

Session summary  
THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM 2011  
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Session title: **PRIVATIZATION**

### **Theme**

The Government of the Russian Federation is considering privatization and a reduction in its management of commercial organizations as one of the possible instruments for structural economic reforms, improvements in the competitive environment and attracting additional investment. The federal property privatization programme for 2011–2013 is a continuation of the policy aimed at reducing the government's presence in the economy and promotes the transition to innovative development.

### **Moderator**

Alexandra Levitskaya, Deputy Minister of Economic Development of the Russian Federation

### **Panelists**

Igor Shuvalov, First Deputy Prime Minister of the Russian Federation

Dmitry Pankin, Head of the Federal Financial Markets Service

Vladimir Mau, Rector, Russian Presidential Academy of National Economy and Public Administration

Ruben Aganbegyan, President, MICEX Russia

Vladimir Yakunin, President, Russian Railways

Vikram Pandit, Chief Executive Officer, Citigroup USA

### **Synopsis**

Opening the session, Ms. Levitskaya emphasized the importance of the topic. She noted that the total amount of privatization activity for the end of 2011 and beginning of 2012 was expected to be 500,000 million Russian roubles. Such ambitious targets will require a lot of hard work.

Mr. Shuvalov outlined the basic principles of a successful privatization process, such as proper consultation with specialists, quality of preparation, clarity, attraction of good investors, and selling at a reasonable prices.

The value of shares is identified by the specialists. If experts decided that the deal will be ineffective, it'll be cancelled. There are 23 investment banks participating in consulting process. VTB was mentioned as an example of effective share issue, and that Russia will learn from on and build upon this sell..

The panelists noted the low participation of the various regions of the Russian Federation in privatization activity. Only 30 regions have privatization plans in place, the most comprehensive and effective of them is the Moscow plan.

One of the main topics of discussion was the privatization that took place in Russia in the 1990s. The participants agreed that one had to take account of the period of time in which this happened. The privatization of the 1990s resulted in the rapid creation of the market and the economic growth of the 2000s. Today there are other motivations for privatization, from the political (to strengthen political system), to the strategic (to attract new investors, including foreign investors), to the fiscal (profit from sales). The participants agreed that although a high sale price is desirable, profit alone should not be the only goal.

As is evident from current transactions, shareholders and company executives do not wish for a total withdrawal of the state from share ownership and would like to see the state maintain a blocking shareholding. Many see the state as a guarantee of secured prosperity.

Mr. Yakunin briefly described the successful intermediate results of privatization by Russian Railways, which has sold off of some of its subsidiaries and property. The company also placed GBP-denominated bonds at a 20-year rate of 7.029%.

Mr. Pankin discussed the matter of selling shares in Russia versus on foreign markets. Mr. Aganbegyan also weighed in on the topic of market share and said that he supports the idea of developing Moscow as an international financial centre.

It was mentioned that an increase in capital outflows indicates decreased confidence in the investment climate. This problem should be solved in parallel with privatization.

Mr. Pandit said that the changes taking place in Russia are reason for optimism. In Russia, there are two main tasks in addition to the overall goals of privatization: to reduce complexity and achieve transparency.

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