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New Privatization Scheme Unveiled

By Alexander Panin

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The Federal Property Management Agency is urging banks to give out loans to investors ready to purchase government assets as part of a new scheme to stimulate privatization, which has been slow to take off.

The loans provided by the banks will be backed by the privatized companies' shares, deputy head of the agency Ivan Aksenov told Vedomosti. He added that the agency is currently holding talks with top 20 banks on the details of loan agreements.

Under the proposed scheme the state does not aim to sell assets in large public companies but rather stakes in small and medium-sized businesses, Aksenov said.

The agency controls 1,700 companies with an annual turnover of under 60 million rubles ($1.8 million), out of which 1,100 are fully owned by the state. The agency plans to decide which ones are related to small and medium-sized business and are suitable for sale in the next six months.

"Our goal is not just to sell the assets at any price offered, but to attract long-term financing

so that these companies see further growth and development," Aksenov said in a statement.

Financial experts both in the banking sector and in the Cabinet were skeptical that the proposed scheme would be successful.

"It's one thing to give out loans to buy shares of public and financially stable companies — the interest rate in this case does not exceed 10 percent — but it's another matter to give out credit for the purchase of some unknown factory," a state banker told Vedomosti. There are many low-quality nontransparent companies in the privatization list and it would be very hard to persuade banks that they have any future, he added.

"The banks are already giving out loans to purchase these assets if they like them but it would be impossible to arrange the sales on a mass scale without putting pressure on the banks, which is inappropriate," a Cabinet source said.

However, the state will make efforts to make its companies more attractive, Aksenov said. Among the measures taken would be to improve corporate management, and to make businesses more transparent and more profitable.

Contact the author at a.panin@imedia.ru

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