

Kremlin Urged to Rethink Privatization Plans - Reports

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November 11, 2016



AP/Alexander Astafyev

A new government report is urging the Kremlin to rethink its privatization policy and keep more state assets under its control, [the Vedomosti newspaper reported Friday](#).

An unpublished report by Russia's Federal Property Management Agency warns that if state companies keep being sold to cover the country's growing budget deficit, the Kremlin could lose almost all of its assets within the next three to five years.

The document urged ministers to carefully weigh up any sale, seeing it as a last resort, Vedomosti reported.

Privatisation has been championed by Russian officials as a way to fill a gaping hole in budget revenues due to the low price of oil.

The government's 10.9 percent stake in the world's largest diamond mine, Alrosa, was sold

for 52.2 billion rubles (\$816 million) in July 2016.

Following that, the privatization of oil firm Bashneft sent shockwaves through Russia's business circles when the government's stake was snapped up by Rosneft - an enterprise owned by the Kremlin through its parent company, Rosneftgaz. The Russian government plans to sell its own shares in Rosneft at a later date.

How can one state-owned company privatize another? See: [Privatization by the State: The Strange Case of Bashneft](#)

Yet despite the apparent political will to sell on state assets, figures show that the Kremlin is struggling to sell as many companies as planned. Of those ear-marked for privatization between 2010 and 2015, just 20 percent of assets were successfully sold, Vedomosti reported.

The state and state-owned companies already control 70 percent of the Russian economy, according to a report released by the Federal Antimonopoly Commission earlier this year.

The Kremlin spent some 67.5 billion rubles (\$1 billion) to maintain government-owned enterprises last year, yet received only a fifth of that sum in dividends, Kommersant reported.

The Federal Property Management Agency is now urging the government to improve how state firms are run: forcing them to become transparent and carry out extensive auditing, the agency said.

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