

In the industrial sector, litigation was concentrated mainly in the energy, chemical industry and port infrastructure.

With a certain degree of conventionality, the current wave of court cases began with the verdict on the recovery in favor of the state of 100% of shares of JSC Murmansk Sea Fish Port, privatized in 2015 for more than Rb1 bn. The verdict made in October 2022 was confirmed in summer of 2023 when attempt to challenge it was made. However, there is a prospect to postpone consideration to higher instances and conflicts over the use of certain port facilities.¹ As for Kaliningrad Commercial Sea Port JSC, the court satisfied the claim to recognize illegal acquisition of the blocking block of shares, while the block close to the controlling block of shares was seized, as well as the property of Perm Port LLC. 92.4% of shares of Far Eastern Shipping Company (FESCO) (the parent company of the FESCO transportation group) were also seized for state revenue.²

In the energy sector, the court seized in favor of the state the shares of PJSC TGK-2, 38% of shares of Komi Power Supply Company, part of Russia's largest private energy holding T Plus; a lawsuit against Sibeko (Siberia's largest heat and electricity sales company) was under consideration.

In the chemical industry, the General Prosecutor's Office sued to have the privatization of Metafrax Chemicals (formerly Gubakhinsk Chemical Plant, Perm Territory, specializing in production of formalin and methanol) declared illegal, and shares of Uralbiopharm (Yekaterinburg) transferred to the state, Volzhsky Orgsintez JSC (Volgograd Region); a similar case was considered in relation to Dalnegorsk Mining and Processing Plant (Primorsky Krai, the only producer of boric acid in Russia).

Similar examples can be given beyond three activities mentioned above: recovery in favor of the state of shares in the Vyatich Bank, a claim to reclaim a block of shares in the Rostov Optical and Mechanical Plant from other illegal possession, a bit smaller than the controlling block of shares. In Saint-Petersburg and Leningrad Oblast, the property of «Commercial Center, Transport and Forest» JSC was confiscated by the decision of the Arbitration Court, and the transaction to acquire shares of «Syasiysk Pulp and Paper Mill» was declared invalid with their recovery to the income of the Russian Federation; Interim measures have been taken to demand for the state four enterprises producing building materials (LLC «Heidelberg Center Rus», JSC «Raw Materials Company», «Slate Cement Plant «Cesla», JSC «Gurovo-Concrete»).³ However, in the latter case, the suit of the Prosecutor General's Office was withdrawn. However, this example was rather an exception, and already in 2024 similar court cases affected new companies

1 URL: <https://murmansk.rbc.ru/murmansk/01/06/2023/64788f249a7947dfecc8d587>

2 URL: <https://www.rbc.ru/business/11/01/2023/63bdf9099a794759e989c932>,

3 URL: www.rbc.ru (August 23, 2023); URL: <https://www.rbc.ru/business/23/08/2023/64e3a6769a7947634c7c9f53>

and enterprises in a number of industries (metallurgy, machine building, food industry, etc.).¹

After the arbitration courts ruled in favor of the state, Rosimushchestvo ensured a change in the composition of the management bodies and management of JSC Urals Electrical Connectors Plant Iset (Sverdlovsk region, state share – 55.35%) and agricultural holding Concern Pokrovsky, uniting more than 35 enterprises in 5 industries (sugar production, meat processing, winemaking, etc.) in the Krasnodar Krai and Stavropol Krai, as well as in the Rostov region.²

5. Public sector: radical innovations in governance

In 2023, mechanism of management of economic entities belonging to the public sector underwent serious shifts that affected somehow all main aspects of their functioning.

The RF Government Decree No.2404 dated 29.12.2023 introduced important amendments to RF Government Decree No.738 dated 03.12.2004, which approved the Regulation on management of federally owned shares in joint-stock companies and use of the special right for participation of the Russian Federation in management of joint-stock companies (“golden share”) (in subsequent editions).

When refining the timeline for submission the annual report on management of federally owned shares in JSCs and use of the special right of RF participation in the management of JSCs (“golden share”) by the RF Ministry of Finance, the RF Ministry of Defense or the RF Department for Presidential Affairs to the government, the content of this document became much more capacious and detailed, especially with regard to results of financial and economic activities (FEA).

Previously, this part referred to profitability, debt burden (compared to the industry average) and equity adequacy. Now they are supplemented with data on the amount of revenue, profit (net profit) or loss, equity capital, type of activity that accounted for the largest share of revenue and its amount, and the level of operating expenses (if they are analyzed in accordance with the decision of the working group for improving efficiency of state-owned companies, including for improving efficiency of budget expenditures and monitoring debt load of such companies). With regard to the debt load as such, the new edition provides for the presentation of information on the amount of long-term and short-term liabilities, while the data on the indicators of own funds (capital) adequacy relate only to credit organizations. Information on dividend payments is placed in a more detailed context of profit distribution.

The obvious continuity with regard to execution of instructions and directives of the highest state officials is combined with the lack of necessity to reflect measures aimed at improving the corporate governance system, which was required by the previous edition of 2010. It referred to results of General Meetings of Shareholders (GMs), whereas the new version refers to results of Annual General Meetings of Shareholders (AGMs), which raises the

1 URL: <https://www.rbc.ru/business/19/02/2024/64e3a6769a7947634c7c9f53?from=copy>

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

issue of reflecting extraordinary AGMs, which usually stem from problems in the development of companies and failures in the functioning of corporate governance mechanisms.

The following adjustments have been made directly to the Regulations on the Management of Federally Owned Shares in Joint-Stock Companies and the use of the special right of participation of the Russian Federation in the Management of Joint-Stock Companies ("golden share").

One of the criteria for election to the JSC board of directors as an independent director nominated by the state with respect to an individual engaged in auditing has been tightened. Earlier an individual or members of his family (spouse, parents, children, adoptive parents, adopted children, full and half brothers and sisters, grandparents) should not have performed auditor's functions in JSC for the previous 3 years without any interruption (including as an employee of the audit organization), as well as be affiliated persons of the JSC auditor. In the new wording, restrictions relate to performance of executive function of a director or other official of a JSC audit organization, an employee of such an organization, a member of an audit group, or being in the status of another affiliated person of a JSC audit organization.

Directives issued to representatives of the state's interests in the Board of Directors of JSCs came under instructions of all deputy chairmen of the RF Government, rather than only the first deputy, as before.

It is stated that Rosimushchestvo shall ensure, inter alia, through the interdepartmental portal for the management of state property in the information and telecommunications network "Internet" (MV Portal) that its directives are communicated to representatives of the state's interests on the JSC board of directors no later than 2 working days following the day on which such directives were issued.

The termination of control over execution of instructions and directives of the President of the Russian Federation, instructions of the Chairman of the Government of the Russian Federation and all his deputies has been further regulated, for the purpose of which written directives were issued for voting on agenda items of the meeting of the Board of Directors. The Ministry of Finance of Russia sent a report to the government on the rationale to terminating control over implementation of decisions adopted by the JSC boards of directors based on relevant directives. Rosimushchestvo (RF Ministry of Defense or the RF Department of Presidential Affairs) informs representatives of state interests and the JSCs of the decision stipulated by the assignment of senior officials based on relevant report.

Norms concerning communication of directives, execution of orders and instructions of top officials also apply to JSCs included in the special list.¹ It

¹ The most significant JSCs in respect of which Rosimushchestvo exercises shareholder rights on behalf of the state in coordination with federal sectoral bodies, depending on the supervising agency. According to the Russian Government Resolution No. 1870-r dated August 30, 2017 (as amended), these include the Ministry of Economic Development of the Russian Federation., Ministry of Energy, Ministry of Industry and Trade, Ministry of Finance, Ministry of Transport,

should be reminded that in this group of companies, directives to representatives of the state's interests on the Board of Directors on a certain range of issues have to be approved by the Chairman of the RF Government or, on his instructions, by his deputies. Draft directives to representatives of state interests on the Board of Directors have to be submitted by the RF Ministry of Finance (RF Ministry of Defense or the RF Department of Presidential Affairs) to the RF Government no later than 7 days prior to the date of the meeting of the Board of Directors.

Deadlines for Rosimushchestvo to submit to the Ministry of Finance the draft directives to representatives of the state's interests in the board of directors of JSCs included in the special list (not later than 12 days before the date of a meeting of the body) have been approved.

At the same time, the deadlines for Rosimushchestvo to send the agenda of the meeting with the necessary materials to a federal ministry or federal body and their proposals to Rosimushchestvo, as well as deadlines for conciliation meetings in the event of disagreements regarding draft directives, have been increased relative to the date of the JSC Board of Directors. If it is impossible to develop an agreed position at these meetings, a deadline has been set for submitting necessary materials to the RF Ministry of Finance (no later than 12 days prior to the date of the Board of Directors' meeting). In this case, draft directives are to be prepared by the RF Ministry of Finance in coordination with a federal ministry or federal body.

The procedure for appointment and activities of state representatives on the board of directors (supervisory board) or audit commission of a JSC for whom a decision has been taken to exercise a special right to the participation of the Russian Federation in its management ("golden share") has been supplemented with provisions regulating their actions in the event of circumstances preventing them from exercising their powers, as well as in the event of dismissal from a civil service position.

In such cases, the state representative must notify Rosimushchestvo and the federal agency or federal body within 5 working days of the occurrence of the said circumstances. Within 10 working days from the date when they became aware of the occurrence of the relevant circumstances, the said departments shall send proposals to Rosimushchestvo for preparing a proposal to replace the relevant representative of the state in the board of directors (supervisory board) or audit commission of a JSC where a "golden share" is used.

Besides, Rosimushchestvo was authorized to independently set¹ drafts of directives for representatives of the state in the boards of directors of those JSCs included in the list of strategic organizations², for whom methodological

Ministry of Agriculture, Ministry of Digitization, Ministry of Natural Resources, Ministry of Construction, Ministry of Labor, Rosreserve, Rosreestr, FSUE.

- 1 Taking into account the decisions of the working group under the Government Commission on the issues of optimization and increasing the efficiency of budget expenditures or an interdepartmental working group on optimization of the organizational structure of development institutions, formed in accordance with the Resolution of the Government of the Russian Federation No. 3093-r of 24.11.2020.
- 2 As a general rule in respect of JSCs included in the special list, Rosimushchestvo is authorized by the federal ministry or federal body to develop directives with regard to JSCs included in the list

recommendations on approval and application of key performance indicators (KPIs) of JSC activities approved by the Government of the Russian Federation are applied. Shares of these JSC are subject to methodological recommendations approved by the Government of the Russian Federation on formation and application of key performance indicators (KPIs) for activities of JSCs whose shares are in federal ownership and certain non-profit organizations (NPOs) for the purpose of determining the amount of remuneration for their management staff, as well as the Regulations on conditions of remuneration of managers, their deputies, chief accountants and members of collegial executive bodies of state corporations, state-owned companies, business entities with shares in the charter capital of the state-owned companies, owned by the Russian Federation.

This document was approved by the RF Government Decree No.209 dated 13.02.2023.¹

The terms and conditions of remuneration of the executive officers of the organizations are determined by employment contracts in accordance with the said Regulation. They include provisions establishing the terms of remuneration, the amount of annual maximum possible aggregate personal remuneration, as well as personal liability for non-compliance with the approved Regulations.

Maximum allowable payments to executive officers of organizations consist of (1) official salary, (2) compensatory and (3) incentive payments in accordance with the Regulations, as well as (4) payments from participation in management bodies of other legal entities and other payments in cases stipulated by labor legislation (except for payments stipulated by decrees of the President of the Russian Federation).²

of strategic organizations (excluding those included in the special list) – based on proposals of the federal ministry or federal body and for other JSCs – independently.

- 1 It was virtually identical in content to a previous similar document that had been in force for less than 8 months. The previous Regulation had been in force for less than eight months. The previous Regulation was approved by Decree of the Government of the Russian Federation No. 1127 dated 23.06.2022 and was accompanied by approval of the list of economic entities to which it applied. In the final version it included 118 organizations divided into 5 groups: (I) the largest organizations implementing individual significant projects (12 units), (II) banks and other large organizations (5 units), (III) large organizations responsible for the development of individual territories and organizations (5 units), (III) large organizations responsible for the development of certain territories and economic areas (9 units), (IV) organizations responsible for development of certain areas of the economy (10 units), (V) other organizations (82 units). Additionally, a list of public-law companies (PLCs) was approved (5 units) and JSCs managed by state corporations, state companies, business entities, shares in the authorized capital of which are in federal ownership (5 units), in respect of which the application of the above Regulations was recommended
- 2 The salary is a fixed amount of remuneration for labor (job) duties of a certain complexity for a calendar month excluding compensatory, incentive and social payments. Compensation payments are monetary payments established for the purpose of reimbursing the above-mentioned persons the expenses related to performance of their labor duties, and stipulated by the Regulations. Stimulus payments are incentive payments related to the achievement of target values of key performance indicators (KPIs) and functional KPIs, stipulated by the Regulations. The last of the 4 components of payments to the management staff of the organizations include payments from their participation in the management and control bodies of subsidiaries and dependent business entities and (or) other business entities, subsidiaries and affiliated business entities and (or) other legal entities with direct or indirect participation of the Russian Federation.

Mandatory incentive payments are annual performance bonuses related to the achievement of annual target values of key performance indicators (KPIs).

Amount of annual performance bonus provided annual target KPI¹ and functional KPI² met in accordance with methodological recommendations on developing and applying key performance indicators of joint stock companies with their shares owned by RF, as well as certain NGO aimed to define the size of remuneration of their senior executives, approved by RF Government Edict of 28.12.2020 No.3579-p, which should be not less than 30% and not more than 50% of the annual maximum possible aggregate personal remuneration, unless otherwise agreed by the working group under the Government Commission on Optimization and Efficiency of Budget Expenditures (hereinafter – the working group).

A quarterly performance bonus may be established upon fulfillment of target KPI and functional KPI in accordance with the above methodological recommendations. The aggregate annual cap on quarterly performance bonuses may not exceed 10% of the annual maximum possible aggregate personal remuneration, unless otherwise agreed by the working group. Approval of other incentive payments is not allowed.

The Ministry of Finance assisted by the Ministry of Labor, was instructed to develop an example form of an employment contract for CEOs, their deputies, chief accountants and members of collegial executive bodies (hereinafter referred to as management officials) of the organizations concerned.

Federal executive authorities (federal executive bodies) submit proposals to the RF Ministry of Finance on conditions of remuneration and the amount of the annual maximum possible aggregate personal remuneration of managerial officials of organizations, while Rosimushchestvo in coordination with them exercises the rights of the state as a shareholder, or boards of directors (supervisory boards) of state corporations, state companies, or federal executive bodies exercising shareholder rights with respect to other organizations.³ Based on results of their consideration, the Ministry of Finance develop proposals to be agreed upon with the working group.

The mechanism for regulating remuneration of top managers of public sector business entities involves approval by the Government of the Russian Federation of the list of state corporations, state-owned companies, business entities with shares in the authorized capital owned by the Russian Federation and subject to application of the above Regulation.

The federal executive bodies, state corporations and state companies were instructed to ensure that employment contracts of executive officers and local

1 An indicator related to strategic documents of the Russian Federation, as well as to strategic documents of the organizations, being the basis for assessing the efficiency of their activities, aimed to determine the amount of remuneration to the management staff based on results of work for the year or quarter.

2 Individual indicator, established for senior management officials personally and taking into account specifics of their supervised areas of activity in organizations, characterizing result of the activities of the officials or the implementation of individual significant projects.

3 Together with information on the financial result of the organizations and subsidies received by the organizations from the federal budget, in the form approved by the financial department.

normative acts of the organizations included in the above list to be in line with resolution (without setting deadlines). However, Rosimushchestvo is obliged to submit an annual report to the Russian Government by August 1 on compliance with terms of remuneration of their management staff for the previous year.¹

As follows from the document discussed above, one of the components of top managers' remuneration, the incentive payments, depends on the achievement of annual target KPIs based on methodological recommendations on the development and application of KPIs for JSCs whose shares are in federal and particular non-profit organizations ownership for the purpose of determining the amount of remuneration of their management staff approved by the RF Government Edict No.3579-r dated 28.12.2020. Over the past 3 years, methodological recommendations have been repeatedly amended and supplemented. They mainly consisted in changing the range of organizations covered by the document.²

Now let us cover the changes approved by the RF Government Edict No.3841-r dated 23.11.2023. The new version stipulates that when developing KPIs, it is recommended to establish financial and economic and sectoral KPIs with their aggregate weight being 100%. The total number of KPIs should not exceed 10, and specific weight of each of them should be at least 10%.

If during the reporting year the responsibility for a functional KPI was transferred to another executive officer of the organization or other employee, acting as such person, then, making a decision on payment of a bonus based on performance for the year related to achievement of this functional KPI, it is necessary to take into account the terms of responsibility by concrete persons during the reporting year.

It is recommended to include in sectoral KPIs the indicators developed on the basis of national goals, the Unified Plan for achieving national development goals of the Russian Federation for the period until 2024 and for the planning period until 2030, approved by the RF Government Edict No.2765-r dated 01.10.2021, sectoral strategies of organizations, strategies and long-term development programs (LDP) of organizations, national projects and state programs of the Russian Federation, and corresponding to the above documents in terms of methodology for calculating indicators.

The composition, specific weight and annual target KPIs, as well as composition and annual target functional KPIs of each organization's activities shall be established in accordance with decisions of the interdepartmental working group for optimizing the organizational structure of development institutions, formed in accordance with the RF Government Edict No.3093-r dated 24.11.2020, on their approval, considering the proposals submitted by the Ministry of Finance and

1 There is no information about it (in the database of information system "ConsultantPlus" as of the middle of March 2024).

2 In addition, it should be noted that the conceptual apparatus used should be supplemented and clarified, establishment of a single lower bar (not less than 2) of the total number of recommended for use financial, economic and sectoral KPIs, introduction of a mechanism for placing, monitoring and analyzing the information related to KPIs and related indicators using the IM portal and the State Automated Information System (SIS).

the Ministry of Economic Development of Russia and positions of the relevant sectoral federal executive bodies, as follows.

As for JSCs, this is done by their management bodies depending on the company's inclusion in the special list approved by the RF Government Edict No.91-r dated January 23, 2003 and Appendix No.1 to these methodological recommendations based on written directives or instructions of the Government of the Russian Federation.

With respect to business entities of other organizational and legal forms, it is recommended to establish the composition, specific weight and annual target KPIs, composition and annual target functional KPIs of activity:

- for state corporations, state companies, public not-for-profit companies and other NGO by the management body of the organization based on instructions of the Government of the Russian Federation, taking into account decisions of the interdepartmental working group on their approval and considering proposals submitted by the Ministry of Finance and the Ministry of Economic Development of Russia;
- for JSCs that are subsidiaries of organizations listed in Appendix No.1 (except where such companies are listed therein) in accordance with the procedure provided for in the internal documents of such subsidiary JSCs.

The organization's management body establishes:

- minimum value of each KPI, which is equal to at least 80% of their target values, as well as their limit value, which is equal to no more than 120% of their target values;
- minimum value of each functional KPI, which is equal to at least 90% of their target values, as well as their limit value, which is equal to no more than 100% of their target values.

Minimum and threshold KPIs, including functional KPIs, are taken into account when considering remuneration of the organization's executives. For the purpose of assessing the achievement of such indicators, if the actual value achieved is below the established minimum, it is taken as zero, and if the actual value achieved is above the established threshold value, it is taken as such.

When considering remuneration to management staff of the organization based on the results of the reporting year, the following should be taken into account:

- KPI actually achieved in the reporting year;
- reasons for deviations (non-fulfillment or over-fulfillment) of actually achieved KPI and functional KPI from their established values, taking into account the position of the sectoral federal executive body;
- indicators of depreciation of the organization's management personnel;¹
- the actual values of functional KPIs achieved in the reporting year.

¹ For all organizations, this may be (1) the existence (absence) of arrears on wages to employees, (2) total debt to profit ratio interest, tax and depreciation, (3) excess established by the management body of the organization of a credit and loan to profit ratio before interest, tax and depreciation (4) a loss at the end of the reporting year (introduced at the end of 2023), (5) indicators characterizing shareholder yield, including dividend (introduced in late 2023) and other indicators, determined by the management body of the organization, corresponding to its specific financial-business. For financial companies, the following indicators are added:

When considering payment of remuneration to management staff of the organization based on quarterly results, the KPI achieved in the reporting year based on quarterly performance, set additionally in accordance with the methodological recommendations, should be taken into account.

When considering remuneration to the managerial officials of the organization with functional KPIs, it is recommended to take into account the amount of bonus related to the achievement of their annual target values in the amount from 15 to 50% of incentive payments established for the reporting year, unless otherwise agreed by the working group under the Government Commission on Optimization and Increasing the Efficiency of Budget Expenditures in accordance with the RF Government Decree No.209 of 13.02.2023 on conditions of remuneration of officials of the management staff of public organizations.

Decision to pay remuneration to the organization's management staff is taken considering the information on achievement of annual target values of functional KPIs posted in GAS Management and information on achievement of annual target values of KPIs posted via the IM portal in a manner and within timeframe specified in the methodological recommendations. The organization's management body sets deprecation indicators for untimely, incomplete or inaccurate placement of information required for monitoring the achievement of KPIs and functional KPIs in the amount of not less than 20% of incentive payments established for the reporting year, to the responsible official of the organization, whose duty is to place this information.

However, it was only last year that the document was properly algorithmized in the form of a special formula for determining the amount of remuneration to be paid to a member of the organization's governing body.

To summarize, it can be stated that total actual amount of bonus payments based on performance for the year consists of three types of bonuses for achieving annual target values of certain indicators: (1) KPIs, (2) project and non-project functional KPIs¹ (3) functional KPIs associated with implementation of especially meaningful projects).²

(1) deterioration in the ratio of arrears and (2) excess of the set indicator approved by the management body regarding its share.

- 1 Non -project functional KPIs – the result of the organization's activities on its individual functional directions, design functional KPI – the result of the implementation of a separate project.
- 2 Project having a significant impact on the country's economy, its defensive capacity or on ensuring economic security, technological sovereignty, structural adaptation of RF economy, for which liability for implementation rests with senior managerial officials of certain organizations, applying the provision on conditions of labor pay for CEO, their deputies, chief accountant and members of collective executive bodies of state corporations, state companies, economic entities with shares in the authorized capital owned by Russian Federation approved by the RF Government Decree No.209 of 13.02.2023 in accordance with certain directives (instructions) of the government, approved based on decisions made by the working group on budget stability under the Government Commission on optimization and improvement of efficiency of budgetary expenses (hereunder, working group on budget stability). Functional KPI, associated with implementation of EMP is the result of its implementation. Their approval is maintained exclusively based on directives (instructions) of the RF Government, developed in accordance with decisions of a working group on budget stability).

For all components, according to the employment contract, the amount of bonus is adjusted by a correction factor of the top manager's performance assessment, established by the organization's management body based on results of the reporting year in accordance with the procedure determined by its internal documents, and an integral assessment of the achievement of certain KPIs. The latter, in its turn, is calculated as the sum of products of specific weights of indicators and assessment of their achievement, calculated taking into account their minimum and maximum values. The essential difference between bonuses for achieving annual target values of KPIs is the reduction of the integral assessment of achievement by the amount of integral assessment of depreciation, which is not the case when determining the amount of bonus payments related to the second and third components.

Annexes No.2-5 to methodological recommendations, each of which contained a list of recommended KPIs, procedure for their calculation and procedure for setting target value for four categories of economic entities: (1) operating in a competitive market, (2) natural monopoly entities and infrastructure organizations, (3) development institutions, (4) financial companies, became invalid.¹

For better understanding, it should be recalled that lists of organizations of the above categories, whose KPIs are formed and applied in accordance with methodological recommendations, are contained in Annex No. 1.²

As of the end of 2023, they included:

- operating on the competitive market (71 units, in the initial version – 21 units);
- natural monopoly entities and infrastructure organizations (11 units, in the initial version – 4 units);
- development institutions (26 units, in the initial version – 24 units);
- financial companies (6 units, in the initial version – 8 units).

Thus, in 3 years since methodological recommendations were approved, the total number of embraced organizations has doubled from 57 to 114 units. This happened for all categories of organizations, except for financial companies, but mainly at the expense of organizations operating in the competitive market. Their number grew almost 3.5 times, and their share among all organizations covered by the document exceeded 60% against about 37% initially, when development institutions were most numerous.

The RF Government Decree No.1543 of 21.09.2023 also deserves attention. It approves the Rules for exercising control (analysis) functions of financial and business transactions of companies with state share in the authorized capital exceeds 50%, by the Treasury of the Russian Federation.

¹ For each of them, the recommended indicators were divided into three groups: (1) KPIs, characterizing profit and sustainability of organizations, (2) sectoral KPIs and (3) specialized KPIs.
² The RF Government Resolution of 27.06.2019 No.1388-r does not apply to the organizations specified in Annex No.1 on approval of current methodical recommendations for using Key Performance Indicators (KPIs) of business companies, where the share of participation of the Russian Federation or the subject of the Russian Federation exceeds 50% in the authorized capital, and performance indicators of government unitary enterprises to determine the remuneration of their senior staff.

The document defines the procedure for carrying out these functions in state corporations (companies), public not-for-profit companies and business entities based on instructions of the President, the Government and the Minister of Finance of the Russian Federation. Control (analysis) activities are carried out by means of desk and on-site activities by authorized officials of the Treasury. The document sets out the rights and obligations of authorized individuals and monitored objects, procedure for appointment and implementation of control (analysis) activities, specifics of drawing up a conclusion on results of these activities, and so on.¹

6. Impact of external pressures on property policy

Amid external sanctions pressure in 2022–2024, it was only natural that the regulation of certain aspects of curtailing the business activity of foreign businesses became the new trend in the state economic policy. The solution of this problem could be achieved by including a whole set of positive and negative incentives. The latter could be various conditions for the possible sale of their assets by foreign companies.²

Based on the Executive Order of the President of the Russian Federation No.81 dated 01.03.2022, transactions (operations) entailing the right of ownership of securities and real estate, carried out (executed) with persons of foreign states committing unfriendly actions, may be carried out (executed) based on permits issued by the Government Commission for Control over Foreign Investments in the Russian Federation (hereinafter – the Commission) and, if necessary, containing conditions for implementing (executing) such transactions (operations).

The RF Government Decree No.295 dated 06.03.2022 approved the Rules for issuing permits by the Commission for the purpose of implementing additional temporary economic measures to ensure financial stability of the Russian Federation and other permits provided for by certain Executive Orders of the President of the Russian Federation, as well as the implementation of other powers for the above purposes.

Among transactions, which the Commission authorizes, among others, are the following:

1. transactions of residents with parties from unfriendly countries entailing the emergence of ownership rights to securities and immovable property;
2. transactions of residents with parties from unfriendly countries that directly and (or) indirectly result in the establishment, change or termination of rights to own, use and (or) dispose of shares in the authorized capitals of limited liability companies (LLCs) (except for credit organizations and non-credit financial organizations) or other rights that allow determining terms of management of such LLCs and (or) terms of their entrepreneurial activities;

¹ URL: <http://rosim.gov.ru>

² The issue of positive incentives, including provision of various (mainly tax) benefits, is more traditional and is not considered further.

- mutual transactions of parties from unfriendly countries and with parties from other jurisdictions resulting directly and (or) indirectly in the establishment, change or termination of the rights to own, use and (or) dispose of shares of joint stock companies (JSCs) (except for credit organizations and non-credit financial organizations) or other rights allowing to determine conditions of management of such JSCs and (or) conditions of their entrepreneurial activities;
- transactions (operations) entailing direct and (or) indirect establishment, change or termination of rights to own, use and (or) dispose of more than 1% of shares, stakes (deposits) constituting the authorized (depository) capital of a Russian credit organization, insurance organization, non-state pension fund, microfinance organization or management company of a joint-stock investment fund, unit investment fund or non-state pension fund, or more than 1% percent of votes on such shares, stakes or deposits, if at least one of the parties (beneficiaries) of such transactions (operations) are those related to foreign states committing unfriendly acts.

In the course of work of the Government commission on control over realization of foreign investments in the Russian Federation at the very end of 2022 (minutes of meeting from 22.12.2022 No.118/1 placed in information system "ConsultantPlus") it was offered to proceed, as a rule, from expediency of establishment of the following conditions aimed to realize (execute) such transactions (operations):¹

- an independent appraisal of the market value of the assets;
- sale of assets at a discount of at least 50% of their market value specified in the asset appraisal report;
- setting KPIs for new shareholders (owners);
- payment installments for 1–2 years and (or) obligation to voluntarily send money to the federal budget in the amount of at least 10% of the amount of the transaction (operation) being carried out (performed).

Information of the Ministry of Finance and the Bank of Russia on approaches to making decisions on granting organizations permits to pay profits (dividends) to foreign participants (shareholders) in cases established by Executive Orders of the President of the Russian Federation, as a rule, subject to the following conditions, was taken note of:

- the amount of paid profit (dividends) is not more than 50% of the net profit for the previous year;
- considering results of retrospective analysis of profit (dividends) payment for previous periods;
- readiness of foreign participants (shareholders) of the organization to continue commercial activities in Russia;

¹ Extends to the alienation of securities, including shares, stakes (contributions) in the authorized (share) capitals of Russian business entities. Issuance by the Commission of authorizations for transactions and other actions in respect of business entities falling under the provisions of Federal Law No. 57-FZ (2008) "On the Procedure for Foreign Investments in strategic business entities for ensuring national defense and security of the state"), requires prior approval in accordance with this Law.

- considering positions of the Federal Executive Authorities and the Bank of Russia on assessment of significance of the organization's activities and the impact of the organization's activities on the technological and industrial sovereignty of Russia and socio-economic development of the country (its regions);
- setting quarterly KPIs for organizations by Federal Executive Authorities;
- possible quarterly payment of profits (dividends), provided the organization meets the established KPIs.

Despite certain systematization of approaches, with a wide range of options for behavior of foreign companies available, in particular cases, the state may resort to individualized options to regulate property relations.

The establishment of Sakhalin Energy LLC based on the Executive Order of the President of the Russian Federation No.416 of 30.06.2022, can be an example in the fuel-energy complex. It received rights and obligations transferred by Sakhalin Energy Investment Company Ltd, engaged in the development of oil and gas fields based on the 1994 Production Sharing Agreement (Sakhalin-2 Project).¹ It was foreseen to keep previous proportions of shares among participants: 50% – Gazprom (through Gazprom Sakhalin Holding), 27.5% – American Shell, 12.5% – Mitsui, 10% – Mitsubishi. Unlike Japanese participants, the US company did not agree to a change of jurisdiction. In spring 2023, the Russian government approved the sale of its stake for Rb94.8 bn to Gazprom's main competitor, the Russian private company Novatek.² However, slightly earlier, another Gazprom subsidiary, GPN – Middle East Projects, was authorized to acquire Shell's stakes (50%) in Khanty-Mansi Oil and Gas Union CJSC and Salym Petroleum Development LLC.³

Temporary management based on the Executive Order of the President of the Russian Federation No.302 dated 25.04.2023 "On temporary management of certain property" became a palliative option (compared to the possibility to transfer assets of foreign companies into ownership of the state or state-owned companies).

The document states that in case Russia and (or) Russian legal entities or individuals get disbarred of the right of ownership of property located in the territories of unfriendly foreign states, and (or) property rights, restriction of these rights or emergence of a threat of such disbar, restriction, threat to the national, economic, energy or other types of security of the Russian Federation, its defense capability, temporary management shall be introduced in respect of:

- movable and immovable property of foreign parties related to unfriendly foreign states located in the territory of Russia;
- securities, shares in authorized (share) capitals of Russian legal entities and property rights belonging to persons of unfriendly foreign states.

1 The Executive Order of the President of the Russian Federation from 05.08.2022 No.520 determined the overall background for application of special economic measures to fuel and energy the Russian Federation with a term of validity until the end of 2023, which does not covers the project «Sakhalin-2».

2 URL: <https://www.rbc.ru/business/12/04/2023/6436685a9a794795b0ec1f1f>

3 Putin authorized Gazprom Neft subsidiary to buy half of Shell's shares // RBC (rbc.ru).

Rosimushchestvo has been appointed as interim manager, but it can suggest another person to fulfil this duty. The introduced management is temporary (terminated by a decision of the President of the Russian Federation) and means that the original owner no longer has the right to make management decisions.

However, the Executive Order does not deprive owners of their assets, only restricting them from exercising their ownership rights in a number of aspects. The interim manager is authorized to ensure efficiency of enterprises in accordance with their importance for the Russian economy. Having no power to dispose of property, he performs the functions of taking an inventory of the property under temporary management and ensuring its safekeeping. The costs associated with temporary management of property are financed from the proceeds of its utilization. Such an approach implies the possibility of ensuring uninterrupted operation of companies significant for the national economy.

Initially, the list of assets placed under temporary management included some generating assets of paramount importance for the stable functioning of the Russian energy sector: shareholdings in PJSC Unipro (88.73%, controlled by Germany's Uniper¹ and Fortum (98,23% in two packages, control by Finnish Fortum).² Rosimushchestvo, appointed as interim manager, organized the necessary procedures, which resulted in a change of general directors of the companies.³

Later in the year, temporary management was extended to assets of a number of foreign companies in other types of activities.

In food industry, this affected France's Danone (production of dairy products, shareholdings in JSC DANONE RUSSIA)⁴ and Denmark's Carlsberg (brewing). In relation to the latter, it is about three stakes, which together constitute the entire capital of Baltika Breweries LLC. In printing industry, the following companies were placed under temporary management: Prime Print Moscow, Prime Print Ekaterinburg, Prime Print Chelyabinsk (fully owned by a foreign company), Prime Print Novosibirsk, and a stake in Prime Print Voronezh (majority ownership by a foreign company).

Despite large differences in the location of these printing houses, the Moscow City Government has been appointed as temporary manager for all of them, although initially, as in the case of food companies, this role was played by Rosimushchestvo. At the very end of 2023, temporary management involving the agency was established over the assets of a major car dealer, Rolf Group, including stakes in ROLF MOTORS LLC, ROLF Estate LLC and ROLF Tech LLC, which together constitute their entire capital.

It should be added that when the Federal Law No.470-FZ of 04.08.2023 "On the Specifics of Corporate Governance in Business Companies Deemed Economically

1 Operates 5 large thermal power plants (Surgutskaya GRES-2, Berezovskaya, Shaturskaya, Smolenskaya, Yaivinskaya).

2 Former TGC-10, operating 7 CHPPs in the Chelyabinsk and Tyumen regions, and about 30% of TGC-1, operating in the Northwestern Federal District, as well as a number of facilities in the Volga region, related to renewable energy sources (RES).

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

4 Temporary management was lifted in mid-March 2024

Significant Organizations” was entered into force, corporate events in holdings with representatives from unfriendly countries owning more than 50% of voting shares (stakes in the authorized capital), as well as the acquisition of public status by such organizations have been suspended. This means economically significant organizations, including state-owned companies.

Now, a foreign legal entity in these holding, that is associated with foreign states committing hostile actions against Russia, Russian legal entities and individuals cannot participate in such corporate events as election of boards of directors, distribution of net profit, including for dividends, changes in the amount of the authorized capital, etc.¹

7. Budgetary effect of state property policy

In 2023, in contrast to the previous year, federal budget revenues related to state property, showed obvious decline, especially in terms of revenues from the use of state property (from renewable sources). Reduction in payment of dividends by state-owned companies was the main reason of this decline.

Receipts from all other sources, including revenues from privatization and sale of property (from non-renewable sources), increased to varying degrees, but did not compensate for the reduction in dividend payments, i.e. the main source of property income.

Tables 5, 6 present the data on revenues from the reporting on the execution of the federal budget in terms of using state property and its sale only for a certain range of material objects.²

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

2 Excluded are federal revenue generated as payments for natural resources (including aquatic biological resources, forest revenues and in the use of subsoil resources), compensation for losses of agricultural production, recovery of agricultural land, as a result of financial transactions (income from accommodation budget funds (revenues from federal budget balances and allocations since 2006, as well as income from management of the Stabilization Fund of the Russian Federation (since 2009 – the Reserve Fund and National Wealth Fund), income from the disposition of sums accrued during auctions for the sale of shares owned by the Russian Federation), interest received from budget loans within the country at the expense of the federal budget funds, interest on government loans (receipts from foreign governments and their legal entities in payment of interest on credits granted to the Russian Federation, receipts of funds from legal entities (enterprises and organizations), constituent entities of the Russian Federation, municipalities in payment of interest and guarantees on loans received by the Russian Federation from foreign governments and international financial organizations)), from provision of paid services or compensation of the expenses of the state, transfer of profit to the Central Bank of the Russian Federation, some payments from state and municipal enterprises and organizations (patent fees and official registration fees of computer programs, databases and topologies of integrated circuits and other income, which until 2004 were part of the payments from state organizations (in addition to the income from the joint venture «Vietsovpetro» since 2001 and transfer of part of the profit of FSUE since 2002)), revenues from the implementation of production sharing agreements (PSA), proceeds from disposal and disposal of confiscated and other property converted into income of the State (including property transferred to the state ownership as inheritance or donation. treasures), lottery income, other property income and federally owned rights (proceeds from disposition of rights to results activities (R&D and technological works) of military, special and dual appointments, income from management of rights to scientific and technical activities, property of the Russian Federation, income from the operation and use of motor vehicles of vehicles registered in the territories of other states, disposal of the Russian Federation’s exclusive right to the results of intellectual property in the field of geodesy and cartography, payment

Table 5

**Federal budget revenues from using state property (renewable sources)
in 2000–2023, Rb mn**

Year	Total	Share dividends (2000–2023) and other equity income (2005–2023)	Rent for state-owned land	Income from renting out state-owned property	Income from transferring part of the profit remaining after taxes and other obligatory payments of FSUE	Revenues from other sources (2000–2007 and 2011) – from joint venture Vietsovpetro activities and 2018–2023 – from transfer of property in pledge, trust management
2000	23 244.5	5676.5	–	5 880.7	–	11 687.3 ^a
2001	29 241.9	64 78.0	3 916.7 ^b	5 015.7 ^c	209.6 ^d	13 621.9
2002	36 362.4	10 402.3	3 588.1	8 073.2	910.0	13 388.8
2003	41 261.1	12 395.8		10 276.8 ^e	2 387.6	16 200.9
2004	50 249.9	17 228.2	908.1 ^f	12 374.5 ^g	2 539.6	17 199.5
2005	56 103.2	19 291.9	1 769.2 ^h	14 521.2 ⁱ	2 445.9	18 075.0
2006	69 173.4	25 181.8	3 508.0 ^h	16 809.9 ^g	2 556.0	21 117.7
2007	80 331.85	43 542.7	4 841.4 ^h	18 195.2 ⁱ	3 231.7	10 520.85
2008	76 266.7	53 155.9	6 042.8 ^h	14 587.7 ⁱ	2 480.3	–
2009	31 849.6	10 114.2	6 470.5 ^h	13 507.6 ⁱ	1 757.3	–
2010	69 728.8	45 163.8	7 451.7 ^h	12 349.2 ⁱ	4 764.1	–
2011	104 304.0	79 441.0	8 210.5 ^h	11 241.25 ⁱ	4 637.85	773.4
2012	228 964.5	212 571.5	7 660.7 ^h	3 730.3 ⁱ	5 002.0	–
2013	153 826.25	134 832.0	7 739.7 ^h	4 042.71 + 1 015.75 ^m	6 196.1	–
2014	241 170.6	220 204.8	7 838.7 ^h	3 961.61 + 1 348.5 ^m	7 817.0	–
2015	285 371.1	259 772.0	9 032.3 ^k	5 593.81 + 1 687.8 ^m	9 285.2	–
2016	946 723.35/ 254 328.3 ^p	918 969.1/ 226 574.1 ^p	9 412.4 ^k	5 843.25 ^q + 3 026.7 ^m	9 471.9	–
2017	275 168.2	251 327.0	9 825.1 ^k	5 318.4 ^q + 2 857.7 ^m	5 840.0	–
2018	333 396.13	312 565.8	9 783.0 ^k	1 988.6 ^q + 2 922.6 ^m	6 136.0	0.13
2019	465 974.25	441 620.4	12 051.65 ^k	1 290.4 ^q + 3 239.2 ^m	7 616.9	155.7
2020	451 764.45	422 667.6	10 498.7 ^k	7 655.3 ^q + + 2 509.2 ^m + 28.8 ^p	8404.7	0.145
2021	36 4721.3	339 493.2	12 806 ^k	1 207.7 ^o + 3 615.4 ^m + + 24.1 ^e	7 572.4	2.481
2022	777 989.35	753 471.6	13 827.95 ^k	1 209.2 ^o + 3 494.8 ^m + + 876.4 ^p	5 078.0	31.4
2023	372 938.05	339 056.9	14 219.15 ^k	9 016.1 ^o + 3 965.5 ^m	6 564.3	116.1

^a According to the Ministry of property relations of the Russian Federation, the law on the execution of the federal budget for the year 2000 did not specify a separate column, while it was the amount of payments from state enterprises (Rb9887.1 mn) (without any specific components).

^b The amount of rent (i) for agricultural land and (ii) for urban and settlement land.

^c The amount of incomes from lease of property assigned to (1) research organizations, (2) educational institutions, (3) healthcare institutions, (4) state museums, state cultural and art institutions, (5) archival institutions, (6) Ministry of Defense of the Russian Federation, (7) organizations of the Ministry of Railways of the Russian Federation, (8) research service

for use of spatial data and materials that are not objects of copyright contained in the federal fund of spatial data and other receipts from the use of property owned by the Russian Federation) as well as from authorized activities of organizations that are credited to the federal budget, receipts from the sale of state stocks of precious metals and precious stones. Laws on the implementation of the federal budget (until 2015) were used, and then data of annual Federal Budget Performance Reports for January 1, 2016, 2017, 2018, 2019, 2020, 2021, Report on the Implementation of the consolidated budget of the Russian Federation and budgets of the state extra-budgetary funds as of 1 January 2022, report on the performance of the federal budget as of 1 January 2023 (annual) and report on the performance of the consolidated budget of the Russian Federation and budgets of the state extra-budgetary funds as of 1 January 2024 (monthly).

organizations of academies of sciences with the state status, and (9) other incomes from lease of state-owned property.

^d According to the Ministry of property relations of the Russian Federation, the law on the execution of the federal budget for the year 2001 did not specify a separate column, the value coincided with the value of other income in payments from state and municipal organizations.

^e Total amount of incomes from leasing out state-owned property (without the allocation of land rents).

^f Amount of rent (1) for urban and settlement lands and (2) for federally owned lands after the delimitation of state land ownership.

^g Amount of incomes from leasing out property assigned to (1) scientific organizations, (2) educational institutions, (3) health care institutions, (4) state cultural and art institutions, (5) state archival institutions, (6) postal institutions of federal postal service of the RF Ministry of digital development, communications and mass media of the Russian Federation, scientific service organizations of academies of sciences possessing state status and (8) other incomes from leasing out federally owned property.

^h Lease payment after the delimitation of state ownership of land and funds from sale of the right to conclude lease agreements for federally owned land (excluding land plots of federal autonomous (2008–2011) and budget (2011) institutions).

ⁱ Incomes from renting out property in the operational management of federal government bodies and relatively established institutions and in the economic management of FSUE: transferred for operational management to (1) research institutions having state status, (2) institutions of research service of the Russian Academy of sciences and sectoral Academies of sciences, (3) educational institutions, (4) healthcare institutions, (5) federal postal institutions of the Federal Communications Agency, (6) state cultural and art institutions, (7) state archival institutions, and (8) other income from renting out property located in the operational management of federal government bodies and respectively established institutions and in the economic management of FSUE¹ (for 2006–2009 without income from permitted activities and use of federal property located outside the RF territory, received abroad, which were not specified in the previous years²).

^j Incomes from renting out property in the operational management of federal government bodies and relatively established institutions (except for autonomous and budgetary institutions): transferred for operative management to (1) research institutions, (2) institutions of research service of the Russian Academy of sciences and sectoral academies of sciences, (3) educational institutions, (4) healthcare institutions, (5) state cultural and art institutions, (6) state archival institutions; (7) in the operational management of the Ministry of Defense and its subordinate institutions (2010), (8) in federal ownership managed by the Presidential Affairs Department (2010) according to the Edict, and (9) other incomes from renting out property in the operational management of federal government bodies and their established institutions (without income from permitted activities and use of federal property located outside the RF territory, received from abroad).

^k Rent after the demarcation of state ownership of land and funds from sale of the right to conclude lease agreements for federally owned land (except for land plots of federal budget and autonomous institutions), as well as (1) rent for land plots located within the right-of-way of federally owned public highways (2012–2022), (2) payment from the implementation of agreements on establishment of easements over the land within the right-of-way of public highways of federal importance for the construction (reconstruction), overhaul and operation of road service facilities, laying, relocation, rebuilding and operation of utilities, installation and use of advertising structures (2012 and 2014–2022), (3) payment under agreements to establish easements over federally owned land plots (2015–2022), (4) amount of unreasonable gains for using federally owned land with the right to dispose them is granted to federal government agencies in accordance with Russian legislation (2020–2022), (5) payment for public easement, as provided for by the decision of the authorized body to establish public easement over land plots owned by federal government agencies (2020–2022), (6) payment received under the agreement for granting the right to locate and operate a non-stationary trading facility, install and use advertising structures on federally owned land or land plots whose state ownership is not demarcated (2022).

1 In 2008–2009, no reference is made to FSUE as a source of income from leasing property in their economic operation, however, leasing of property under operation of the state federal bodies and enterprises created by them excludes property of federal autonomous entities.

2 According to the Russian Ministry of Property relations, income from the use of federal property, located abroad (in addition to income from the share of the Russian participant in JV Vietsovpetro), amounted to Rb315 mn in 1999 and Rb440 mn in 2000. In the future, the main role in organizing commercial use of federal real estate abroad is played now by the Federal State Unitary Enterprise “Property Management Enterprise”.

^l Incomes from renting out property under the operational management of federal government bodies and their relatively established institutions (except for budgetary and autonomous institutions): transferred under the operational management of: (1) research institutions, (2) educational institutions, (3) healthcare institutions, (4) state institutions of culture and art, (5) state archival institutions; (6) other income from renting out property operationally managed by federal government agencies, (7) federal government agencies, the Bank of Russia and authorities managing state non-budgetary funds of the Russian Federation, (8) federal government agencies (2015 only) (without income from use of federal property located outside the Russian Federation received abroad).

^m Income from leasing out property constituting part of the treasury of the Russian Federation (excluding land plots).

ⁿ Excluding funds received from the sale of Rosneft shares (Rb692.395 bn) (excluding payment of interim dividends).

^o Data for 2016–2022 are presented in aggregated form without distinguishing groups of institutions by industry. The generalized classification includes only 2 categories of income depending on the recipient of income from leasing (federal government agencies, the Bank of Russia and management bodies of state non-budgetary funds of the Russian Federation and federal treasury institutions). In the preliminary reporting for 2023, the data are presented without any distinction between categories of revenue recipients.

^p Amount of unreasonable gains for using property (excluding land plots) in federal ownership with the right to dispose in accordance with Russian law is granted to federal government agencies.

Sources: Federal budget execution laws for 2000–2014; Federal budget execution reports as of January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021 (annual); URL: <http://roskazna.gov.ru>; Report on the execution of the RF consolidated budget and budgets of state extra-budgetary funds as of January 1, 2022; URL: <http://budget.gov.ru>; Report on the execution of the federal budget as of January 1, 2023 (annual). URL: <https://roskazna.gov.ru/upload/iblock/0af/Otchet-ob-ispolnenii-FB-na-01.01.2023.zip>; Report on the execution of the consolidated budget of the Russian Federation and budgets of state extra-budgetary funds as of January 1, 2024 (monthly); own calculations.

Cumulative income from renewable sources reduced in 2023 compared with the previous year more than halve, amounting to about Rb373 bn. This was mainly due to payment of dividends to the budget (Rb339.1 bn), which reduced 2.2-fold against the indicator of 2022 (Rb753.5 bn), rolling back to 2021 (Rb339.5 bn) and markedly behind the 2019–2020 figures. At the same time, transfers of part of profits by unitary enterprises grew nearly by 30%. However, in terms of their absolute value (Rb6.6 bn), they yielded to indicators of 2019–2021.

Cumulative revenues from leasing out federal property increased by more than 2.3 times (up to Rb13 bn). This was mainly due to a radical increase in revenues from leasing out property under the operational management of federal government agencies and institutions created by them (except for budgetary and autonomous ones) – 7.5 times (over Rb9.0 bn). Revenues from renting out property owned by the treasury of the Russian Federation (excluding land plots) increased by 13.5% (almost to Rb4.0 bn).

Revenues from both sources turned out to be the maximum for the entire period after 2008–2009, when the revenues from the lease of the treasury property were not yet allocated. The share of the latter in the total amount of revenues from the lease of federal property amounted to about 30%, which is comparable to 2016–2017 and higher than the value for 2020, when the aggregate amount of lease revenues included payments of unjust enrichment for using property (except for land plots) owned by the federal government, the right to dispose of which in accordance with the legislation of the Russian Federation is granted to federal government agencies. In 2023, there were no such items in the budget reporting.

The value of budget revenues from land lease increased by almost 3% (more than Rb14.2 bn).¹

Dividends accounted for the lion's share (about 91%) in the overall structure of federal budget revenues from renewable sources, the same as a year earlier, reducing by 6 p.p. as compared with 2022 (about 97%). That way, specific weight of all other sources grew by 1-3 p.p.: the share of land lease payments was 3.8% (1.8% in 2022), property lease payments – 3.5% (0.7% in 2022), profits transferred by FSUE – 1.8% (0.6% in 2022).²

Referring to the analysis of federal budget revenues from privatization and sales of state property (*Table 6*), it should be noted that since 1999 revenues from sales of the main part of such assets (shares, and lands³ since 2003–2007) have been treated as sources of financing of its deficit.

Table 6

**Federal budget revenues from privatization and sale of property
(non-renewable sources) in 2000–2023, million rubles**

Year	Total	Sale of shares in the federal ownership (2000–2023) and other forms of participation in the authorized capital (2005–2023) ^a	Sale of land plots	Sale of various property (excluding movable property of budgetary and autonomous enterprises, as well as property of state unitary enterprises, including treasury)
2000	27 167.8	26 983.5	–	184.3 ^b
2001	10 307.9	9 583.9 ^c	119.6 ^c	217.5+386.5+0.4 (HMA) ^d
2002	10 448.9	8 255.9	1967.0 ^e	226.0 ^b
2003	94 077.6	89 758.6	3992.3 ^a	316.2+10.5 ^f
2004	70 548.1	65 726.9	3259.3 ^g	197.3+1364.6+0.04 (HMA) ^h
2005	41 254.2	34 987.6	5285.7 ⁱ	980.9 ^b

- 1 As in the previous year, income from lease of land includes income received in the form of rent for land plots located in the highway right-of-way of federally owned public highways (Rb10.5 mn), payment from the realization of agreements on establishing the easements for land plots within the boundaries of the right-of-way of federally owned highways for the purposes of construction (reconstruction), capital repair and operation of road service facilities, laying, relocation, rearrangement and operation of engineering communications, installation and operation of advertising structures (Rb55.5mn, payment under agreements on the establishment of easements, concluded by federal executive authorities, state enterprises or state institutions with respect to federally owned land plots (Rb135.1 mn), payment allocated for easements stipulated from 2021 by the decision of the authorized body to establish a public easement in respect of land plots owned by the federal government (except for land plots owned by the federal government and the exercise of powers of the Russian Federation to manage and dispose them has been delegated to the state authorities of the subjects of the Russian Federation) and not delegated to individuals and legal entities (except for bodies of state authorities (government bodies), local government bodies (municipal bodies), authorities managing state extra-budgetary funds, public institutions (Rb1.05 mn). As well as payment, allocated since 2022, received under the agreement to authorize the installation and operation of non-stationary trading objects, installation and operation of advertising structures on federally owned land or land plots and on lands and land plots with public property not delimited (Rb17.1 mn). At the same time, in contrast to 2020–2022, in the preliminary budget reporting there is no data on unjustified enrichment for the use of the federally owned land, the right to dispose which provided to federal government agencies in accordance with the legislation of the Russian Federation.
- 2 A new source of income emerged in the classification of federal budget revenues from the use of property in recent years, i.e., funds received from transfer of federally owned property (except for the property of federal budgetary and autonomous organizations, as well as the property of federal state unitary enterprises, including treasury enterprises), as a pledge, in trust management. However, its role in the structure of revenues from renewable sources remains insignificant (Rb116.1 mn).
- 3 In 2003–2004, taking into account the sale of lease rights.

Year	Total	Sale of shares in the federal ownership (2000–2023) and other forms of participation in the authorized capital (2005–2023) ^a	Sale of land plots	Sale of various property (excluding movable property of budgetary and autonomous enterprises, as well as property of state unitary enterprises, including treasury)
2006	24 726.4	17 567.9	5874.2 ^d	1 284.3 ^e
2007	25 429.4	19 274.3	959.6 ^e	5 195.5 ^e
2008	12 395.0	6 665.2 + 29.6	1 202.0 ^d	4 498.2+0.025 (HMA) ^f
2009	4 544.1	1 952.9	1 152.5 ^d	1 438.7 ^g
2010	18 677.6	14 914.4	1 376.2 ^d	2 387.0+0.039 (HMA) ^f
2011	136 660.1	126 207.5	2 425.2 ^d	8 027.4 ^h
2012	80 978.7	43 862.9	16 443.8 ^d	2 0671.7+0.338 (HMA) ^f
2013	55 288.6	41 633.3	1 212.75 ^d	12 442.2+0.310 (HMA) ^f
2014	41 155.35	29 724.0	1 912.6 ^d	9 517.7+1.048 (HMA) ^f
2015	18 604.1	6 304.0	1 634.55 ^d	10 665.5+0.062 (HMA) ^f
2016	416 470.5	406 795.2	2 112.7 ^d	7 562.6+0.012 (HMA) ^f
2017	21 906.7	14 284.5	1 199.6 ^d	6421.3+1.3 (HMA) ^f
2018	28 252.0	12 787.5	1 660.6 ^d	13 803.7+0.2 (HMA) ^f
2019	20 129.3	11 527.5	1 647.5 ^d	6 954.3 ^g
2020	27 961.5	12 570.7	3 235.5 ^d	11 247.2+1.9 (HMA) ^f +906.2 ^h
2021	20 265.85	5 272.0	2 455.6 ^d	11 492.4r +1045.85 ^e
2022	20 636.0	7 792.5	1 733.9 ^d	10 175.2r +934.4 ^e
2023	43 267.8	27 278.5	3 022.6 ^d	11 289.9r +1 676.8 ^e

^a The amount of Rb29.6 mn in 2008 (according to the data of the Report on the Federal Budget Execution as of January 1, 2009) is treated as a source of internal financing of the federal budget deficit, but is not included in the law on the Federal Budget Execution for 2008.

^b Proceeds from privatization of state-owned organizations attributable to the sources of internal financing of the federal budget deficit.

^c Income from sale of land plots and lease rights to state-owned land plots (with the allocation of those in which privatized enterprises are located), attributable to federal budget revenues.

^d The amount of revenues from (1) the sale of federally owned property attributable to sources of internal financing of the federal budget deficit, (2) revenues from (i) the sale of apartments, (ii) the sale of state production and non-production funds, transport facilities, other equipment and other tangible assets, and (3) revenues from sale of intangible assets (NMA) attributable to federal budget revenues.

^e Including Rb 6mn from sales of shares in the ownership of RF subjects.

^f Revenues from sale of land and intangible assets, the amount of revenues from which was not separately allocated, attributable to federal budget revenues.

^g Proceeds from sale of state-owned property (including Rb1.5 mn from sale of property owned by subjects of the Russian Federation) attributable to the sources of internal financing of the federal budget deficit.

^h Includes proceeds: (1) from sale of land plots with real estate located prior to alienation in federal ownership, credited to the federal budget, (2) from sale of other land plots, as well as from the sale of the right to conclude lease contracts, (3) from sale of land after the differentiation of land ownership, as well as from the sale of the right to conclude lease contracts, credited to the federal budget, referred to the sources of internal financing of the federal budget deficit.

ⁱ The amount of (1) proceeds from the sale of federally owned property attributable to sources of internal financing of the federal budget deficit, and (2) proceeds from the sale of intangible assets attributable to federal budget revenues.

^j Includes proceeds: (1) from sale of land plots prior to the delimitation of state ownership of land on which immovable property located prior to alienation in federal ownership, which are credited to the federal budget, (2) from sale of other land plots, as well as from sale of the right to conclude agreements on their lease, (3) from sale of land plots after demarcation of land ownership, as well as from sale of the right to conclude agreements on their lease, enrolled in the federal budget, attributable to the sources of internal financing of the federal budget deficit.

^k The amount of (1) proceeds from sale of federally owned property attributable to the sources of internal financing of the federal budget deficit, (2) proceeds (i) from sale of apartments, (ii) from sale of equipment, vehicles and other tangible assets credited to the federal budget, (iii) from sale of ship recycling products, (iiii) from sale of property of FSUE, institutions and military property, (iiiii) from the sale of weapons, military equipment and ammunition recycling products, (3) income from sale of intangible assets (NMA) attributable to the federal budget revenues.

^l Includes proceeds: (1) from sale of land plots before division of state ownership of land on which real estate located before alienation in federal ownership, (2) from sale of land plots after division of state ownership of land, credit to the federal budget, (3) from the sale of other land plots owned

by the state before the delimitation of state ownership of land and not designated for housing construction (the latter clarification applies only to 2006), attributable to the sources of financing of the federal budget deficit.

^m Revenues from sale of tangible and intangible assets (net of federal budget funds from the disposal and sale of confiscated and other property converted to state revenue) include revenues (1) from the sale of apartments, (2) from the sale of FSUE property, (3) from sale of property in the operational management of federal institutions, (4) from the sale of military property (5) from sale of recycled products from weapons, military equipment and ammunition, (6) from sale of other federally owned property, (7) from the sale of intangible assets, attributable to federal budget revenues

ⁿ Income from sale of tangible and intangible assets (excluding income in the form of the state's share of profitable production under production sharing agreements (PSAs) and federal budget funds from the disposal and sale of escheat, confiscated and other property turned over to the state) includes income (1) from sale of apartments, (2) from sale of the FSUE property, (3) from sale of property in the operational management of federal institutions, (4) from sale of military property, (5) from sale of products of the utilization of weapons, military equipment and ammunition; (6) income from sale of other property in federal ownership, attributable to federal budget revenues.

^o Proceeds from sale of land plots after the delimitation of land ownership, which are in federal ownership, attributable to the sources of financing the federal budget deficit.

^p Revenues from sale of tangible and intangible assets (excluding revenues in the form of the state's share of profitable production under production sharing agreements (PSAs) and federal budget funds from the disposal and sale of escheat, confiscated and other property converted to state revenue, funds from sale of sequestered wood) include income (1) from sale of apartments, (2) from sale of the FSUE property, (3) from sale of property in the operational management of federal institutions, (4) from sale of released tangible and intangible military and other property of federal executive bodies where military and equated to it service is provided, (5) from sale of military products from reserves of federal executive bodies under military-technical cooperation, (6) income from sale of other property in federal ownership, referred to the income of the federal budget

^q Income from sale of federally owned land plots (excluding land plots used by federal budgetary and autonomous institutions) (except for 2019–2023) attributable to federal budget revenues, as well as for 2015 and 2021–2023 also the payment for expanded in terms of area privately owned land plots as a result of the reallocation of such land plots and federally owned land plots.

^r Revenues from sale of tangible and intangible assets (excluding revenues from the state's share of profit production in the performance of production sharing agreements (PSA), federal budget funds from the disposal and sale of escheat, confiscated and other property turned over to the state, funds from the sale of sequestered wood (2008–2011), income from the release of material assets from state reserves of special raw and fissile materials (in terms of revenues from their sale), from temporary lending and other use), as well as for the years 2012–2020 without funds from the sale of timber obtained during the protection, conservation, re-production of forests when placing state orders for their implementation without the sale of forest plantations for timber harvesting, as well as timber obtained from the use of forests located on lands of the forest fund, in accordance with Articles 43–46 of the Forest Code of the Russian Federation¹, income from commodity interventions from the federal intervention fund of agricultural products, raw materials and foodstuffs, from release of tangible assets from the state reserve, from engaging prisoners in paid labor (in terms of selling finished products), from selling special storage products) include income from (1) sale of apartments, (2) sale of property in the operational management of federal institutions (excluding autonomous and budget institutions (2011–2023)), minus funds coming from activities of foreign missions (2015–2022²), (3) sale of released movable and immovable military and other property of federal executive bodies, in which military and equivalent service is stipulated, (4) sale of products of utilization of weapons, military equipment and ammunition, (5) sale of military products from the federal executive bodies' reserves as part of military-technical cooperation (2008 and 2010–2023), (6) sale of weapons and military equipment recycling products as part of the federal target program "Industrial disposal of weapons and military equipment" (2005–2010).) (up to and including 2017), (7) sale of immovable property of budgetary and autonomous institutions (2014–2018 and 2020–2023), (8) sale of other federally owned property, as well as income from sale of intangible assets (NMA) attributed to the federal budget revenues.

¹ This revenue item is not available in the 2021 statements.

² In the 2023 reporting, funds from activities carried out by the foreign institutions were not allocated. Therefore, the total amount of income from the sale of property under the operational management of federal agencies is probably somewhat overstated.

⁵ Revenues from privatization of property owned by the Russian Federation in terms of non-financial assets of the treasury.

Sources: Laws on Execution of the Federal Budget for 2000-2014; Reports on Execution of the Federal Budget as of January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, January 1, 2021 (annual). URL: <http://roskazna.gov.ru>; Report on Execution of the Consolidated Budget of the Russian Federation and Budgets of State Extrabudgetary Funds as of January 1, 2022 URL: <http://budget.gov.ru>; Report on Execution of the Federal Budget as of January 1, 2023 (annual). URL: <https://roskazna.gov.ru/upload/iblock/0af/Otchet-ob-ispolnenii-FB-na-01.01.2023.zip>; Report on the Execution of the Consolidated Budget of the Russian Federation and Budgets of State Extrabudgetary Funds as of January 1, 2024 (monthly); own calculations.

In absolute terms, federal property budget revenues from non-renewable sources increased more than twice in 2023 and constituted Rb43.3 bn), being maximum over 10 years since 2013.

Receipts from the sale of shares rose by almost 3.5 times (to Rb27.3 bn), which was the maximum since 2017. Revenues from the sale of land plots increased almost by 3/4, amounting to more than Rb3.0 bn.¹

For the period after 2012, this value is second only to the indicator of 2020 (Rb3.2 bn). Revenues from the sale of various property also increased (by almost 16%), and their absolute value amounted to about Rb13 bn, including revenues from the privatization of property owned by the Russian Federation in terms of non-financial assets of the Treasury property (Rb1,676.8 mn).

As a result, the bulk of the proceeds were provided by the sale of shares – more than 63% (about 38% in 2022), while the sale of property accounted for about 30%² of the proceeds (in 2022 – about 54%), and 7% for sale of lands (in 2022 – 8.4%).

However, total volume of federal budget revenues from privatization (sale) and use of state property in 2023 (*Table 7*) fell by 48% (to Rb416.2 bn) compared to the previous year. As a result, it was less than not only the maximum of 2016, but also of the indicators relevant to 2019–2020.

Table 7

Structure of federal budget material property revenues from various sources in 2000–2023

Year	Aggregate revenues from privatization (sale) and use of state property		Revenues from privatization and sale of property (non-renewable sources)		Income from using state property (renewable sources)	
	Rb mn	% to total	Rb mn	% to total	Rb mn	% to 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

1 Including revenues from sale of land plots owned by the federal government, in the use of budgetary and autonomous institutions (Rb19.6 mn). In 2022, they amounted to Rb4.4 mn, and a year earlier Rb76.4 mn (according to budget reporting data). Corresponding values of previous years presented in the Information of the Federal Treasury on indicators characterizing the efficiency of state management: 2015 – Rb0,433 mn, 2016 – Rb2,381 mn, 2017 – Rb4,962 mn, 2018 – 0,1835 mn, 2019 – Rb40.1 mn, 2020 – Rb298.3 mn.

2 Including revenues from privatization of property owned by the Russian Federation in terms of non-financial assets of the treasury property (3.9%).

Year	Aggregate revenues from privatization (sale) and use of state property		Revenues from privatization and sale of property (non-renewable sources)		Income from using state property (renewable sources)	
	Rb mn	% to total	Rb mn	% to total	Rb mn	% to total
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**
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	479 725.95	100.0	27 961.5	5.8	451 764.45	94.2
2021	384 987.15	100.0	20 265.85	5.3	364 721.3	94.7
2022	798 625.35	100.0	20 636.0	2.6	777 989.35	97.4
2023	416 205.85	100.0	43 267.8	10.4	372 938.05	89.6

* Taking into account funds received by the Central Bank of the Russian Federation from the sale of Sberbank shares (Rb 159.3bn), which probably slightly overestimates the total share of non-renewable sources because the budget did not receive these funds in full, but minus their book value and the amount of expenses related to the sale of these shares. Accordingly, the share of renewable sources is probably slightly underestimated;

** Excluding funds received from sale of Rosneft shares (Rb692.395 bn) (net of interim dividend payments).

Sources: Federal Budget Enforcement Acts 2000-2014; Federal Budget Enforcement Reports as of January 1, 2016, January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, and January 1, 2021 (annual). URL: <http://roskazna.gov.ru>; Report on execution of the consolidated budget of the Russian Federation and budgets of state extra-budgetary funds as of January 1, 2022. URL: <http://budget.gov.ru>; Federal budget performance report as of January 1, 2023 (annual). URL: <https://roskazna.gov.ru/upload/iblock/0aaf/Otchet-ob-ispolnenii-FB-na-01.01.2023.zip>; Report on execution of the consolidated budget of the Russian Federation and budgets of state extra-budgetary funds as of January 1, 2024 (monthly); own calculations.

The structure of aggregate revenues from privatization (sale) and use of state property shifted significantly towards the former. Their share increased 4 times, exceeding 10% for the first time since 2014 (except for 2016, when there was a transaction on the sale of Rosneft shares, the proceeds from which were deposited with federal budget in the form of dividends of Rosneftegaz).

The share of revenues from the use of state property fell below 90%. In terms of absolute value, they yielded to the indicators of 2019–2020, slightly exceeding the level of 2021. Revenues from privatization and sale of property turned out to be the highest since 2014, amounting to more than 3/4 of the value of 2013.

* * *

Results of the implementation of the federal privatization program in the new format with an annual shift of the start and end dates of the forecast privatization plan were impressive.

While the number of sold blocks of shares (stakes) of economic entities declined by more than a quarter, the volume of proceeds from this source increased by 3.5 times, being the maximum for the entire period of 2017–2023. This result was achieved to a high degree due to transactions in assets privatized according to individual government decisions, although not among the largest ones, allocated in the forecast plan for privatization under individual schemes. Some of them include conditions for fulfillment by buyers. The number of sold objects of the treasury amid the privatization program has slightly decreased. However, taking into account privatization of property excluded from the forecast privatization plan (according to the list approved by the Ministry of Finance of Russia), it exceeded the previous maximum in 2020 by about 1.5 times.

Further prospects of the privatization process are associated with another shift of the start and end dates of the current program by 2 years, i.e. 2024–2026. Its quantitative parameters do not differ much from the previous program. A new point is the allocation of state-owned enterprises among the FSUEs to be privatized, which was not previously included in privatization programs. In the group of companies, one JSC and one unitary enterprise (for corporatization) were left for privatization under individual schemes, which have been included in subsequent forecast plans for several years.

The amendments to the law on privatization are mainly in line with removing restrictions, concerning certain categories of property (objects of cultural heritage, gas supply, etc.).

The number of economic entities belonging to the federal property continued to decrease. A comparison of the September 2022 values against June 2023 from the forecast privatization plans shows that the number of unitary enterprises and business entities dropped by about 5–6% over this period. At the same time, the analysis of data from various sources (the System of Indicators for Assessing Efficiency of State Property Management and privatization program) shows that the aggregate share of companies where the state as a shareholder could exercise full corporate control exceeded 50% for the first time after 2016.

With minimal changes in the list of strategic organizations, the threshold of state corporate control increased in two companies, while the United Shipbuilding Corporation was transferred to VTB Bank for trust management. A distinctive feature of the previous year was a wave of lawsuits resulting in the alienation of assets of a number of companies that emerged based on privatized enterprises in favor of the state. The energy sector, chemical industry and ports were the most affected.

Dramatic innovations took place in the management of economic entities of the public sector. There is a new Regulation appeared on the remuneration of

labor of executive officers of state corporations, companies and business entities with a state share. Payments to top management are clearly structured with mandatory incentive payments based on annual performance results related to the achievement of target values of key performance indicators. At the same time, there is no list of business entities to which the new Regulation should apply. The relevant methodological recommendations on development and application of KPIs for state-owned JSCs and particular NPOs, which appeared back in late 2020, among other changes, were supplemented with a special formula for determining the amount of remuneration payable at the end of the reporting year to a member of the organization's governing body.

It consists of three types of bonuses for achieving target values of various KPIs, including functional, including those related to the implementation of particularly significant projects.

The structure of the report on the management of federal shareholdings submitted to the government by the Ministry of Finance, the Ministry of Defense and the Department of Presidential Affairs of the Russian Federation has become much more detailed.

Important amendments and additions were made to the Regulations on the Management of Federally Owned Shares in Joint-Stock Companies and Use of the Special Right of Participation of the Russian Federation in the Management of Joint-Stock Companies ("Golden Share"), 2004.

The scheme for Rosimushchestvo to develop draft directives for representatives of the state in the boards of directors of JSCs has been modified. Among other things, it determines the time period for Rosimushchestvo to submit to the Ministry of Finance draft directives to representatives of the interests of the Russian Federation on the boards of directors of JSCs included in the special list. Cases of terminating control over fulfillment of instructions of the highest officials of the country in the JSC Boards of Directors have been regulated, and replacement of state representatives in those companies where a special right ("golden share") is used.

Regulation of the withdrawal of foreign business, in particular, introduction of the practice of temporary management in respect of the assets of a number of foreign companies became an individual trend of the economic policy of the state under new economic and political situation in 2022–2024.

Revenues from renewable sources prevailed in the structure of federal budget revenues from privatization (sale) and use of state property, as a year earlier. However, their share decreased, amounting to about 90% against more than 97% in 2022. The main part of property income continued to be dividends transferred to the budget, with the volume more than halved, returning to the level of 2021. Revenues from other sources showed growth. The revenues from the lease of property under the operational management of federal government bodies and institutions (except for budgetary and autonomous ones), sale of shares (stakes) in business entities and land plots increased most noticeably.

