

# Kudrin Sees 5-Year, \$50Bln Asset Sale

By [The Moscow Times](#)

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The government plans to earn \$50 billion from privatizations over the next five years and will overrule objections from state managers over the sale of their firms, Finance Minister Alexei Kudrin said Wednesday.

"We will have a privatization program for approximately five years, worth around \$10 billion a year," Kudrin said in an interview.

This marks an increase from a previously announced plan to earn some \$29 billion from asset sales over three years. Kudrin said new companies had been added to the list but declined to specify which ones.

The first plan had 10 companies, including Rosneft, Russian Railways, the Federal Grid Company and RusHydro.

"[The privatization plan] is in the high stage of preparedness. ... The plan that we have submitted, in general, is for five years starting from 2011, which does not mean that we

cannot start even this year if we are ready," Kudrin said.

Yury Solovyov, head of VTB Capital, a state-run investment bank and likely organizer of the deals, said Monday that two privatization transactions could happen this year, in the infrastructure and financial sectors.

"Now the situation on the whole is favorable for the sale. But ... volatility will be high for now on global markets, including on Russian assets. So if there is an insignificant fall, then we will press on with the plans. If there is a big fall, of more than 20 percent, then we will have to think," he said.

The sale would be Russia's biggest privatization since the 1990s, and some analysts have expressed doubt that stakes in the big firms really will be on offer after some previous promises failed to materialize.

This time, though, the government needs the cash to plug a budget deficit and to enable it to keep social spending high as Russia heads into 2012 presidential elections.

Kudrin played down the significance of the protests from the managers of some privatization targets, including oil pipeline monopoly Transneft, whose president, Nikolai Tokarev, has opposed the sale.

"The main thing is that the government wants to do it," Kudrin said.

"[The managers] will not get out of it, because it is not those officials who make the decisions, but the government. The government has, on the whole, decided on this issue. ... I do not think that the opinions of individual managers will change the government's position."

Privatization is a key step toward modernizing the economy and ensuring that in the future it can catch up with the fast pace of growth seen in other emerging markets, Kudrin said. For the next three years, Russia's economy can grow just 4 percent annually, he added — about half as much as China.

"To raise our [growth] potential, we need to carry out structural reforms, raise competitiveness in the economy, and improve the work of institutions of state governance," he said.

While the 2012 presidential vote should not shake the political stability in Russia, pre-election spending does pose a risk for the economy, and thus for potential investors in its privatization drive, Kudrin said.

"We are in the pre-election period, when there is a pressure on spending toward its increase. I think we cannot increase spending any further, but I understand that in such a period there is always a desire to solve some more social issues," Kudrin said.

"Budget spending for 2011 corresponds to the Finance Ministry's aims. The spending for 2012-13 is a bit higher."

Prime Minister Vladimir Putin on Tuesday pledged continued state support for industry in a sign that future spending commitments should not be ruled out.

Other internal risks for Russia include the need for extensive borrowing, high liquidity and fluctuations in oil prices, said Kudrin, who has held the post of deputy finance minister for a decade and is also a deputy prime minister.

Kudrin is credited with storing up oil revenues to help Russia through the crisis and is respected by foreign investors. He said his job was "very difficult" but he had no immediate plans to leave.

"I will resign in the spring of 2012 because the whole government will resign with the election of a new president," Kudrin said. "What happens later will be a separate discussion."

Investment banks could earn a fee bonanza of up to \$1.5 billion from the privatizations and are already lining up for mandates, the head of investment banking at Renaissance Capital said Wednesday.

"It's really up for grabs. There is a very large fee pool — the typical fee is 1 to 3 percent," Andrew Cornthwaite said in an interview.

Cornthwaite said RenCap was one of a long line of banks keen to take a slice of the auction process, adding that as a Moscow-grown institution it should have an advantage.

"We are seeking to advise on a number of the situations. We think the government will want to include as many homegrown banks on the program. There are a number of world-class investment banking operations in Moscow," he said, naming VTB Capital, Troika Dialog and RenCap in particular.

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