

Market Could Put Brakes on Privatization

By [The Moscow Times](#)

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The prospect of a delay in selling stakes in state-run Russian companies such as Transneft reduces their incentive to improve corporate governance, according to HSBC Holding.

Deputy Prime Minister Igor Sechin sent a letter to Prime Minister Vladimir Putin last month recommending that the government not sell stakes in Transneft, Rosneft, RusHydro and Zarubezhneft this year because of low market prices, the Kommersant newspaper reported last week. Russia won't sell stakes in state-run companies at low prices, Dmitry Peskov, a spokesman for Putin, said Jan. 11.

"The government has to decide for itself on the goals of privatization," said Alexander Morozov, chief economist for Russia and CIS at HSBC in Moscow. "Is it about budget revenue or is it about a cut in the government's role in the economy and an improvement in corporate governance? It's most likely that privatization will be delayed and it's particularly negative for Transneft."

As the government considers delaying the stake sales, its focus is shifting to dividends

of those companies, helping Gazprom, Rosneft and Transneft, Chris Weafer and Ovanes Oganisian, strategists at Troika Dialog, said in an e-mailed report late last week. Transneft operates Russia's oil pipelines and ships 93 percent of Russian-produced crude, according to the company's web site.

"A meaningful dividend policy for state-owned entities is a much more immediate goal, which will also help improve valuations and deepen Russia's financial system," Weafer and Oganisian said in the report, adding that stakes in some companies, including Rosneft and RusHydro, may be delayed until at least 2013.

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