

State Plans \$29Bln in Sell-Offs

By [The Moscow Times](#)

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Russia plans its biggest sell-off of state assets since the early 1990s as it seeks to raise more than \$29 billion to plug budget gaps over the next three years, Finance Ministry sources said Saturday.

The sources said the plan to sell minority stakes in 10 major companies in 2011 to 2013 had been discussed and approved at a preliminary meeting chaired by Prime Minister Vladimir Putin.

The sales would include 27.1 percent in state oil pipeline monopoly Transneft, 24.16 percent of Russia's largest oil producer Rosneft, 24.5 percent of the country's second-largest bank VTB, 9.3 percent of Sberbank, and 25 percent minus one share of rail monopoly Russian Railways.

The state wants to cut its budget deficit to 4 percent of gross domestic product in 2011 and 2.9 percent in 2012, from about 5 percent — or \$80 billion — this year, but a presidential election in 2012 also puts pressure on the government to keep social spending high.

"The Finance Ministry has made proposals on possible privatizations in 2011-13, which will allow [us] to collect some 300 billion rubles [\$9.9 billion] a year," one of the sources said.

"The biggest companies will be up for sale in such a way that the government keeps controlling stakes," he added.

"The proposals were reviewed and judged realistic," he said.

Putin's spokesman, Dmitry Peskov, declined to comment.

The proposals see Russia reducing its stakes in most of the companies to 50 percent plus one share, which allows the government to still exercise full control over the decision-making process.

Other firms on the list include 28.11 percent of the Federal Grid Company, or FSK, 9.38 percent in hydropower generator RusHydro, 49 percent in mortgage agency AIZhK, 49 percent in agricultural bank Rosselkhozbank, and 25 percent minus one share in shipping major Sovcomflot.

Reuters calculations showed that sales of stakes in only six of the listed firms could generate more than \$30 billion, and if combined with unlisted majors such as Russian Railways or Sovcomflot, the privatizations could yield billions of dollars more.

A second source said the stake sale in Russian Railways was likely to happen later than other privatizations as the company was undergoing substantial restructuring. The sale of the stake in the mortgage agency is also unlikely to happen in the near future, he said.

The country's first wave of chaotic privatizations in the 1990s under then-President Boris Yeltsin resulted in major state oil and metals assets being sold for cheap to a group of well-connected businessmen, known in Russia as the oligarchs.

Putin, who was president from 2000 to 2008, has repeatedly criticized the sales and brought some of the assets back under state control, including through the bankruptcy of Yukos, whose oil fields were sold mostly to Rosneft at state-forced auctions.

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