

**BASIC PROVISIONS OF THE STATE PROGRAMME OF PRIVATIZATION  
OF STATE-OWNED AND MUNICIPAL ENTERPRISES IN THE RUSSIAN  
FEDERATION AFTER JULY 1, 1994**  
(Approved by the Decree of the President of  
the Russian Federation No. 1535 of July 22, 1994)  
(with the Amendments and Additions of April 16, 1998, January 25, 1999)

*Decree of the President of the Russian Federation No. 632 of May 21, 1999 established that the Basic Provisions shall be applicable in the course of the privatization of municipal property including plots of land unless a different procedure and terms for the privatization of such property have been established by the populace of municipal entities directly or bodies of local self-government acting within the competence thereof under the Federal Law on the General Principles of the Organization of Local SelfGovernment in the Russian Federation*

*According to Letter of the Higher Arbitration Court of the Russian Federation No. S1-7/OZ-378 of July 6, 1995 these Provisions shall be applied in the part not contradicting Decree of the President of the Russian Federation No. 478 of May 11, 1995*

*On the Privatization of the State Property and on the Principles of Privatization of the Municipal Property in the Russian Federation see Federal Law No. 123-FZ of July 21, 1997*

Section 1. Introduction

Section 2. The Transformation of State-owned and Municipal Enterprises into Joint-Stock Companies and the Procedure for the Adoption of Decisions on Their Privatization

Section 3. Methods of Privatization and Privileges Granted During Privatization

Section 4. Privatization of Realty

Section 5. Support for the Reconstruction of Privatized Enterprises

Section 6. Distribution of Pecuniary Means Received from Privatization

## **1. Introduction**

The Basic Provisions of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation (hereinafter referred to as Basic Provisions) have been elaborated in accordance with the Law of the Russian Federation on the Privatization of State-owned and Municipal Enterprises with due account of the experience and the results of privatization carried out in 1992- 1994. The Basic Provisions establish the goals and the procedure for the application of the provisions of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation , approved by the Decree of the President of the Russian Federation No. 2284 of December 24, 1993 (hereinafter referred to as the Programme) after the completion of the term of operation of privatization vouchers.

**1.1.** The principal goals of privatization of state-owned and municipal enterprises after the completion of the term of operation of privatization vouchers include:

- the growth of efficiency of the Russian economy as a whole and the performance of individual enterprises;
- the formation of a broad stratum of private owners and the promotion of this process;
- the attraction of investments to production, including foreign investments;
- assistance in the realization of measures of the social protection of the population, and also in the protection of the rights of private owners (shareholders).

**1.2.** Privatization of the state-owned and municipal enterprises establishments and the social infrastructure facilities assigned to them (including living quarters located in buildings of instructional, production, social and cultural designation), the clinics of medical education

institutions, and also the institutions and organisations of public health (except for pharmacies and pharmacy enterprises) shall not be effected before the adoption of an appropriate federal law.

*Federal Law No. 74-fz of May 16, 1995 introduced a moratorium for a term of three years on the privatization of state-owned and municipal educational establishments of all types, including the facilities of their production and social infrastructure*

**1.3.** Land plots shall be acquired into ownership in accordance with the Decree of the President of the Russian Federation [No. 631 of June 14, 1992](#) on the Approval of the Procedure for the Sale of Land Plots During the Privatization of State-owned and Municipal Enterprises, the Expansion and Additional Building of These Enterprises, and Also of Land Plots Granted to Individuals and Their Associations for Business Activity and the Decree of the President of the Russian Federation [No. 1767 of October 27, 1993](#) on the Regulation of Land Relations and the Development of the Agrarian Reform in Russia, and also [Section 4](#) of the Basic Provisions. After the adoption of the Land Code of the Russian Federation the said procedure shall be brought into conformity with this Code.

*The [Land Code](#) of the Russian Federation was adopted by the State Duma of October 25, 2001. It shall come into force after its [official publication](#)*

*Concerning the certain questions arising from the sale of land plots to the owners of privatized enterprises, buildings, structures and premises see [Explanation](#) endorsed by the Order of the State Property Management Committee of the Russian Federation No. 818-r of June 15, 1995, [Letter](#) of the State Property Management Committee of the Russian Federation No. SB-2/6388 of July 18, 1995*

**1.4.** The decisions on the privatization of state-owned and municipal enterprises adopted before the approval of the Basic Provisions shall be subject to obligatory implementation.

**1.5.** State-owned and municipal enterprises, shares of public companies set up by transforming state-owned and municipal enterprises whose plans of privatization were approved before July 1, 1994 shall be sold in keeping with the approved plans of privatization and the order of payment, established by the [Decree](#) of the President of the Russian Federation No. 1374 of June 28, 1994 on Measures to Protect the Interests of Individuals at the Stage of Transition from Voucher to Monetary Privatization.

The shares of the joint-stock companies set up by way of transforming state-owned enterprises before the approval of the Basic Provisions, except for those fixed in state ownership in the statutory manner shall be sold before January 1, 1995.

The shares of the joint-stock companies, subject to sale at specialized voucher auctions in conformity with privatization plans approved before July 1, 1994 but not sold prior to the adoption of the Basic Provisions, shall be sold at auctions or tenders for ready money.

**1.6.** The methods of privatization, the requirements and benefits granted during privatization, introduced by the Basic Provisions, shall be binding on the organs of state power of the Russian Federation, the subjects of the Russian Federation and the local self-government bodies. Said organs shall not be allowed to introduce restrictions on the privatization of enterprises and other property held in state or municipal ownership, if they are not provided for by the [Programme](#) and the Basic Provisions.

## **2. The Transformation of State-owned and Municipal Enterprises into Joint-Stock Companies and the Procedure for the Adoption of Decisions on Their Privatization**

**2.1.** State-owned and municipal enterprises with the book value of their fixed assets of 20 million roubles and more as on January 1, 1994 shall be transformed into public companies with the one-time granting of benefits to the members of work collectives and persons equated therewith in

keeping with the requirements of the Basic Provisions, except for the enterprises:

- referred to [Section 2.1](#) of the Programme;
- on whose basis there have been or being set up government enterprises not subject to privatization (factories and farms) in accordance with the [Decree](#) of the President of the Russian Federation No. 1003 of May 23, 1994 on the Reform of State-owned Enterprises;
- subject to sale to partnerships in keeping with [Item 5.16](#) of the Programme;
- with the participation of foreign investments.

**2.2.** The respective property management committees shall be founders of public companies being set up.

**2.3.** State-owned enterprises shall be transformed into public companies in the order prescribed by the [Decree](#) of the President of the Russian Federation No. 721 of July 1, 1992 on Organizational Measures to Transform State-owned Enterprises and Voluntary Associations of State-owned Enterprises into Joint-stock Companies with due account of the Basic Provisions.

The working commission set up at every enterprise subject to the transformation into a public company shall draft and submit for approval by the respective property management committee the following documents (hereinafter referred to as documents):

- a privatization plan;
- an act of property valuation;
- statutes of a joint-stock company prepared in keeping with the standard statutes of a public company, set up by way of transforming a state-owned or municipal enterprise.

The standard form of the enterprise's privatization plan transformed into a public company shall be approved by the State Property Management Committee of Russia.

The approved privatization plan shall be at the same time as application for the state registration of a public company, set up in the process of transforming a state-owned or municipal enterprise.

If the documents established by the respective state property management committee are not submitted, the said documents shall be prepared by the privatization commission, created by the committee and acting in line with the [Decree](#) of the President of the Russian Federation No. 66 of January 29, 1992 on the Acceleration of the Privatization of State-owned and Municipal Enterprises, on the basis of the enterprise's balance submitted by it to the tax inspection team in the place of location of the enterprise.

The director and the chief accountant shall bear responsibility for the authenticity of the act of property valuation.

**2.4.** Decisions on the privatization of facilities and enterprises relating to [Sections 2.2](#) and [2.3](#) of the Programme shall be adopted on the basis of federal laws and acts of the President of the Russian Federation by the Government of the Russian Federation, the State Property Management Committee of Russia and the property management committees vested with the rights of the territorial agencies of the State Property Management Committee of Russia.

Pending the adoption of the federal law on the approval of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation after July 1, 1994 decisions on the privatization of facilities and enterprises, referred to in [Appendix 3](#) to the Basic Provisions shall be taken in accordance with the procedure set forth in this Appendix.

No privatization of facilities and enterprises to which the restrictions established by the [Programme](#) and the Basic Provisions apply shall be allowed without the authorization of the appropriate bodies.

**2.5.** To take a decision on the privatization of enterprises held in federal ownership and relating to [Sections 2.2](#) and [2.3](#) of the Programme, the property management committee vested with the rights of a territorial agency of the State Property Management Committee of Russia shall be obliged within three days to send the documents drafted by the working commission:

- on enterprises covered by [Section 2.2](#)- to the State Property Management Committee of Russia, while their copies- to the respective (branch) federal executive body and to the financial body in the place of location of the enterprise;
- on enterprises covered by [Section 2.3](#)- to the financial body in the place of location or

registration of the enterprise, while the copies of documents and the draft decision on privatization- to the respective (branch) federal executive body.

The copies of documents shall also be forwarded to the following bodies:

- to the respective local self-government body in the place of location of the enterprise;

- to the State Committee for Antimonopoly Policy of Russia or its territorial administration in cases requiring their conclusion.

Within two weeks after the receipt of documents the respective (branch) federal executive body, the State Committee for Antimonopoly Policy of Russia or its territorial agency, and also the relevant local self-government body shall send their findings on the availability of grounds for the refusal to privatize the enterprise or on the application of one of the restrictions on privatization provided for by this Section, or to the State Property Management Committee of Russia or its territorial agency.

On enterprises relating to [Section 2.3](#) of the Programme a decision about privatization shall be taken by the head of a territorial agency of the State Property Management Committee of Russia within one month after documents were sent to the respective (branch) federal executive body. This decision shall be taken into account according to the conclusion of the relevant (branch) federal executive body, the State Committee for Antimonopoly Policy of Russia or its territorial administration (on facilities requiring their conclusion), or the relevant local self-government body.

After the term fixed for the submission of conclusion on the impossibility of privatization, or in the absence of such conclusions, the head of the respective territorial agency of the State Property Management Committee of Russia shall be obliged to make a decision on privatization.

Should the territorial agency of the State Property Management Committee of Russia refuse to carry out privatization or in the presence of disagreements between the respective (branch) federal executive body, the local self-government body and the territorial agency of the State Property Management Committee of Russia on matters involved in the privatization of the enterprise and relating to [Section 2.3](#) of the Programme, the State Property Management Committee of Russia shall be free to consider the possibility of its privatization with due account of the opinion expressed by the corresponding federal executive body.

The Government of the Russian Federation may permit the privatization of individual production units which do not put out special products in the enterprises relating to [Section 2.1](#) of the Programme.

After the receipt of documents from its territorial agency the State Property Management Committee of Russia shall submit to the Government of the Russian Federation the draft of a relevant order on the facilities and enterprises relating to [Section 2.2](#) of the Programme (with the appended conclusions of the corresponding federal executive bodies).

Within six weeks after the submission, the Government of the Russian Federation shall consider the draft and make the appropriate decision. When necessary, the general term of considering documents by the Government of the Russian Federation may be prolonged by its decision but for not more than three months.

If the Government of the Russian Federation has made a decision to refuse to privatize, the State Property Management Committee of Russia shall forward a copy of the Government's order at the address of the corresponding territorial agency of the State Property Management Committee of Russia, and also the corresponding (branch) federal executive body within one week from the time of the adoption of a decision.

Changes in the terms of considering documents on privatization and the adoption of decisions shall not be allowed.

**2.6.** While considering the question of privatizing facilities and enterprises relating to [Sections 2.2](#) and [2.3](#) of the Programme, the Government of the Russian Federation, the State Property Management Committee of Russia and its territorial agencies may take the following decisions:

1) on the prohibition to effect privatization;

2) on the introduction of restriction on privatization exclusively in the form of holding blocks of ordinary (with the right of vote) shares (51 and 25.5 percent) in federal ownership or in the form of the issue (announcement) of a [Gold Share](#);

3) on the authorization to effect privatization without any limitation.

**2.7.** While transforming into joint-stock companies the enterprises relating to [Sections 2.2](#) and [2.3](#) of the Programme, the Government of the Russian Federation and the State Property Management Committee of Russia shall determine the goals, conditions and terms of fixing blocks of shares and the [Golden Share](#) in federal ownership with due account of the opinion of the respective federal executive bodies and the organs of state power in the subjects of the Russian Federation.

A decision on holding in federal ownership 51 and 25.5 percent of ordinary shares may be taken for a term of three years only in respect of enterprises engaged in the following spheres of activity:

communication;

*Decree of the President of the Russian Federation No. 1333 of September 9, 1996 prolonged till December 31, 1998 the period of securing in the federal ownership the shares of the joint-stock companies of the fuel industry and power generation having a strategic importance for ensuring the national security of the country*

generation and distribution of electric power;  
production, refining and sale of oil, natural gas and gas condensate;  
extraction and processing of precious metals, precious stones, radioactive and rare-earth elements;  
development, production and repair of arms, military and space technology and ammunition;  
atomic engineering;  
production of alcohol and liqueur products;  
patent service, standardization and metrology;  
geology, geodesy and cartography;  
gas service enterprises;  
enterprises engaged in carriages by sea, river and air transport, and also airports, sea and river ports;  
enterprises and facilities in the scientific-technical sphere of chemical complex with technological facilities operating with toxic substances of the danger of the first and second category, and also producing such substances of the first category of explosion risk;  
enterprises of the medical industry producing potent and toxic substances;  
scientific-research and research and development enterprises;  
state scientific centres;  
specialized enterprises building and operating facilities intended for national security;  
enterprises of wholesale trade purchasing products and materials in order to meet state needs and carry on export and import operations in order to enforce interstate agreements;  
specialized refrigerators, grain elevators, and storehouses for keeping state reserves on a permanent basis, for forming federal food stocks and mobilization reserves;  
foreign trade enterprises;  
circuses and organisations of the Russian Circus Company;  
socio-cultural enterprises and facilities (except for those that form a part of the complex of privatized enterprises).

The share holdings of privatized enterprises of said branches held in federal ownership for a term of three years consist of ordinary shares, which shall be transferred before the expiration of the term of their premature sale, indicated in the privatization plan, or the adoption of a decision on such sale by the respective property management committee, to management by authorized legal or natural persons. Prior to the adoption of a corresponding federal law decisions on such transfer or on the procedure for their passage by property management committees shall be taken by the Government of the Russian Federation.

The Government of the Russian Federation shall be given the exclusive right to make decisions on assigning a shareholding consisting of 51 percent of ordinary shares.

In case of the expiration of the term of holding shares in federal ownership, and in the presence of an application for the privatization of the earlier assigned block of shares, the Government of the Russian Federation and the State Property Management Committee of Russia (in line with their jurisdiction) shall be free to make decisions on the prolongation of the holding of said shares, or part thereof in federal ownership, for a term of up to three years.

The Government of the Russian Federation and the State Property Management Committee of Russia shall have the right to make decisions on the short-of-the-term sale of shareholdings held in federal ownership.

Decisions on the replacement of the shareholdings held in federal ownership under their decisions by the [Golden Share](#) shall be taken by the Government of the Russian Federation with due account of the opinion of the State Property Management Committee of Russia and the bodies charged with the right to the management of the state share of property.

No simultaneous holding of the [Golden Share](#) and of any other shareholdings in state ownership shall be allowed.

**2.8.** If an enterprise has a government order that does not exceed 30 per cent of the total volume of products sold by it, and also an assignment for mobilization, the duties of keeping state secrets and the safe conduct of works shall not be a ground for holding in federal ownership any shareholdings during the period of its transformation into a joint-stock company.

The State Property Management Committee of Russia shall ensure the inclusion of the duties listed in this Item into the statutes of public companies to be set up by way of transforming said enterprises and organisations.

**2.9.** By agreement with the State Committee of Russia for Antimonopoly Policy the State Property Management Committee of Russia shall have the right to authorize the creation of holding companies on the basis of the sea and river steamship lines that carry cargoes to the Far North areas and the localities equated therewith and from one basis to another in case of their reorganisation during privatization by dividing them into independent joint-stock companies or by singling out their subdivisions as subsidiary joint-stock companies.

**2.10.** Prior to the adoption of a relevant federal law the shares held in federal ownership shall be transferred in trust in accordance with the [Decree](#) of the President of the Russian Federation No. 2296 of December 24, 1993 on Trust.

**2.11.** The normative acts of the organs of state power in the subjects of the Russian Federation on the matters regulated by the [Programme](#) and Basic Provisions may not contradict the legislation of the Russian Federation on privatization, including to change or supplement the methods of privatization envisaged by it. The said normative acts may not alter the procedure and terms of privatization, provide for a different method of coordination, authorization and approval of documents, and also the implementation of other actions not stipulated by the legislation of the Russian Federation. The list of said actions envisaged by the legislation of the Russian Federation on privatization shall be regarded as exhaustive.

**2.12.** The organs of state power in the subjects of the Russian Federation and the local self-government bodies shall have the right to take decisions:

1) in respect of the enterprises relating to [Section 2.4](#) of the Programme and to the respective type of property:

on the prohibition of privatization;

on the size of shareholdings and the terms of their holding in state (municipal) ownership and on the issue of a [Golden Share](#) when enterprises issue shares in compliance with the features referred to in [Item 2.7](#) of the Basic Provisions;

on the premature sale of shares held in state ownership;

2) in respect of other enterprises relating to the corresponding type of property:

on the transformation of state (municipal) enterprises into public companies, regardless of the value of fixed assets;

on the choice of a method of selling shareholdings in keeping with the Basic Provisions;

on the exclusion from the property, reckoned during the estimation of the authorized capital of a privatized enterprise, of socio-cultural and communal-domestic facilities (houses of culture,

stadiums, sports facilities, boiler-rooms, etc.) serving the local population.

In the process of privatization the competence shall be distributed between the executive bodies and the representative organs of state power in the subjects of the Russian Federation (local self-government bodies) in accordance with the legislation of the Russian Federation and the subjects of the Russian Federation.

**2.13.** By decision of the organs of state power in the subjects of the Russian Federation and the local self-government bodies the activity of the bodies carrying out privatization may be additionally financed from the resources of the corresponding budget.

### **3. Methods of Privatization and Privileges Granted During Privatization**

**3.1.** A concrete method of the privatization of an enterprise shall be determined by the working commission or the privatization commission of the respective property management committee in accordance with the [Law](#) of the Russian Federation on the Privatization of State-owned and Municipal Enterprises in the Russian Federation, the Privatization [Programme](#), the Basic Provisions, and also by the regional (the subjects of the Russian Federation) and local programmes of privatization and other normative acts not inconsistent with the above-mentioned legislative acts of the Russian Federation.

**3.2.** Provision shall be made for the use of the following methods of privatization in the order prescribed by the Basic Provisions:

**3.2.1.** The gratuitous transfer of shares of public companies, set up in the process of privatization, to the workers of said enterprises and to the persons equated therewith in keeping with privileges granted by the Basic Provisions.

**3.2.2.** The sale of shares of public companies, set up in the process of privatization:

- to the workers of enterprises and the persons equated therewith under the closed subscription in accordance with the privileges granted to them by the Basic Provisions;
- under the investment tender;
- under a commercial tender;
- at an auction, including the one held with the use of the share market (e.g. stock exchanges);
- at a specialized auction for the sale of shares.

**3.2.3.** The sale of enterprises that are not joint-stock companies:

- at auctions;
- at commercial tenders, including those with a limited number of participants;
- by investment tenders.

**3.2.4.** Redemption of leased property.

**3.2.5.** Sale of enterprises to partnerships in conformity with fringe benefits provided for by [Item 5.16](#) of the Programme.

*[Regulations for the Sale of Enterprises to the Partnerships Set Up Exclusively by the Personnel of the Enterprises Where the Disabled Persons Account for 50 and More Per Cent of the Total Staff were approved by the Order of the State Property Management Committee of the Russian Federation No. 2714-r of November 21, 1994](#)*

**3.3.** All state-owned (municipal) enterprises shall be divided into two groups in respect of the used methods of privatization:

the first group includes small enterprises with a book value of their fixed assets of about 20 millions roubles as on January 1, 1994, which are subject to sale at a commercial or investment tender or auction;

the second group includes all the other enterprises transformed into public companies whose shares may be sold by any method envisaged by the Basic Provisions.

**3.4.** Sale of Shares of a Public Company

The shares of a public company, set up by way of transforming a state (municipal) enterprise, shall be sold in the following sequence:

sale (gratuitous transfer) of shares to the workers of a privatized enterprise and to the persons

equated therewith in keeping with the chosen variant of privileges;

sale of each shareholding comprising not less than 15-25 percent of the authorized capital by an investment tender or/and by a commercial tender, or/and of an auction (except for a specialized auction for the sale of shares);

sale of the remaining shares at specialized auctions for the sale of shares, including interregional and all-Russia specialized auctions for the sale of shares.

The shares of the joint-stock companies set up by way of transforming state-owned (municipal) enterprises shall be sold during the year since the time of approval of a privatization plan.

Changes of the terms and methods of the sale of shares following from the Basic Provisions shall be introduced in privatization plans by a permanently functioning commission, set up jointly by the corresponding property management committee and the property stock.

Regulations for the commission charged with the introduction of changes in privatization plans shall be endorsed by the joint decision of the State Property Management Committee of Russia and the Russian Stock of Federal Property.

Other changes and addenda to the earlier approved privatization plans shall be made by the property management committees with the obligatory notification of the respective financial bodies and privatized enterprises.

Any shares acquired by individuals and legal entities may be sold by owners without any restriction. The introduction of restrictions shall be forbidden.

The sale to an investor of 35 and more percent of shares, equities, or stakes in the issuer's authorized capital or shares ensuring over 50 percent of the votes of shareholders, shall be effected with the observance of the antimonopoly legislation of Russia.

**3.4.1. Privileges for the members of the work collective in case of the sale of shares of public companies**

In case of the sale (gratuitous transfer) of shares of public companies set up by way of transforming state-owned and municipal enterprises, including those formerly transformed into close joint-stock companies, by decision of the enterprise's work collective, use shall be made of one of the variants stipulated by the Basic Provisions to grant privileges to the members of the work collective of the privatized enterprise. This being the case, these privileges shall also be extended to the following persons:

- the workers for whom this enterprise is the main place of work;
- the former workers who have a length of service at the privatized enterprise of not less than ten years for men, seven years and six months for women, and the workers dismissed at their own wish, including those transferred to another job or discharged because of staff reduction, physical disability, and also because of the enterprise's reorganisation;
- the persons who have the right to return to the former place of work at this enterprise under the legislation of the Russian Federation, including the persons called to the military service during the work in a state (municipal) enterprise before the transformation into a joint-stock company, provided that they return to their former place of work during three months after demobilization;
- the persons who have received their pension-books but continue to work or retired on a pension (e.g. because of physical disability) at this enterprise;
- the persons dismissed from this enterprise because of staff reduction after January 1, 1992 and registered as unemployed;
- the family members recognized as the heirs of the workers who died at this enterprise.

The members of the work collective of the privatized enterprise and the persons equated therewith shall be given the right to receive privileges according to one of the following variants:

**Variant 1.**

All the members of the work collective of the privatized enterprise and the persons equated therewith, who have the right to privileges, shall:

receive the registered preference shares comprising 25 percent of the authorized capital but not more than 20-fold amount of the minimum wage or salary fixed by the legislation of the Russian Federation per one worker. These shares shall be given in a lump and free of charge;



buy under the closed subscription the ordinary shares (with the right of vote) comprising up to ten percent of the authorized capital but not more than the six-fold amount of the minimum wage or salary fixed by the legislation of the Russian Federation per one worker. These shares shall be acquired with a discount of 30 percent of their value on an instalment plan up to three months; the size of the original contribution may not be less than 50 percent of the value of shares.

The management of the enterprise being privatized- the manager, his deputies, the chief engineer, the chief accountant, the heads of the separate structural subdivisions or branches shall be given the right on the terms of the contracts concluded with them to acquire ordinary shares to the total sum comprising up to five percent of the authorized capital but not more than 2000-fold amount of the minimum wage or salary fixed by the legislation of the Russian Federation per one person.

At the enterprises with an average payroll of over 10,000 persons and with separate structural subdivisions, and also in cases when the enterprise's privatization plan provides for its restructuring and the formation of subsidiary enterprises, the list of the officials of the enterprise's management who have the right to such privileges may be extended.

#### **Variant 2.**

All the members of the work collective of the privatized enterprise and the persons equated therewith, who have the right to privileges, shall be given the right to acquire ordinary shares (with the right of vote) comprising up to 51 percent of the authorized capital. In this case the gratuitous transfer and the sale of shares on easy terms shall not be allowed.

#### **Variant 3.**

If a group of the enterprise's workers or any natural and juridical persons recognized as buyers in accordance with Article 9 of the Law of the Russian Federation on the Privatization of State-owned and Municipal Enterprises in the Russian Federation shall bear responsibility for the implementation of the enterprise's privatization plan, for the prevention of its bankruptcy and obtain the consent of the general meeting of the work collective with the conclusion of the appropriate contract whose term of validity may not be over one year (without the right of prolongation), the members of this group, and also to acquire 30 percent of the authorized capital in the form of ordinary shares of the enterprise (with the right of vote) upon the expiration of the said term and the implementation of the conditions of the said contract. The procedure for the conclusion of the contract shall be defined by the regulations approved by the State Property Management Committee of Russia.

The right of vote of all the ordinary shares belonging to the respective property stock shall be given to the said group for the period of the contract's operation.

The privatization plan must include the terms and conditions of the contract. The contract shall define the duties of the group's members and the limits of their material liability by the property belonging to them by right of private property and contributed in the form of pledge in the amount of 200 multiples of the minimum wage or salary fixed by the legislation of the Russian Federation at the time of depositing the pledge. This contribution shall be made by every member of the group.

At this variant all the enterprise's workers (including the group members) shall buy ordinary shares (with the right of vote) to the sum comprising 20 percent of the authorized capital, but amounting to not more than 20 multiples of the minimum wage or salary per one worker and with a discount of 30 percent of their value and with the instalment plan for three months. In this case the size of the original deposit may not be less than 25 percent of the value of shares. In case the group fails to fulfil the terms and conditions of the contract, the shares subject to sale to the members of this group shall be sold to the population at auctions.

The procedure for the distribution of the gratuitously transferred shares (in case of the first variant) shall be determined by the decision of the general meeting (conference) of the work collective adopted by a simple majority vote.

The sale of shares to the members of the work collective and to the persons equated therewith within the privileges established by the Basic Provisions shall be made under the closed subscription in keeping with the regulations approved by the State Property Management Committee of Russia.

The property management committees shall have the right to prolong up to three months the terms of holding a closed subscription for shares among the workers of enterprises by proceeding from the specific of the production performance of concrete enterprises. In this case the sale of shares by the property stock may be effected before the completion of the closed subscription.

A decision of the choice of a variant of privileges shall be adopted by the general meeting (conference) of the work collective or shall be certified by the subscription sheets of its members. The decision shall be deemed adopted, if it was voted for (signed) by not less than two-thirds of the enterprise's payroll. In the absence of said decision privileges shall be given in accordance with the [first variant](#).

The workers of the enterprises forming a single technological complex with the enterprise being privatized, regardless of the chosen variant of privileges shall be given the right by decision of the work collective to take part in the closed subscription for the shares, held among the workers of this enterprise on equal terms with them.

The agricultural commodity producers recognized as buyers in keeping with the legislation of the Russian Federation on privatization and the cooperatives they have set up shall be given the statutory priority right to acquire the shares of enterprises for the primary processing of agricultural produce, the production-technical and logistics services to the agroindustrial complex.

The creative workers of the editor's offices of newspapers, magazines and journals shall be given the right to receive the gratuitously transferred preference shares and to take part in the closed subscription for the ordinary shares sold on easy terms by the joint-stock companies, set up by way of transforming the publishing houses and printing establishments of which these editor's offices were an organic part.

If a shareholding is held in state (municipal) ownership, the privileges shall be granted to the enterprise's workers in the following order:

if the shareholding comprises 51 percent of ordinary shares, all the members of the work collective and the persons equated therewith shall receive in a lump and gratis the registered preference shares constituting 25 percent of the authorized capital, but amounting to not more than 20 multiples of the [minimum wage or salary](#) fixed by the legislation of the Russian Federation per one worker. In this case no other privileges shall be granted;

if the shareholding comprises less than 51 percent of ordinary shares, the privileges shall be granted to the work collective members and to the persons equated therewith in keeping with [Variant 1](#), provided for by the Basic Provisions.

#### **3.4.2. Sale of Shares of Joint-stock Companies by Investment Tenders**

The shareholdings of joint-stock companies shall be sold by investment tenders when their buyers are required to make investments.

The shareholdings of joint-stock companies shall be sold by investment tenders in keeping with the [regulations](#) approved by the Government of the Russian Federation.

*On certain questions arising in the organisation and carrying out of investment competitions see [Letter of the State Committee of the Russian Federation for the Management of the State Property No. AP-2/1576 of March 1, 1996](#)*

#### **3.4.3. Sale of Shares of Joint-stock Companies by Commercial Tenders**

The shareholdings of joint-stock companies belonging to the State shall be sold by commercial tenders when their buyers are required to meet any conditions in respect of the privatized enterprises.

The tender shall be won by its participant, if his offers fully meet its conditions and in the best way correspond to the criterion of ascertaining the winner, that is, if he has offered the maximum price. The shareholdings of joint-stock companies shall be sold by commercial tenders in accordance with the [regulations](#) approved by the State Property Management Committee of Russia.

#### **3.4.4. Sale of Shares of Joint-stock Companies at Auctions**

The shares of joint-stock companies shall be sold at auctions, e.g. with the use of the stock

market institutions (including stock exchanges) by the corresponding property stock in accordance with the [regulations](#) approved by the State Property Management Committee of Russia.

#### **3.4.5. Sale of Shares of Joint-stock Companies at Specialized Auctions for the Sale of Shares**

The procedure for the sale of shares at a specialized auction shall be determined by the State Property Management Committee of Russia.

*The [Procedure](#) for the Sale of Shares of Joint-stock Companies at the Specialized Auction for the Sale of Shares was approved by Order of the State Property Management Committee of the Russian Federation No. 2469-r of October 6, 1994*

All natural and juridical persons recognized as buyers in accordance with the legislation of the Russian Federation on privatization shall be admitted to the participation in auctions for the sale of shares.

The specialized auction for the sale of shares is a method of sale of shares at open tenders, according to which:

- all the auction winners receive shares at a single price;
- the participation in the auction is determined by filing applications with an indication of the total sum of payment and the number of acquired shares.

The procedure for holding interregional and all-Russia specialized auctions for the sale of shares shall be determined by the Government of the Russian Federation.

*The [Procedure](#) for the Holding of Interregional and All-Russia Specialized Auctions for the Sale of Shares of Public Companies, Set up by Way of Transforming State-owned (Municipal) Enterprises was approved by [Decision](#) of the Government of the Russian Federation No. 438 of April 28, 1995*

*[Provisional Regulations](#) for the Banks Authorized by the State Property Management Committee of Russia and for the Acceptance of Applications and Monetary Means During the Holding of Interregional and All-Russia Specialized Auctions for the Sale of Shares of Public Companies were approved by [Order](#) of the State Property Management Committee of the Russian Federation No. 821-r of June 15, 1995*

### **3.5. The Determination of the Initial Price of State-owned (Municipal) Enterprises**

*See [Provisional Method](#) for Defining the Initial Price in the Sale of the Shares of the Joint-Stock Companies, Set up in the Course of the Privatization approved by the Government of the Russian Federation of June 18, 1995*

*Concerning Commission on the calculation of starting sale price of stocks of joint-stock companies created in the course of privatization see [Regulations](#) approved by [Order](#) of the State Property Management Committee of the Russian Federation and the Federal Property Fund of Russia No. 585-r/89 of May 13, 1996*

**3.5.1.** During the transformation of state-owned (municipal) enterprises into public companies, the size of their authorized capital, the estimation of the value of the property of state-owned (municipal) enterprises, when they are sold at auctions by commercial or investment tenders, shall be determined by the data of the enterprise's balance as on January 1, 1994 with due account of the results of the revaluation of the fixed assets made in keeping with the [Decision](#) of the Government of the Russian Federation No. 595 of August 14, 1992 on the Revaluation of the Fixed Assets in the Russian Federation in the order established by the [Provisional Methodological Instructions](#) on the Appraisal of the Value of Privatization Facilities, approved by the [Decree](#) of the President of the Russian Federation No. 66 of January 29, 1992 on the Acceleration of the Privatization of State-owned and Municipal Enterprises (with subsequent amendments introduced in the established order) in the part not inconsistent with the Basic Provisions).

The valuation of currency resources shall be made at the rate established by the Central Bank of Russia at the time of the appraisal of the enterprise's property.

**3.5.2.** By decision of the executive bodies of the subjects of the Russian Federation the initial price of state-owned (municipal) enterprises, and also the price of shares of the public companies set up in the process of transforming state-owned (municipal) enterprises, may be fixed at tenders or auctions within the limits of at least 70 percent and of not more than the two-fold amount of the nominal value of a privatization facility, determined in [Item 3.5.1](#) of the Basic Provisions.

**3.5.3.** The initial price of state-owned (municipal) enterprises, and also the price of shares of the joint-stock companies set up in the process of transforming state-owned (municipal) enterprises, fixed by the privatization plan, which was confirmed before the adoption of the Basic Provisions, may be increased during the sale by tenders or auction by decision of the respective property stock but for not more than 20 times over.

**3.5.4.** When a total of over 10 percent of ordinary shares (with the right of vote) are sold or preference shares are transferred gratis to all the categories of the workers of a privatized enterprise and to the persons equated therewith in keeping with the chosen variant of privileges, the value of the sold shares shall be estimated according to the data of the enterprise's balance for the reporting quarter that precedes the approval of the plan of its privatization in conformity with the [regulations](#) approved by the State Property Management Committee of Russia. In all other cases the said value shall be established as equal to the nominal value of shares.

**3.5.5.** All the changes in the composition and value of the enterprise's property after the date of compiling the balance, used in accordance with the approved privatization plan for the estimation of the size of the authorized capital (on July 1, 1992 and January 1, 1994, respectively), shall refer to the changes in the composition and value of property owned by the joint-stock company and shall not influence the size of its authorized capital, determined during the approval of its privatization plan.

**3.6.** Sale of Assets of Operating and Liquidated Enterprises, and Also of Those Being Liquidated and of Incomplete Construction Projects

**3.6.1.** The assets of liquidated enterprises and these being liquidated shall be sold exclusively at auctions by the respective (property management committees) with due account of the antimonopoly legislation of the Russian Federation and in line with the regulations approved by the Government of the Russian Federation.

*Regulations for Selling by an Auction the Property (Assets) of the State and Municipal Enterprises That Are Being Liquidated or Have Been Liquidated were approved by [Decision of the Government of the Russian Federation No. 469 of May 15, 1995](#)*

**3.6.2.** The procedure for the sale of assets of the operating state-owned (municipal) enterprises shall be determined by the enterprises themselves with the permission of the respective property management committee with due account of the opinion of the corresponding federal (branch) executive body. In this case 80 percent of the pecuniary means received from the sale of assets shall remain at the disposal of the enterprise and may not be used for labour remuneration, while 20 percent shall be distributed in keeping with the norms of allocation of the means received from privatization, established in [Appendix 1](#) to the Basic Provisions.

The released motor transport vehicles, sea and river ships and aircraft of the enterprises, organisations, institutions and transport enterprises (including those that are in the process of privatization) shall be sold at auctions.

**3.6.3.** Incomplete construction projects shall be privatized by decision of the respective property management committee (including on the proposal of the enterprise) shall be privatized with due account of the opinion of federal executive bodies:

- by selling the assets of these projects at auctions or tenders;
- by founding public companies with 100 percent state capital with the subsequent sale of shares.

The choice of one of the said methods of privatizing incomplete construction projects shall be

made by the enterprise within a month after the time of the adoption of the decision on their privatization. If the method of privatization has not been determined by the enterprise within the fixed period, it shall be defined by the respective property management committee.

The pecuniary means received from the sale of assets shall be distributed in keeping with [Item 3.6.2](#) of the Basic Provisions.

**3.6.4.** The state-owned (municipal) enterprises being privatized shall be free to take a decision on the exclusion of incomplete construction projects from its assets. The dividing balance shall be made up by the respective property management committee. In this case the incomplete construction projects shall be privatized by the corresponding property management committee irrespective of the said enterprise.

### **3.7. Sale of Debtor Enterprises**

The sale of state-owned (municipal) debtor enterprises and also of their assets and stakes (equities and shares) in such enterprises shall be effected in keeping with the [Decree](#) of the President of the Russian Federation No. 1114 of June 2, 1994 on the Sale of State-owned Debtor Enterprises and the [Decision](#) of the Government of the Russian Federation No. 498 of May 20, 1994 on Some Measures to Realize Legislation on the Insolvency (Bankruptcy) of Enterprises.

## **4. Privatization of Realty**

*Concerning the privatization of realty in Moscow see [Decree of the President of the Russian Federation No. 96 of February 6, 1995](#)*

**4.1.** The Basic Provisions regulate the privatization of the following objects of realty held in federal ownership, the state ownership of the subjects of the Russian Federation and in municipal ownership:

- the leased untenable stock facilities (buildings, structures, installations and premises, including built-in or added uninhabited premises in dwelling houses);
- the land plots (except for those not subject to privatization in accordance with the legislation of the Russian Federation) which locate the enterprises being privatized and other objects of realty held in the private ownership of individuals and legal entities, and also the aforementioned objects of realty let on lease;
- the non-used (non-occupied) buildings, structures, installations and premises, including the built-in or added uninhabited premises in dwelling houses, together with the land plots (shares of land plots) on which they are situated;
- the land plots, including those with the realty objects stationed on them, granted to individuals and their associations for business activity.

**4.2.** It shall not be allowed to refuse to sell to leaseholders the untenable stock facilities, including the buildings and structures which have historical and cultural importance, save the facilities covered by restrictions, established by [Section 2.1](#) of the Programme, and also the buildings and structures occupied by organs of state power, local self-government bodies and courts of law. In this case the buildings and structures, which are historical or cultural monuments, shall be privatized with the mandatory proviso that they will be maintained by a new owner in proper order, in keeping with the requirements of the protection pledge drawn up in the order prescribed by the legislation of the Russian Federation.

Refusal to sell a land plot held in state (municipal) ownership (except for the land plots of sea, river and air ports) to the owner of the building, structure, installation, uninhabited premise stationed on this land plot shall be allowed in the exclusive cases provided for by the federal law.

The following vacant land plots held in state (municipal) ownership shall not be subject to sale:

- agricultural plots, lots of the forest stock and water resources, specially guarded lands for which the legislation of the Russian Federation has provided a special method of privatization;
- plots infected with dangerous pollutants and subjected to biogenic contamination;
- lots for public use (streets, lanes, highways, embankments, parks, forest parks, public gardens, botanical and other gardens, boulevards, reservoirs, beaches and other lots assigned to

the lands for public use in keeping with legislation);

- lots located in the sea, river and air ports of federal importance or reserved for their future development.

**4.3.** The sale of the non-occupied (non-used) untenable stock facilities, including those intended for reconstruction, shall be carried on exclusively at open auctions (tenders) in accordance with the legislation of the Russian Federation. Other facilities of the untenable stock shall not be subject to sale at auctions or tenders.

**4.4.** The organs of state power (local self-government bodies) shall be recommended to authorize the respective property stocks (committee for property management or other bodies in the absence of property stocks) to sell land plots. The land plot occupied by the state-owned (municipal) enterprises being privatized shall be sold by the property stock that has sold the said enterprise or the shares of the joint-stock company set up during its privatization. Other realty objects held in state (municipal) ownership shall be sold by the property stocks of a subject of the Russian Federation or of a municipal institution, which owns the saleable realty object.

**4.5.** The right to acquire ownership of leased buildings, structures, installations and premises, including built-in or added uninhabited premises in dwelling houses, and also the land plots occupied by the privatized enterprises let on lease, actually owned or used by these enterprises in the process of their statutory activities, shall be granted to:

- natural and juridical persons who have become the owners of the privatized state-owned (municipal) enterprises or state (municipal) property, earlier let on lease, as a result of its repurchase;

- the public companies set up by way of transforming state-owned and municipal enterprises in the process of privatization, after the sale of at least 75 percent of their shares in the order prescribed by the legislation of the Russian Federation on privatization;

- the individuals and their associations engaged in business activity, the enterprises (including partnerships, joint-stock companies, set up by bringing the organisational structure and legal status of the voluntary associations of state-owned and municipal enterprises into conformity with [Section II](#) of the [Decree](#) of the President of the Russian Federation No. 721 of July 1, 1992 on the Organizational Measures to Transform State-owned Enterprises, the Voluntary Associations of State-run Enterprises into Joint-stock Companies) whose 25 percent of the authorized capital are held in state and/or municipal ownership, if the lease contract has been concluded by them on the basis of the tender or auction of the untenable stock facilities.

**4.6.** The owners of the privatized state-owned (municipal) enterprises, other owners of buildings, structures, and premises shall have the exclusive right to acquire into their ownership, at their option, the land plots (land plot shares) occupied by the said untenable stock facilities or to take them on a long-term lease.

*According to [Federal Law No. 137-FZ of October 25, 2001](#), the privatisation of buildings, houses, structures, in particular, industrial-purpose buildings, houses, structures without a simultaneous privatisation of the plots of land on which they are located shall be prohibited*

**4.7.** The natural and juridical persons, recognized as buyers in accordance with [Article 9](#) of the Law of the Russian Federation on the Privatization of State-owned and Municipal Enterprises in the Russian Federation, shall have the right to acquire by tenders or auctions, the non-occupied (non-used) buildings and structures held in state or municipal ownership together with the land plots on which they are situated, and also the non-occupied (non-used) built-in or added uninhabited premises in dwelling houses together with the share of the land plot on which they are located.

**4.8.** In case of the transfer (including during privatization) of the right of ownership of a building, structure, or premise to several owners, the right of ownership shall pass to said persons in a pro-rata amount to the shares of the property in the main realty facility located on it. A division of the land plot in kind between the owners of the said facility (premises located in it) shall not be allowed. In accordance with the Basic Provisions the said persons shall receive the right to acquire into their ownership at the normative price the appropriate share of the land plot (with the

completion of the corresponding document on the right of property). The relations between them shall be regulated by the rules introduced by the legislation of the Russian Federation (including the [rules for the condominium](#)).

#### **4.9. Procedure for the Sale of Realty (Except for Land Plots)**

The realty objects let on lease shall be sold on the basis of the leaseholder's application, which may be filed at any time during the validity term of the lease contract.

Prices for the buildings, structures, installations, uninhabited premises acquired by leaseholders, including the built-in or added buildings or structures, shall be fixed according to the method approved in keeping with this Item by the local self-government body within 2 weeks since the time of the enforcement of the Basic Provisions.

In calculations of the redemption value of a building, structure, or installation, according to any said methods, the selling price of one square meter of the total space of the premise, building, structure or installation may not exceed the amount of the annual rental payment fixed in the lease contract multiplied by the following ratios: 2 for uninhabited premises in dwelling houses, including the built-in and added houses and 3 for buildings and structures.

If the methods of estimating the redemption value have not been approved by the aforementioned body within the said period, the sale of rented buildings, structures and premises shall be effected at the maximum value estimated in keeping with the present Item.

If the rights of individuals to acquire rented realty in line with the legislation of the Russian Federation have been violated by organs of state power, local self-government bodies or particular officials, these rights shall be protected through courts of law.

#### **4.10. Sale of Land Plots**

Unless the contrary has been established by the federal law, the vacant land plots in towns and other populated localities shall be understood to be the lots on which or under which there are no buildings, structures and installations which make impossible the development of such lots.

The development land plots in towns and other populated localities shall be understood to be lots on which or under which there are no buildings, structures and installations.

The entire territory of an enterprise, except for vacant lots (included those reserved in keeping with design documentation) shall be deemed to be a developed plot of land. The developed plots of land in towns and other populated localities shall be sold at the price which may not be less than the normative price for land and more than its threefold amount. The relevant executive body (local self-government body) shall be obliged to take a decision within one month since the time of the approval of the Basic Provisions on the price for the developed land plots (within the limits fixed above) within the boundaries of the respective administrative-territorial formation or the functional zones existing in its territory. In the absence of such decision the sale shall be effected at the price equal to the normative price of the lot. By decision of the enterprise vacant land plots (plot) used by the enterprise being privatized may be:

a) preserved in municipal (state) ownership with the transfer for lease to the given enterprises or without lease;

b) redeemed by the enterprise with the developed lot and at the same price, provided that the enterprise will develop it in the statutory manner during three years after the time of taking possession of the property right (unless a different period has been established by legislation).

If the enterprise has failed to perform the latter condition, it shall be obliged to sell the lot in the order prescribed by the legislation of the Russian Federation for the sale of undeveloped plots held in state (municipal) ownership. In this case and also in case of the sale of a vacant plot before the expiration of three years since the time of taking possession of the right of property, the seller shall pay a one-time due to the local budget in the amount of 30 percent of the sum of money by which the value of the sale of a plot has exceeded the value of its acquisition.

Plots of land referred to in [Item 4.2](#) of the Basic Provisions shall not be subject to sale. The same refers to the lands not subject to privatization in keeping with the legislation of the Russian Federation.

In the process of privatization of land plots the procedure for the use of subsoil shall be determined in accordance with the [Law](#) of the Russian Federation on Subsoil.

In case of sale of a developed lot within the boundaries of towns and other populated localities, and in keeping with the Basic Provisions the right of the owner to his lot includes the right to any permitted use of it, which shall be understood, pending the enforcement of legislation on territorial zoning, the right of using the lot together with the buildings, structures and installations located on it by all the methods not inconsistent with the limitations introduced by the respective organs of power (local self-government bodies) in accordance with current legislation and the approved building, sanitary, nature conservation and fire-prevention norms. In this case no provision shall be made for the introduction of special-purpose (single) method of using a realty facility, including a land plot, and also for the establishment of restrictions on the use of a separate plot of land.

Such restrictions may be established only for all the lots within the limits of a given functional zone in accordance with the legislation of the Russian Federation. The owner shall be free to make use of the developed lot together with the buildings, structures, installations, and premises located on it by the same methods and for the same purposes which are not forbidden within the limits of the given functional zone of this city (populated locality) or within the radius of 100 meters from the boundaries of this lot.

The following public servitudes shall be instituted for the sold developed lots. In accordance with these servitudes the owners of said lots shall be obliged to ensure:

a) the gratuitous and unhindered use of the objects of public use (pedestrian paths and motor-roads, engineering infrastructure facilities) which existed at the time of the transfer of plot of land into ownership;

b) the possibility of placing boundary and geodesic signs and approaches to them;

c) the possibility of access to the lot of the corresponding municipal services for the repair of infrastructure facilities. Changes in the said public servitudes and the introduction of new ones may be effected by the federal law alone or by normative legal acts adopted in accordance with the federal law.

The lot owners shall have the right to the gratuitous execution of the ownership of that part of the engineering infrastructure facilities which is used exclusively for the provision of the realty object (objects) of the given owner (up to the boundary of a lot or to the connection with the corresponding trunk lines in case of cables and pipelines) under the contract concluded with the relevant body. The construction of new infrastructure facilities on the lot, including the laying out of electric and telephone cables, water supply, gas pipelines, and sewerage whose location may be detrimental to the owner, shall be conducted on a compensation basis in keeping with the contract concluded between the lot owner and the respective state (municipal) body. Restrictions on the use of the developed lot shall be recognized as valid, if they existed at the time of privatization (sale) of an enterprise or any other realty facility.

The absence of the following properly completed documents may not serve as a ground for the refusal to register the purchase and sale contract for the developed lot and to issue the corresponding certificate of land ownership:

- on the boundaries of a lot (for all the categories of lands within the limits of a populated locality, save the agricultural lands and the lands of the water and forest resources and specially protected lands);

- on public servitudes;

- on the restrictions on land use.

In these cases the certificate of land ownership shall ensure the realization of all the property rights of the owner, which do not require the definition of the land in kind. At the desire of the land owner, all the documents ensuring the definition of the lot owned by him shall be completed in the order prescribed by legislation in force. Restrictions on the resale of realty objects in the absence of the definition of the corresponding lot in kind shall not be allowed. Disputes that arise shall be subject to adjustment in a court of law.

Realty objects, including a lot, shall be withdrawn only in cases established by federal laws and only in legal form.

While acquiring a lot into ownership the owner of the privatized enterprise, building, structure



or premise located on this lot shall submit to the seller the following documents

- an extract from the register of shareholders (foundation contract) that confirms that not less than 75 percent of the authorized capital of a juridical person is privately owned;
- a purchase and sale contract or any other document on the right of ownership of a building, structure, privatized enterprise, or a copy of the approved privatization plan;
- an application of an arbitrary form for the acquisition into ownership of a land plot, and also its plan or information about the location and size, and also about the normative price of the land plot.

Within a week after receipt of an application, the seller shall give to the owner of the privatized enterprise a payment order for the payment for the value of the land plot in the established amount and conclude a contract of purchase and sale. At the same time the seller shall forward one copy of this contract to the respective committee for land resources and land management and the other copy to the body responsible for architecture and town planning.

*[Decree of the President of the Russian Federation No. 112 of January 25, 1999 amended paragraph 28 of Item 4.10 of these Basic Provisions](#)*  
*[See the previous text of the paragraph](#)*

The issue and forwarding of said contracts shall be registered by the seller in the appropriate register.

The respective committee for land resources and land management, and the body responsible for architecture and town planning, shall be obliged to submit within two months to the applicant information (subject to registration) about the limitation of rights to the use of a lot, including about public servitudes existing on the date of the sale of a building, structure, or enterprise, and also about such servitudes whose establishment was provided for by the decisions of the competent organs of state power (local self-government bodies) adopted as of the said date.

The paid order for the payment of the value for a lot and the contract of purchase and sale shall be a ground for the registration of the right of land ownership in the statutory order.

The registration of the rights of realty, including the description of the rights to the use of a land plot and public servitudes, shall be effected by the organs authorized therefor in keeping with the legislation of the Russian Federation.

Disputed over the competence to introduce limitations on the use of a lot, including servitudes, shall be subject to settlement in courts of law.

## **5. Support for the Reconstruction of Privatized Enterprises**

**5.1.** The reconstruction of privatized enterprises shall be supported by the resources from the federal budget and the extrabudgetary fund in accordance with the programmes of post-privatization support, worked out by the Government of the Russian Federation, and also by the resources of the "Big Seven" Countries subject to the implementation by enterprises of the following requirements:

- the share of participation of the State in a privatized enterprise constitutes not more than 25 percent;
- the fulfilment of all the requirements of the legislation of the Russian Federation for the regulation of the activity of joint-stock companies;
- the absence of restrictions on the purchase and sale of shares of a given enterprise;
- the presence of an independent registrar keeping the register of the shareholders of a given enterprise.

**5.2.** Additional shares may be issued by the joint-stock companies set up in the process of privatization of state-owned (municipal) enterprises, 25 percent of whose authorized capital are owned by the State (municipal body).

## **6. Distribution of Pecuniary Means Received from Privatization**

**6.1.** Pecuniary means received from privatization shall be distributed according to the norms as per [Appendix 1](#) to the Basic Provisions.

The means received by the budgets of the corresponding levels shall be used exclusively for the following purposes:

- the maintenance of the socio-cultural and communal-domestic facilities which are not part of the property complex of the privatized enterprises and placed in charge of the respective organs of state power (local self-government bodies);
- the financing of measures for the social protection of the population;
- the realization of the appropriate investment programmes.

*[Decree of the President of the Russian Federation No. 396 of April 16, 1998 abolished Item 6.2 of these Basic Provisions](#)*

~~**6.2.** Dividends on the shares held in state (municipal) ownership may be used to maintain the socio-cultural and communal-domestic facilities transferred during the transformation of an enterprise into a joint-stock company to the respective organs of state power (local self-government bodies) and in the absence of such facilities shall be channelled to the respective budget or the special budgetary fund of support for the Armed Forces of the Russian Federation, created in accordance with [Article 32](#) of the Federal Law on the Federal Budget for 1994.~~

**6.3.** Control over the purpose-oriented appropriation of the afore-mentioned resources shall be exercised by the respective financial bodies.

**Appendix 1**  
**to the [Basic Provisions](#) of the State Programme**  
**of Privatization of State-owned and Municipal**  
**Enterprises in the Russian Federation After July 1, 1994**

**Norms of the Distribution of Means Received from Privatization**

*See the [Regulations on the Procedure on the Payment, Distribution, Registration and Control over the Incoming of the Means from the Privatization of the State and the Municipal Property, approved by the State Tax Service of the Russian Federation, the Russian Fund of the Federal Property, the State Property Management Committee of the Russian Federation and the Ministry of Finance of the Russian Federation, Nos VZ-6-15/433, FI-11-1/2459, AK-19/7370 and 98 of August 10, 18 and 25, September 1, 1995](#)*

Category of recipients of means	Norms of distribution of means from privatization (in percent)					
	In case of privatization at auctions or by tenders, and also in case of sale of shares of joint-stock companies set up during privatization			In case of privatization of realty		
	objects of property					
	Fede- ral- pro- per- ty	State proper- ty of subjects of the	Munici- pal pro- perty	Fede- ral - pro- perty	State proper- ty of subjects of the	Munici- pal pro- perty

		Russian Federati- on			Russian Federati- on	
Local budgets	9.0	9.0	19.0	10.0	10.0	75.0
Budgets of Republics, territories, regions, autonomous formations	15.0	20.0	10.0	10.0	65.0	-
Federal budgets	10.0	10.0	10.0	55.0	-	-
State Property Management Committee of Russia	1.2	1.2	1.2	1.2	1.2	1.2
Committees for property management, territorial agencies of State Property Management Committee of Russia	4.0	4.0	4.0	10.0	10.0	10.0
Federal Fund of Support for Entrepreneurship	5.0	-	-	-	-	-
Russian Fund of Federal property	0.8	0.8	0.8	0.8	0.8	0.8
Property stocks of national-state, national-territorial and administrative-territorial formations	4.0	4.0	4.0	10.0	10.0	10.0
Privatized enterprises	51.0	51.0	51.0	-	-	-
Russian Land Committee	-	-	-	1.0	1.0	1.0
Local body responsible for architecture and town planning	-	-	-	1.0	1.0	1.0
Local committee for land resources	-	-	-	1.0	1.0	1.0

| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

---

**Appendix 2**  
**to the Basic Provisions of the State Programme**  
**of Privatization of State-owned and Municipal**  
**Enterprises in the Russian Federation After July 1, 1994**

**List of Territories**  
**Covered by the Operation of the Interrepublican Programme**  
**of Privatization of State-owned and Municipal Enterprises**  
**in the Far North Areas and the Localities Equated Therewith**

The Republic of Altai- Kosh Agach and Ulagan Districts;  
The Republic of Buryatiya- the town of Severobaikalsk; the Barguzin, Bannt, Kurumkan, Oka, Muya and North Baikal Districts;  
The Republic of Komi;  
The Republic of Karelia- the town of Kostomuksha, the city of Petrazavodsk, the town of Sortavala; the Byelomorsk, Kem, Kondopoga, Lakhdenpokhiya, Loukh, Kalevala, Medvezhiyegorsk, Muezer, Olonets, Pitkuaranta, Prionega, Pryazha, Pudozh, Segezha, and Suoyarvi Districts;  
The Republic of Sakha (Yakutia);  
The Republic of Tuva- the Moigun- Taiga and Todzhi Districts; the territory of the Shinaan rural administration; the Bai-Taiga, Barun-Khemchik, Dzun-Khemchik, Kaa-Khem, Kyzyl, Ovyur, Pii-Khem, Sut-Knol, Tandin, Tes-Khem, Cha-Khol, Chedi-Khol, Ulug-Khem, and Erzin Districts; The town of Kyzyl;  
The Krasnoyarsk Territory- the Evenki, Taimyr (Dolgano-Nenets) Autonomous Areas; the towns of Igarka, Lesosibirsk, Norilsk, Yeniseisk; the Boguchan, Yeniseisk, Kezhem, Motygin, North Yenisei and Turukhansk Districts;  
The Primoryie (Maritime) Territory- the town of Dalnegorsk; the Dalnegorsk, Kavalerov, Olga, and Ternei Districts; the Vostok township; Boguslav, Vostretsov, Dalne-Kut, Izmailikhin, Melnichny, Roshchin, and Taiga rural Soviets of the Krasnoarmeisk District;  
The Khabarovsk Territory- the towns of Amursk, Komsomolsk-on-Amur, Nikolayevsk-on-Amur and Sovetskaya Gavan; the Ayano-May, Okhotsk, Vanino, Verkhniya Bureua, Komsomolsk, Nikolayevsk, Polina Osipenko, Sovetskaya Gavan, Solnechny, Tururo-Chumikan, Ulcha, and Amur Districts, including Elban township; the Voznesensk, Paalin, Achan, Dzhuyen and Almin rural Soviets;  
The Chukotka Autonomous Area;  
The Nenets Autonomous Area;  
The Amur Region- the towns of Tynda and Zeya; the Zeya, Selemdza and Tynda Districts;  
The Archangel Region;  
The Irkutsk Region- the towns of Bratsk, Bodaibo, Ust-Ulimsk, and Ust-Kut; the Bodaibo, Bratsk, Kazachinsky-Lena, Katanga, Kirenga, Mama-Chuya, Nizhny Ilim, Ust-Ilim, and Ust-Kut Districts;  
The Kamchatka Region;  
The Magadan Region;  
The Murmansk Region;  
The Perm Region- the Komi-Permayak Autonomous Area; Gain, Kosino and Kochevo Districts;  
The Sakhalin Region;  
The Tomsk Region- the towns of Kedrovyy, Kolpashevo and Strezhevoi; the Alexandrov, Bakchar, Verkhny Kety, Kargasok, Kolpashevo, Krivoshein, Molchanovo, Parabel, Teguldet, and Chaya Districts;

The Tyumen Region- the Yamalo-Nenets and Khanty-Mansi Autonomous Areas; the Uvat District;

The Chita Region- the Kalar, Tungiro-Olekma, and Tungokochin Districts;

All the islands in the Arctic Ocean and its seas, and also the Islands of the Bering Sea and the Okhotsk sea.

**Appendix 3**  
**to the Basic Provisions of the State Programme**  
**of Privatization of State-owned and Municipal**  
**Enterprises in the Russian Federation After July 1, 1994**

**Special Procedure for Decision-Making on Privatization**

**1.** Pending the adoption of the federal Law on the Approval of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation After July 1, 1994, no decisions on privatization shall be taken with regard to the following objects:

**1.1.** Facilities, enterprises, regular and organic military and other equipment of the Federal Frontier Service- the High Command of the Frontier Troops of the Russian Federation, the Foreign Intelligence Service of the Russian Federation, the State Customs Committee of the Russian Federation, the Tax Police Department of the Russian Federation, the Central Protection Administration of the Russian Federation, the General Procurator's Office of the Russian Federation and the courts.

**1.2.** The higher educational establishments, technical secondary schools, technical boarding-schools, specialized boarding-schools of the system of the social protection of the population, special homes for single elderly people, rehabilitation centres for disabled persons, prosthetic and orthopedic enterprises, including the scientific-research institutions of prosthesis and orthopedics engaged in the manufacture of products for invalids and in the rendering of services to invalids with the affection of eyesight organs.

**1.3.** Materials intended for the creation and concentration of state astronomic-geodetic, levelling and gravimetric networks and developed at the expense of the federal budget resources or the budget of the former USSR, including the catalogues of coordinates and heights of geodetic points and the values of gravity at gravimetric points, primary materials of space and air photography, originals of topographic, gravimetric, geographic, thematic, special, digital, electronic and other maps, plans and atlases, historical maps, plans and atlases kept in specialized topographic and geodetic stocks of ministries and departments.

**1.4.** Enterprises, facilities and organisations of the geological service performing regional geological surveys meeting the defence needs of the State, the works on the continental shelf and in the maritime economic zone and the World Ocean, including the sea-going vessels performing fundamentals scientific-research and research and development works for the implementation of the federal programmes of the expansion of the mineral raw resources of the country, in keeping with the special list approved by the Government of taxes, holes of deep drilling within mining concessions or areas, the licenses for which have been issued to mining and other enterprises, and the state network of observation wells and points of observation of oil and gas gushers.

**1.5.** Institutions and organisations exclusively designed for the training, retraining and advanced training of public servants and engaged in instruction in accordance with the Regulations for the Federal Government Service, approved by the Decree of the President of the Russian Federation No. 2267 of December 22, 1993.

**1.6.** Facilities and enterprises in the agrobiological industry and of their subsidiary farms under the authority of the Ministry of Agriculture of the Russian Federation.

**1.7.** Theatres on which the academic rank has been conferred in the statutory manner.

**1.8.** Facilities of the representative offices of the Russian Federation abroad.

**1.9.** Administrations of aerial fishing reconnaissance and the scientific-research fleet of the Fishing Committee of the Russian Federation.

**1.10.** Subways.

**1.11.** Motor-roads for public use.

**1.12.** The subsoil, the forest stock and water resources held in the state ownership of the subjects of the Russian Federation or in the joint ownership of the Russian Federation and the respective subject of the Russian Federation.

**2.** Pending the adoption of the federal Law on the Approval of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation After July 1, 1994 decisions on privatization shall be taken by the Government of the Russian Federation with regard to the following facilities:

**2.1.** Large enterprises with a book value of fixed assets exceeding 20 billion roubles as on January 1, 1994.

**2.2.** Grain elevators and warehouses permanently keeping state reserves, forming federal food stocks and storing mobilization reserves (except for those referred to in [item 2.1](#) of the Programme).

**2.3.** Subsidiary production farms of the enterprises of the medical industry.

**2.4.** Enterprises and organisations incorporated in the Federal Migration Service of Russia.

**2.5.** Enterprises producing, bottling and packaging alcoholic drinks, liqueurs, vodkas and wines and tobacco goods.

**2.6.** Enterprises of wholesale trade delivering goods to meet federal and state needs, and serving the Far North areas and localities equated therewith, including shift-work settlements, and also the population of the closed administrative-territorial formations.

**2.7.** Specialized building organisations engaged in the construction of facilities ensuring state security (except for those referred to in [Section 2.1](#) of the Programme).

**2.8.** Facilities and enterprises, whose building and modernization have been carried out at the expense of the State budget resources, used in accordance with the purpose-oriented federal programmes in the liquidation of the consequences of radiation disasters, and which are located in the zones of population withdrawal, the zones of residence with the right of withdrawal and the zones of residence with the privileged socio-economic status determined by legislation for the territories subjected to contamination with radionuclides, and also at the expense of the state budget in these zones and having interregional importance or local importance for the given zone.

**2.9.** Facilities and enterprises of atomic engineering.

**2.10.** Depots of the State Reserves Committee of the Russian Federation and its other facilities designed to store and service the material values of the state reserve.

**2.11.** Facilities, the building of which is financed from the federal budget.

**2.12.** Printing establishments engaged in decentralized duplication of all-Russia periodicals.

**2.13.** Facilities and enterprises of the railway, air and sea transport of federal importance (except for those referred to in [Sections 2.1](#), [2.3](#) and [2.4](#) of the Programme).

**2.14.** Facilities and enterprises engaged in the development and testing systems and elements of any arms excluding any other use (except for those referred to in [Section 2.1](#) of the Programme).

**2.15.** Specialized enterprises producing baby food.

**3.** Pending the adoption of the federal Law on the Approval of the State Programme of Privatization of State-owned and Municipal Enterprises in the Russian Federation After July 1, 1994, the privatization of especially large enterprises with a book value of fixed assets exceeding 200 billion roubles and with a payroll of over 50,000 people as on January 1, 1994 shall be effected according to special patterns, approved by the President of the Russian Federation on the basis of the coordinated proposals of the Government of the Russian Federation and the organs of state power of the corresponding subjects of the Russian Federation.