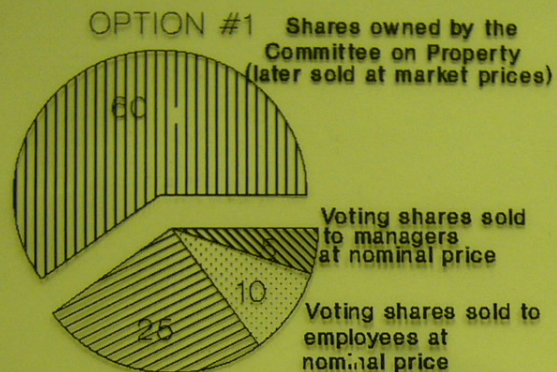


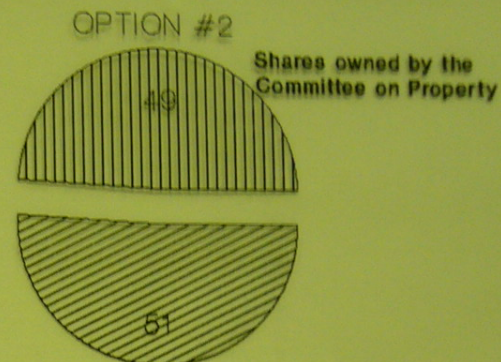
PRIVATIZATION AND FINANCIAL SYSTEM

- Demand for and supply of assets during privatization
- Costs and benefits of different ways of privatization
 - restitution
 - auctioning
 - managers' and employees' buyouts
 - vouchers
- Market-based versus institution-based financial system
- Banking and financial system in transition

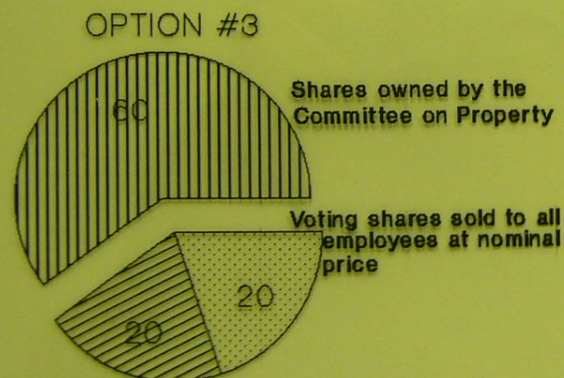
Figure 5. Options for privatization of large state enterprises



Preferred shares, given away to employees free of charge

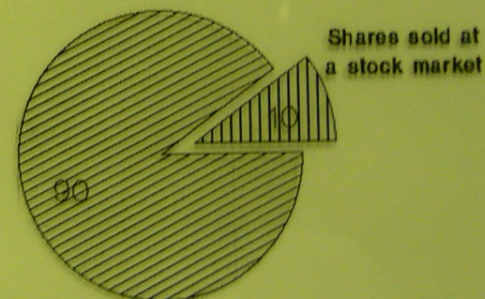


Voting shares sold to employees at nominal prices



Voting shares sold at nominal price to the group of employees that makes a commitment to carry out privatization and to avoid bankruptcy

OPTION #4 - PROPOSED, BUT STILL NOT PART OF THE PRIVATIZATION PROGRAM



Shares sold to employees during 3 to 5 years at a nominal price

"Ветераны выбирают Бочарова"

РОССИЙСКАЯ ФЕДЕРАЦИЯ

ГОСУДАРСТВЕННАЯ ЦЕННАЯ БУМАГА

Действителен
по 31 декабря
1994 года



Подделка чеков
преследуется
по закону

1993 ПРИВАТИЗАЦИОННЫЙ ЧЕК

10 000 000

Бочаров М. А.

01 104881

РУБЛЕЙ

"Молодые выбирают Бочарова"

Table . Market capitalization per unit of production/production capacities, 1994, dollars

Industries/ Countries, regions	North America	Western Europe	Eastern Europe	RUSSIA	
				March 1994	Dec. 1994
Telecommunications (unit: access line)	1637	848	2083	69.97	105
Electricity (unit: MW)	372,000	650,000	448,000	2,260	21,000
Oil (unit: barrel of proven reserves)	7.06	3.58	n/a	0.17	0.08
Tobacco (unit: '000 cigarettes)	5.61	4.07	7.35	2.42	4.18
Cement (unit: tons)	144	162	40	1.92	8

Source: Economist, May 14, 1994; Russian Capital Markets. CS First Boston, 1994, p. 63.

Fig. 14. Nominal and real stock price indices, January 1992 = 100%, log scale

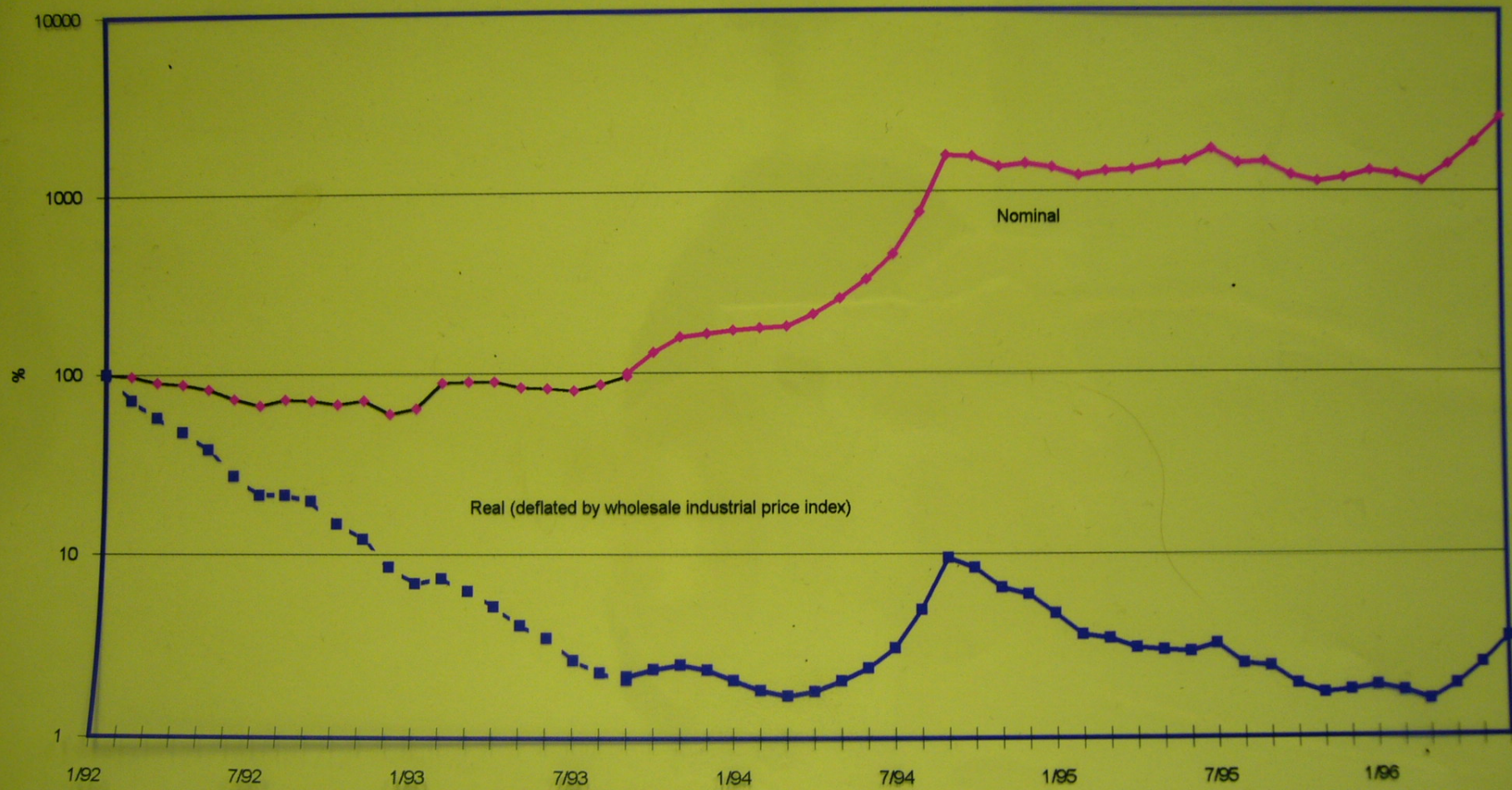
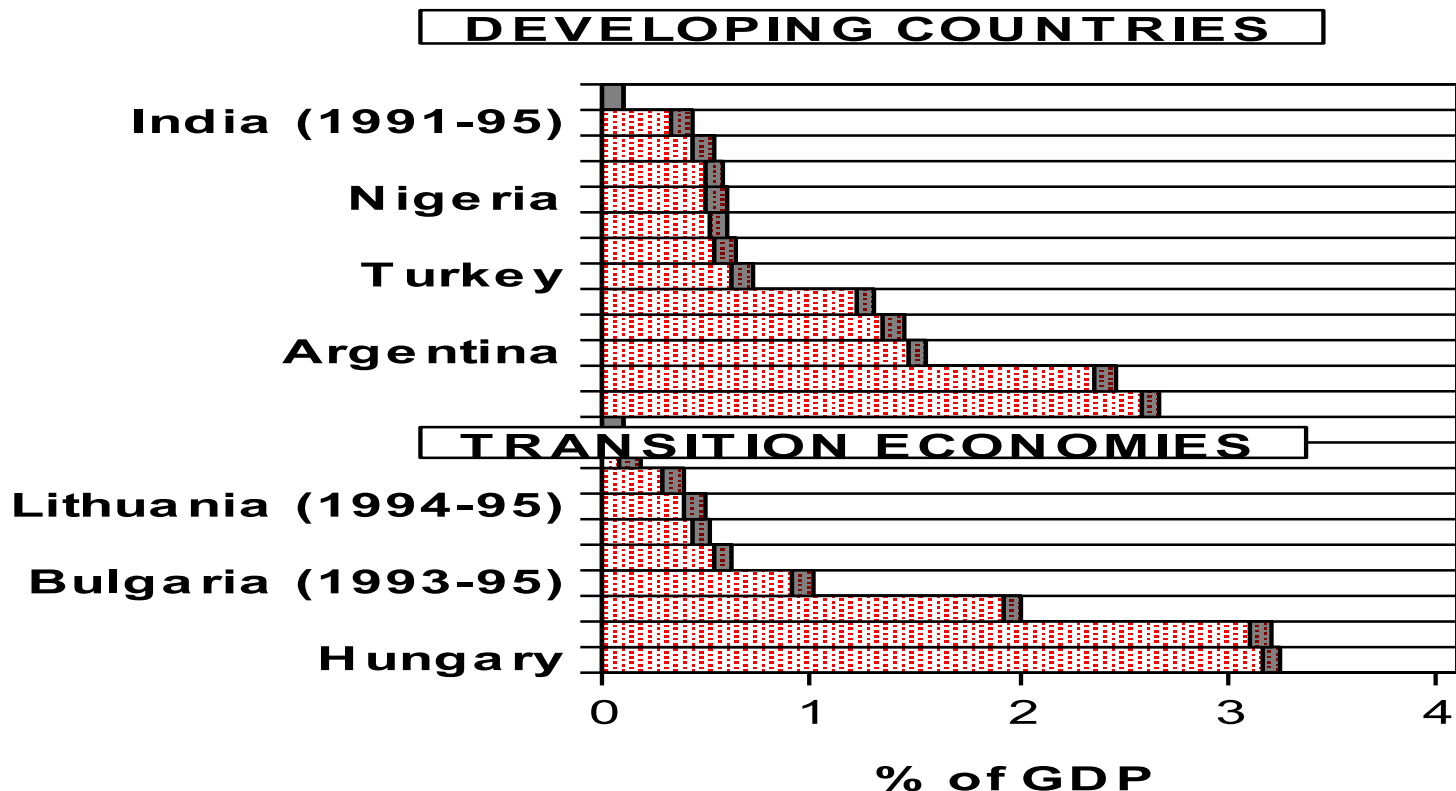


Fig. 2. Privatisation revenues in developing and transition economies, % of GDP (1990-95 annual averages)



Source: Global Development Finance 1997. Vol. 1. Analysis and Summary Tables. World Bank, Wash. D.C., 1997, pp. 116-120; Emerging Stock Markets Factbook 1997. IFC, Wash., D.C., 1997; Sutela, 1996.

Table 2. Methods of privatisation for medium-size and large enterprises (% of total, end of 1995, numbers in bold show the dominant method in each country)

Country	Sale to outside owners	Management/employee buyout	Equal access voucher privatisation	Restitution	Other	Still state owned
Czech Republic						
- By number	32	0	22	9	28	10
- By value	5	0	50	2	3	40
Estonia*						
- By number	64	30	0	0	2	4
- By value	60	12	3	10	0	15
Hungary						
- By number	38	7	0	0	33	22
- By value	40	2	0	4	12	42
Lithuania						
- By number	<1	5	70	0	0	25
- By value	<1	5	60	0	0	35
Mongolia						
- By number	0	0	70	0	0	30
- By value	0	0	55	0	0	45
Poland						
- By number	3	14	6	0	23	54
Russia						
- By number	0	55	11	0	0	34

* All management buyouts were part of competitive open tenders.

Source: From Plan to Market. World Development Report. World Bank, 1996, p.53.

German-Japanese versus Anglo-American financial system

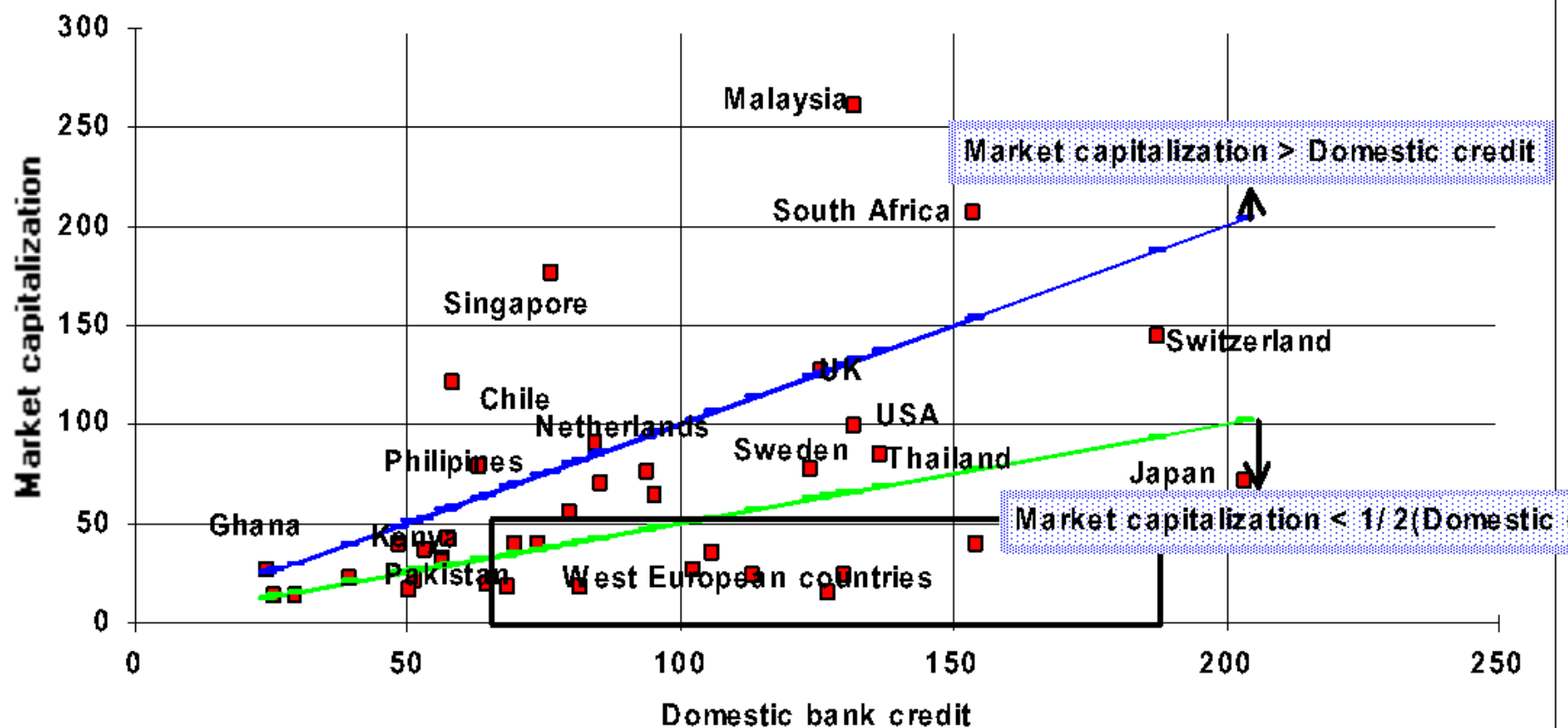
- **First**, in Japan, Germany and other continental European countries several major shareholders, normally banks, typically hold a substantial portion of total equity, whereas in Britain, U.S. and Canada stock ownership is much more dispersed.
- **Second**, in Anglo-American system corporations rely more on internal sources of funds, and hence are more independent from large banks
- **Third**, the share of external financing provided by banks is usually greater in continental Europe and Japan, whereas American companies derive more funds from sales of securities.
- **Fourth**, banking system in the U.S. is much less concentrated than in all other Western countries, where it is dominated by "big three" or "big five" largest banks.

Table 1. Net sources of non-financial enterprise finance in developed (1970-85) and developing (1980-88) economies, % of total

Country	Internal	External			
		Total	Bank loans	Equity	Bonds, short-term securities
France	61.4	38.6	37.3	6.3	1.5
Germany	70.9	29.1	12.1	0.6	-1.1
Italy	51.9	48.1	27.7	8.2	0.3
Japan	59.9	42.1	50.4	4.6	2.1
Unweighted average	61.0	39.0	31.9	4.9	0.7
Canada	76.4	23.6	15.2	2.5	7.9
UK	102.4	-2.4	7.6	-3.3	0.6
U.S.	85.9	14.1	24.4	1.1	12.0
Unweighted average	88.2	11.8	15.7	0.1	6.8
India	34.9	65.1		14.0	
Jordan	11.6	88.4		46.6	
Korea	21.0	79.0		44.3	
Malaysia	66.8	33.2		14.9	
Mexico	26.3	73.7		69.4	
Pakistan	42.0	58.0		20.4	
Thailand	24.1	75.9		40.9	
Turkey	17.5	82.6		60.9	
Zimbabwe	42.9	57.1		35.2	
Unweighted average	31.9	68.1		38.5	

Source: (Calvo and Kumar, 1993), p.30.

Fig. 6. Market capitalization and domestic bank credit as a % of GDP, 1995



Source: World Bank, 1997, pp. 240-42, 268-70.

Figure 3. Types of privatisation and their impact on emerging capital markets

CHARACTERISTICS OF FINANCIAL SYSTEM	SECURITIES FRIENDLY PRIVATISATION	INSTITUTION FRIENDLY PRIVATISATION
	Vouchers and give away property to employees (Examples: Czech and Slovak Republics, Lithuania, Russia, most other CIS countries, Mongolia)	Marketing assets to the highest bidder (Examples: GDR, Hungary, Estonia, Poland)
LEVEL OF STOCK PRICES	High share prices (as compared to book value) because the supply of property is reduced greatly by the give away of assets	Low share prices due to supply of property being much greater than the demand
CONCENTRATION OF STOCK OWNERSHIP	Millions of shareholders, wide dispersion of shares	Stakeholders, high concentration of shares
EXTERNAL VS. INTERNAL SOURCES OF FINANCING	Insiders control, low share of external financing	Strategic outside investors assume control, high share of external financing
BANK CREDITS VS. SECURITIES AS A SOURCE OF EXTERNAL FINANCING	Securities markets are well developed (trading as a % of GDP is high) and play a large role in financing corporate investment; low share of bank credits in total external financing	Financial institutions (banks) are not only major stakeholders, but also provide the bulk of external financing

Table 4. Relative size of bank credits and concentration of banking assets in some in transition, developed and developing economies

Country	Domestic bank credit, 1995, % of GDP	Share of top 5 banks in total banking assets, 1994, %	Share of largest* banks in total assets, 1994, %	Herfindal index**, same year as in column (3)
(1)	(2)	(3)	(4)	(5)
Belarus	15.4	75	88	
China	90.9	over 80%***		
Czech Republic	93.4	65	71	
Estonia	12.8	75		
Hungary	64.1	63	68	
Latvia	13.7	57		
Lithuania	17.1	71		
Poland	34.6	66	71	
Romania	23.6	74	79	
Russia	20.7	33	43	0.031
Slovak Republic	52.3	79	79	
Slovenia	36.6	70	89	
Ukraine	18****	70	82	
Belgium	154.2	58 (1989)		0.088
Japan	295.9	40 (1992)		0.063
UK	125.7	29 (1989)		0.036
U.S.	132.1	24 (1994)		0.023
Bangladesh	30.5	74 (1986-88)		0.2
Chile	58.4	88 (1986-88)		0.09
Indonesia	45.5 (1990)	59 (1988-89)		0.1
Malaysia	131.9	56(1989)		0.102
Philippines	62.9	40 (1986-88)		0.06
Thailand	136.5	66 (1988)		0,138
Turkey	29.6	76 (1986-88)		0.04

* Banks with individual asset share of over 3%.

** The sum of squares of market shares of most banks.

Table 5. Balance sheet of commercial banks in 1992, billion roubles

ASSETS	Jan. 1	May 1
Credits: short-term	395	850
Credits: long-term	40	50
Inter-bank credits	15	25
Cash	5	7
Correspondents account	130	110
Foreign currency	5	445
Precious metals	0	10
Others	40	168
Total	630	1665
LIABILITIES		
Founding capital	43	76
Deposits (roubles)	315	475
Deposits (foreign currency)	3	390
Loans from banks ^a	190	460
Government loans ^b	45	110
Others	34	154
Total	630	1665

^a Mainly from CBR and *Sberbank*.

^b From republican and local authorities.

Source: Economist, July 18, 1992.

Table 6. Structure of assets and liabilities of Russian and American banks, % of total, end of period

Country	Russia	U.S.	Russia			
Items of the balance sheet, % of total	1994	1994	1994	1995	1996	1997*
		4				
LIABILITIES	100	100	100	100	100	100
- Cheap (low or no interest) liabilities	70.1	32.5	73.7	56.7	50.2	>48
- Current accounts	29.1	24.6	33.3	26.1	29.1	21.8
- "Loro" correspondent accounts	18.4	0.9				
- Payments processed	16.7	< 7				7.9
- Expensive (high interest) liabilities	17.1	58.5	26.3	43.3	49.8	<52
- Deposits	2.2	49.4	2.4	5.8	4.8	
- Inter-bank credits received	13.2	8.1	10.3	16.8	17.9	
ASSETS	100	100	100	100	100	100
Non-working (non-interest bearing assets)	50.5	13.1	53.2	33.1	27.4	28.0
- "Nostro" correspondent accounts	33.1	0.8				
- Cash, reserves in CB, fixed capital, other	17.4	12.3				
Working (interest bearing) assets	49.5	86.9	46.8	66.9	72.6	72.0
- Credits to non-financial sector	31.4	58.1	29.9	38.0	34.6	31.0
- Inter-bank credits issued	11.0	2.6	10.9	16.1	16.4	7.6
- Government securities	4.3	22.1	5.7	11.2	18.0	23.2
- Non-government securities	1.0	3.0				10.2

*July 1, 1997, excluding Vneshekonombank.

Source: Data for 1994 are for 627 Moscow based banks and are taken from: Dmitriyev et al., 1996; Data for 1994-97 are for 503 Moscow based banks (excluding Sberbank and Vneshekonombank) and are taken from: OECD, 1997.

Table 7. Assets, registered capital and credits of 10 largest Russian banks, as of January 1, 1997

Bank	Assets, trillion roubles	Registered capital, trillion roubles	Credits outstanding*, trillion roubles	Share in total credit out- standing*, %
Sberbank	256.5	15.3	31.9	13
Vneshtorgbank	27.9	6.1	8.1	3
Inkombank	22.2	2.0	7.7	3
ONEXIMbank	20.6	2.9	10.6	4
Mosbiznesbank	17.7	1.0	3.1	1
Rossiyskiy Credit	16.3	1.2	2.5	1
Tokobank	14.5	1.1	3.3	1
Stolichniy Bank Sberezheniy	13.9	1.3	2.5	1
Menatep	12.2	1.0	7.8	3
Natsional'niy Reservniy Bank	11.2	1.6	2.2	1
Total	413.0	33.5	79.7	33

*In hard currency and in roubles, excluding inter-bank credits.

Source: Finansoviye Izvestiya, February 13, 1997; Goskomstat.

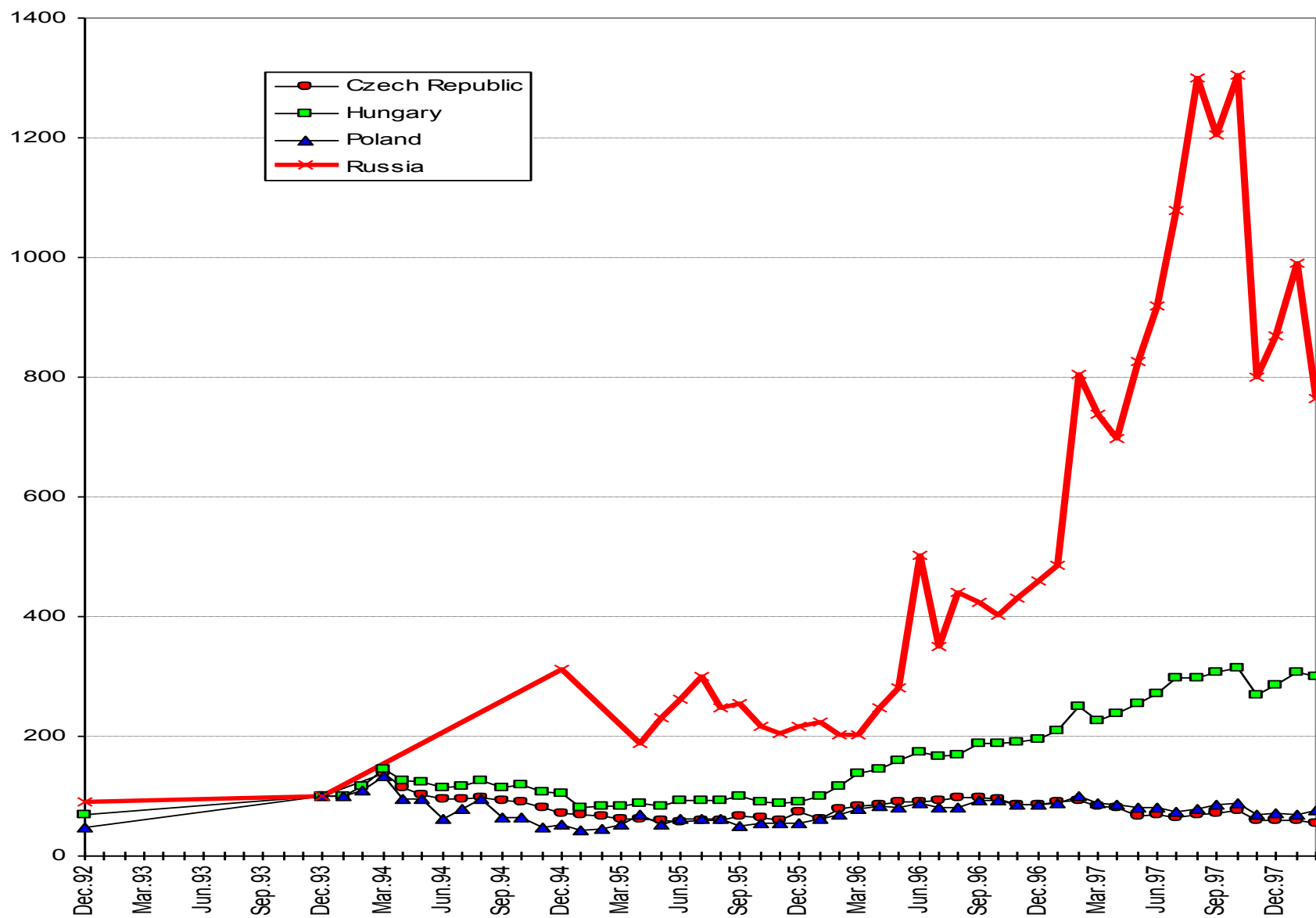
Stock market capitalisation and volume of annual trade in stocks in 1996*

Country	Market capitalisation		Volume of trade		Ratio of volume of trade to market capitalisation %
	bill. \$	% of GDP	bill. \$	% of GDP	
China	113.8	14.2	256.0	32.0	225
Czech Republic	18.1 (20.3)	37.7 (45)	8.4 (10.4)	16.9 (23)	46 (51)
Slovakia	2.2 (6.3)	11.4 (36.2)	2.3 (3.0)	12.1 (17.2)	105 (48)
Poland	8.4 (6.8)	7.0 (5.8)	5.5 (13.8)	4.6 (11.7)	65 (203)
Hungary	5.3 (3.8)	12.0 (8.7)	1.6 (2.5)	3.6 (5.7)	30 (66)
RUSSIA	37.2 (50)	8.4 (12)	3.0 (13)	0.7 (3)	8 (25)
Estonia	(0.4)	(10.0)	(0.24)	(5.9)	(60)
Croatia **	0.6	3.2	0.05	0.3	9
Slovenia	0.7	3.8	0.4	2.3	61
Lithuania	0.9	11.7	0.05	0.6	5
Latvia	0.15	3.0	0.013	0.3	8
Uzbekistan	0.13	0.6	0.07	0.3	54
Bulgaria	0.007	0.06	0.0	0.0	0
Romania	0.06	0.2	0.006	0.0	9
Kyrgyzstan	0.005	0.3	0.0003	0.0	7
Armenia	0.007	0.2	0.0	0.0	1
All emerging markets	2226	37***	1587	26***	76
All developed countries	17952	75***	12011	50***	67

* IFC data (figures without brackets) are for 1996 and do not include the OTC trading. Figures in brackets were collected by OECD for listed and unlisted stocks, include OTC trading, and were computed by annualising the data for March-August 1996. For Russia estimates are for 1996 as a whole and are taken from press reports.

** 1995.

Fig. 5. Dollar stock prices indices, Dec. 1993 = 100%

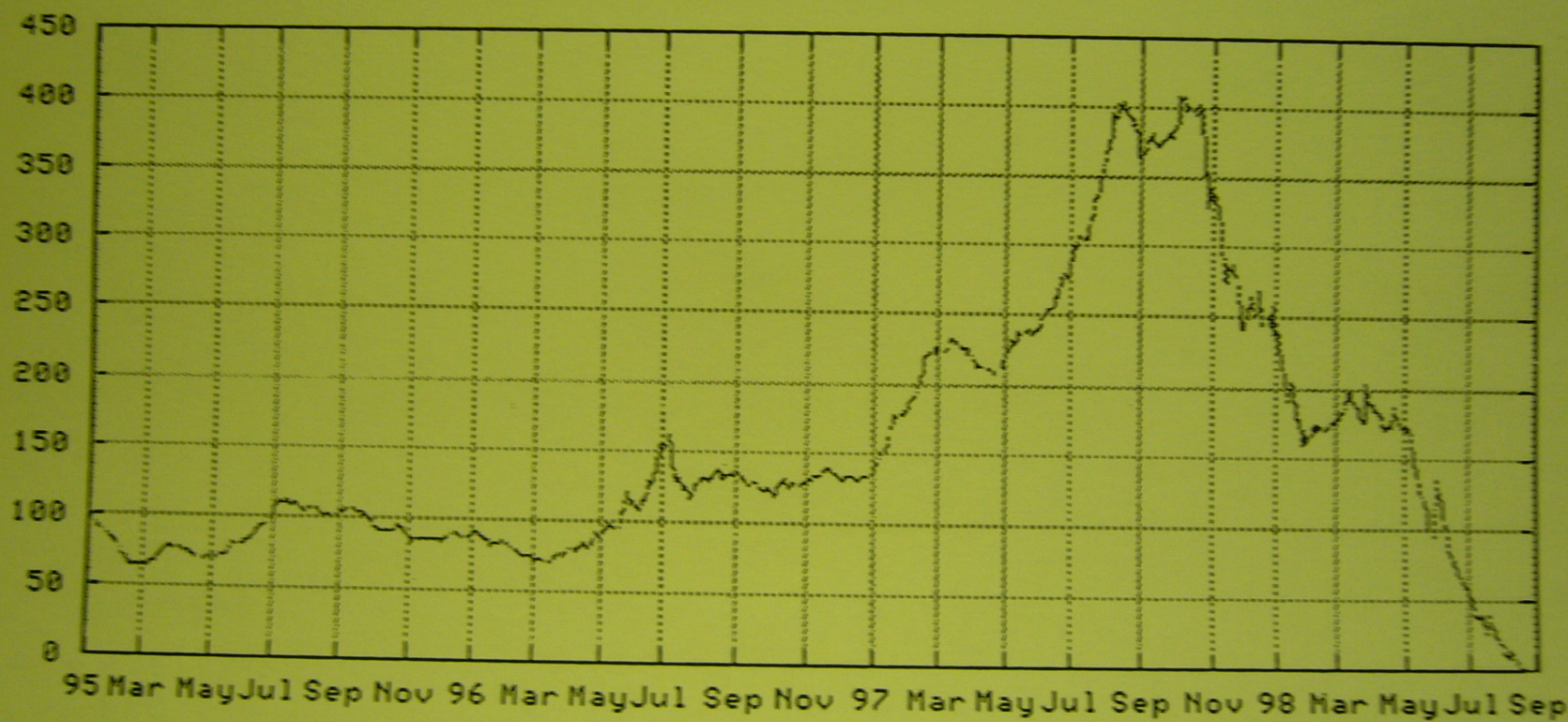


Source: Economist, 1993-98; For Russia, 1992-93, - authors estimates.

RINACO Plus Equal Weighted Index

Updated: 09.03.98, 0.004, 0.003 (300 %) to 09.02.98

Click on any week during 1995 to look at the major events affecting securities market.



The index is based on USD prices, calculated at the MICEX exchange rate

Figure 6. Types of financial systems emerging in transition economies

Type of banking system ----- Type of privatisation	Concentrated	Decentralised
Vouchers and give away of property	German/Japanese type financial system	American-type financial system
Marketing of property to the highest bidder	German/Japanese type financial system	?

Fig. 12. Investment and bank credit

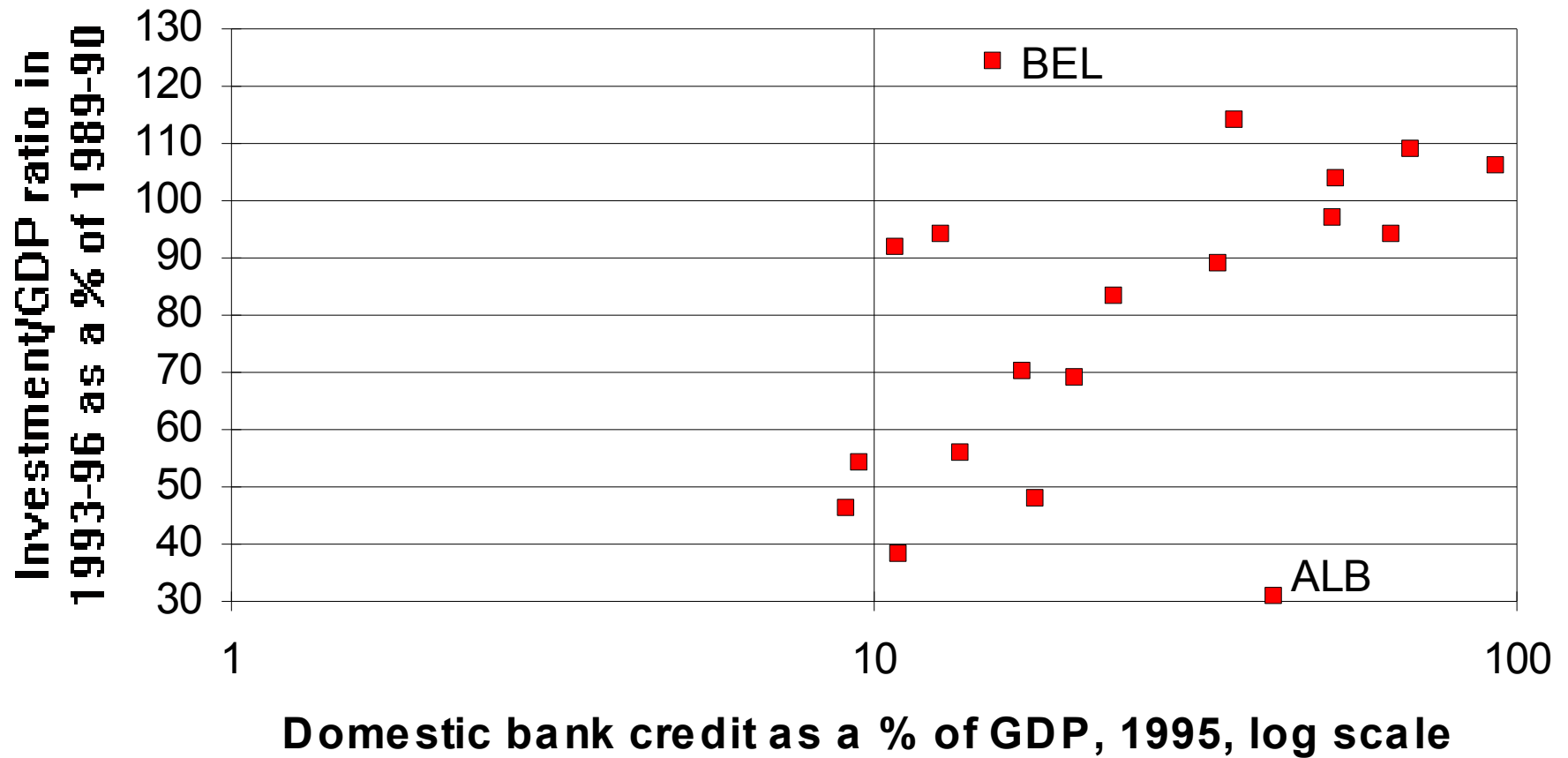


Fig. 13. Investment and stock markets

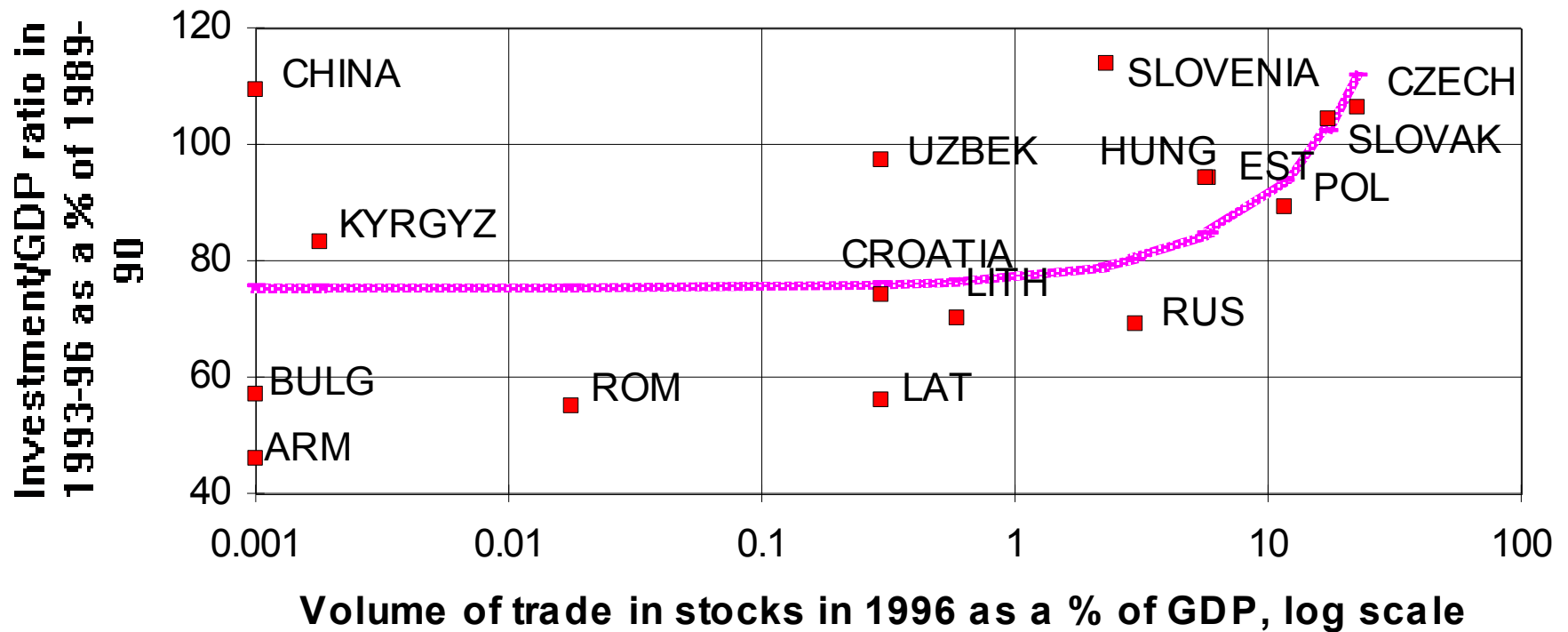


Table 9. Regression of change in investment on indicators of financing (all coefficients are significant at 5% level except those in brackets)

Dependent variable = log (investment/GDP ratio in 1993-96 as a % of 1989-90)

For China - all indicators are for the period of 1979-86 or similar.

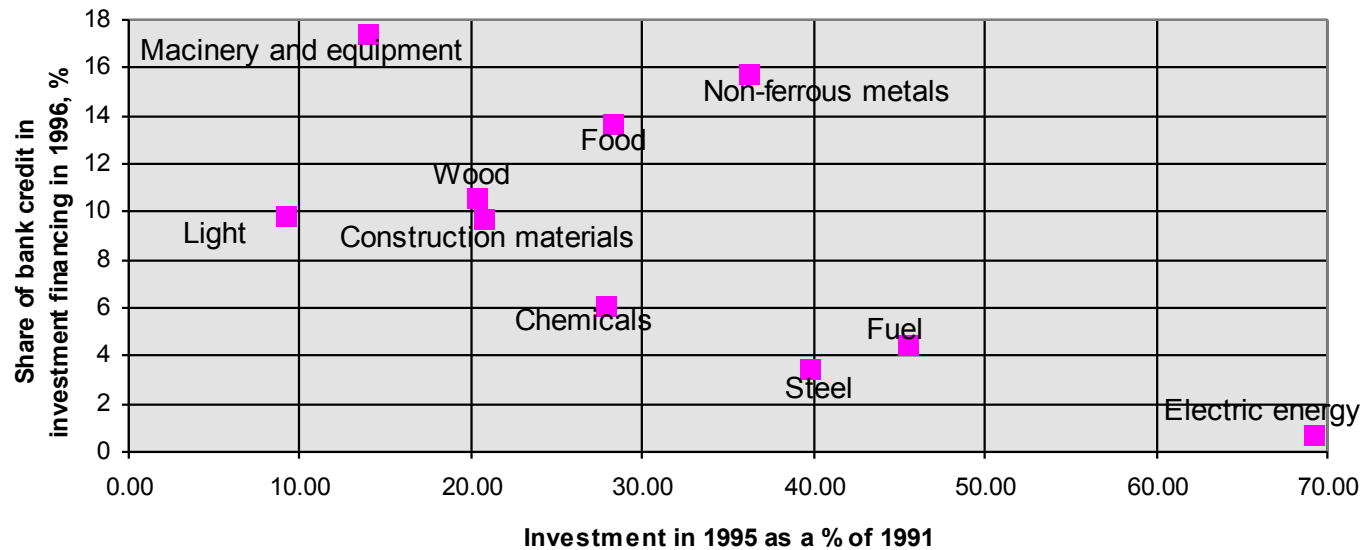
Equations, number of observations/ Variables	1, N=18	2, N=16	3, N=10	4, N=10	5, N=12	6, N=16	7, N=16	8, N=16
Constant	4.096	4.312	4.247	4.238	4.264	4.432	4.311	4.415
Decline in the share of government revenues in GDP from 1989-91 to 1993-96, p.p.						-.0123		-.0123
Credit to private sector, % of GDP, 1995	.0106	(.0062)	(.0052)	(.0050)		.0053	(.0062)	(.0054)
Volume of trade in stocks, % of GDP, 1996			(.0109)					
Government financed investment as a % of budgetary expenditure, 1995				(.0151)	(.0205)			
Foreign aid, % of investment, 1994		-.0074	(-.0047)	-.0105	-.0119	-.0089	-.0074	-.0089
Cumulative inflow of FDI in 1989-96, % of 1995 GDP								(.0015)
Adjusted R ²	22	55	68	59	56	66	55	63

Table 8. Sources of investment financing, % of total

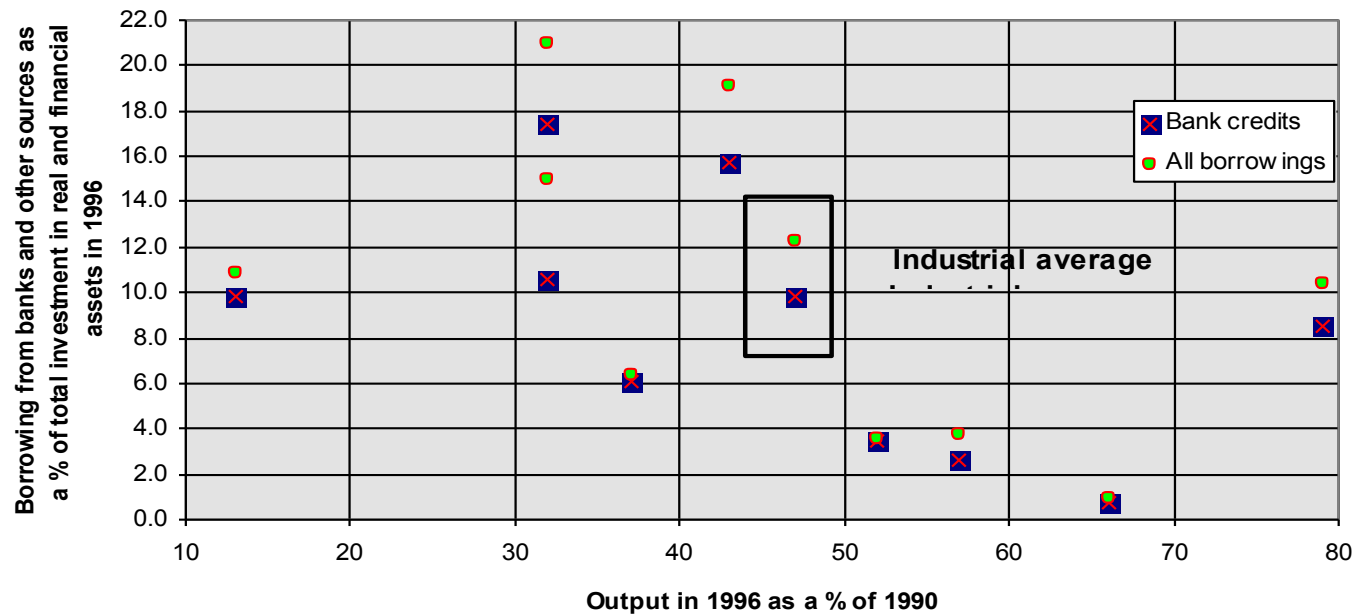
Sources	1992	1993	1994	1995	1996	1997 (1st half)
Centralized investment funds	29.8	37.6	31.8	32.0		
- Federal budget	16.6	19.2	13.4	11.5	9.2	7.0
- Local budgets	10.3	15.1	10.6	10.3	9.6	7.9
- State off-budget funds	2.9	3.3	5.8	10.2		
- Priority sector support funds			2.0			
Enterprises' own funds	69.3	57.4	64.2	62.5		
Households	0.9	2.6	2.3	3.0		
Foreign direct investment	...	2.4	1.7	2.8		
Memo:						
- Gross investment as a % of GDP (national accounts)	35.7	31.4	28.3	28	23.8	11.9
- Fixed investment as a % of GDP (national accounts statistics)	24.7	22.8	24	22	20?	
- Fixed investment as a % of GDP (capital investment statistics)	14.0	15.8	17.8	15.1	16.4	

Source: Goskomstat.

Fig. 14. Bank financing of capital investment and investment and output change in Russian industries



to industries



Forbes оценил наших миллиардеров



В опубликованном в США журнале «Форбс» (Forbes) за октябрь 2000 года приведены списки богатейших людей мира. В российский список бизнесменов вошли 10 человек. Среди них: Борис Березовский (10-е место, 3 млрд долларов), Михаил Ходорковский (11-е место, 2,8 млрд долларов), Владимир Лисин (12-е место, 2,5 млрд долларов), Олег Дерипаска (13-е место, 2,4 млрд долларов), Алексей Мамута (14-е место, 2,3 млрд долларов), Владимир Потанин (15-е место, 2,2 млрд долларов), Евгений Юсупов (16-е место, 2,1 млрд долларов), Александр Шохвацкий (17-е место, 2,0 млрд долларов), Валерий Лисинский (18-е место, 1,9 млрд долларов) и Валерий Филатов (19-е место, 1,8 млрд долларов).

Эксперты Forbes оценивали деятельность бизнесменов по состоянию на 1 октября 2000 года. В таблице отранжированных миллиардеров занял 97-ю позицию и сумел обойти известного «информационного барона» Руперта Мердока (111-е место, 2,8 млрд долларов), инвестора-филантропа Джорджа Сороса (131-е место, 2,5 млрд долларов), Михаила Горюховского (2,4 млрд долларов) занял в списке 133-е место и обошел таких, как основатель телекомпания CNN Тьерри Тернер (157-е место, 2,1 млрд долларов) и Ротшильдов, члены которой удались 190-м местом (1,5 млрд долларов). Председатель совета директоров нефтяной компании «ЛУКОЙЛ» Валерий Александрович занял 1,4 млрд долларов (у Дерипаски 2,4 млрд долларов). Примерно столько же (1,4 млрд долларов) занял 124-е место. Суммарно чистого 200 миллионов долларов не хватило для входа в список также РАО «Енисей» Вадима Хиреню. Чье состояние Forbes оценил в 1 млрд долларов.

по промышленному компонентам (см. таблицу).

Характеристики крупнейших российских ФПГ

(млрд руб.)

	Альфа Группа «Альфа»	МЕНЕТЕР Группа «Менатеп»	ОНЕКСИМ Группа «Онэксим»*
Сумма банковских активов группы	6464	9199	26452
Банковский капитал	369	897	3622
Реализация продукции, услуг предприятий группы (за 1995 г.)	2983**	27447	более 40000

*Только подконтрольные компании, без партнеров.
**Вместе с оборотом торговых компаний.

Иной раз, впрочем, приходится слышать мнение, что размеры Онэксимбанка и МФК несколько преувеличены — из-за перекрестного владения активами. Однако на наш вопрос по этому поводу председатель правления МФК

Number of billionaires per 1 trillion dollars PPP GDP in 2007, by country

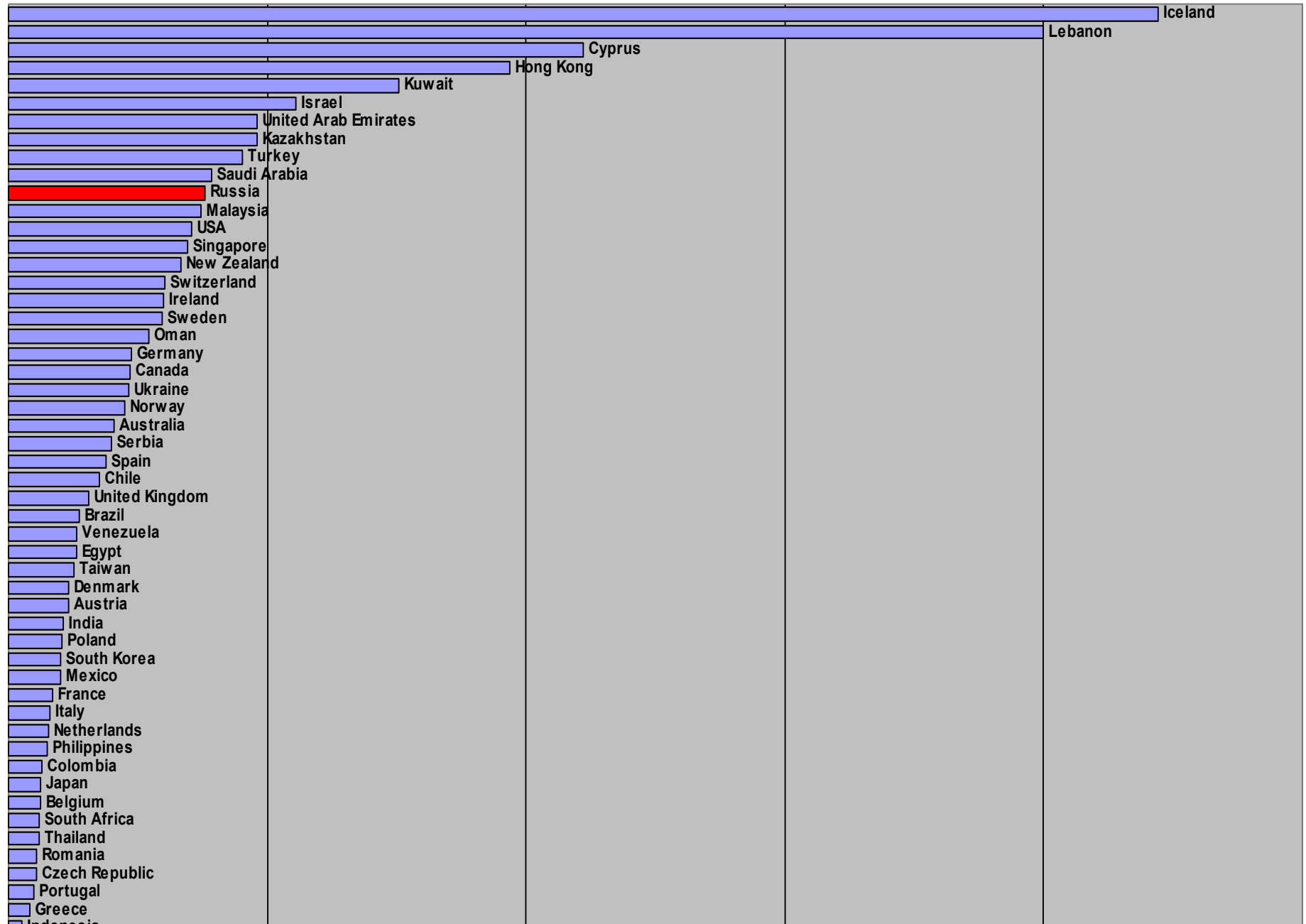
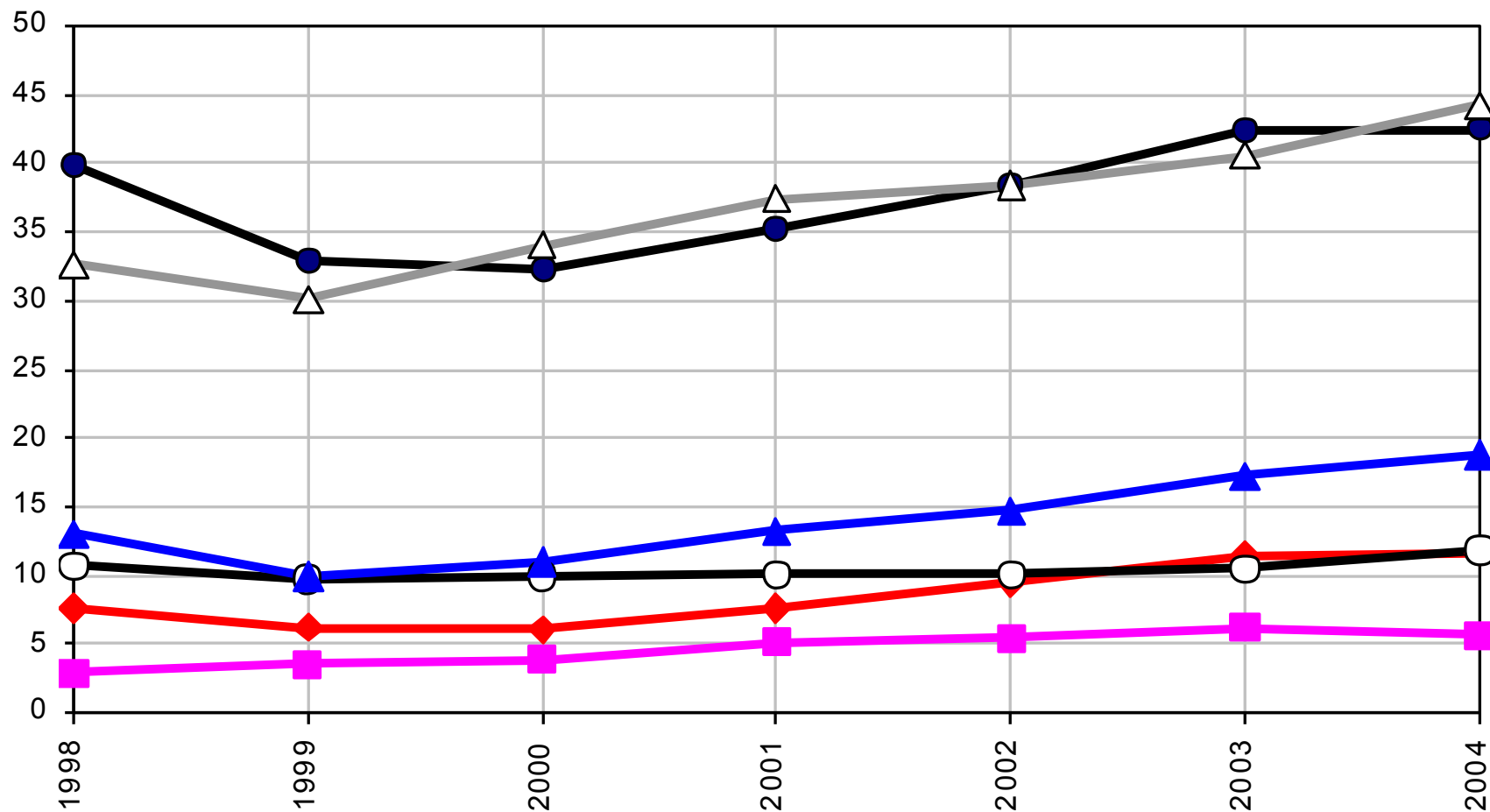


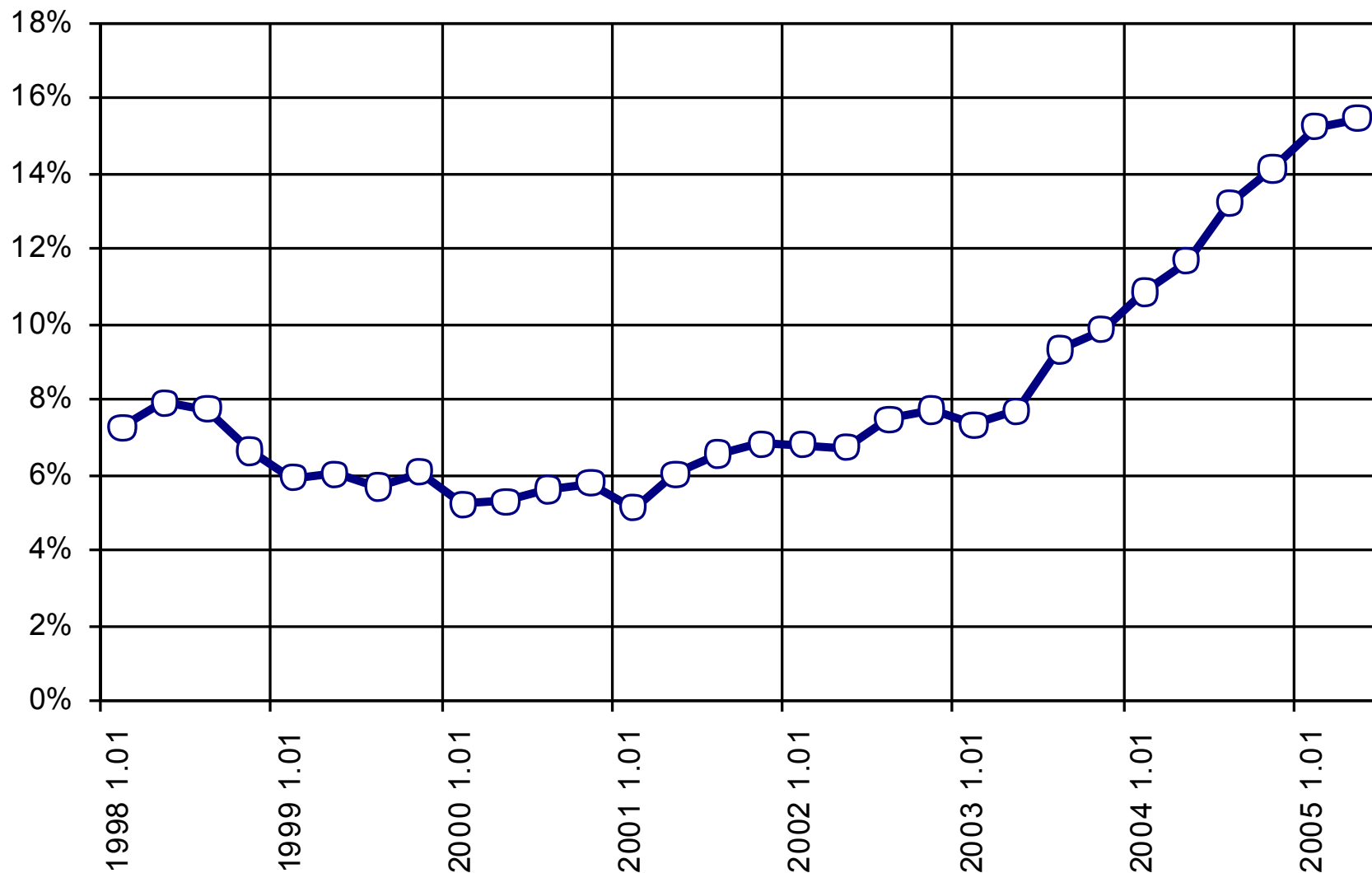
Fig. 28. Some balance sheet items of the Russian banking system, % of GDP



- Assets
- Capital (own funds)
- Funds attracted from physical persons
- Funds attracted from enterprises and organisations
- Credits extended to non-financial enterprises and organisations
- Credits extended to non-financial enterprises and organisations as percentage of total assets

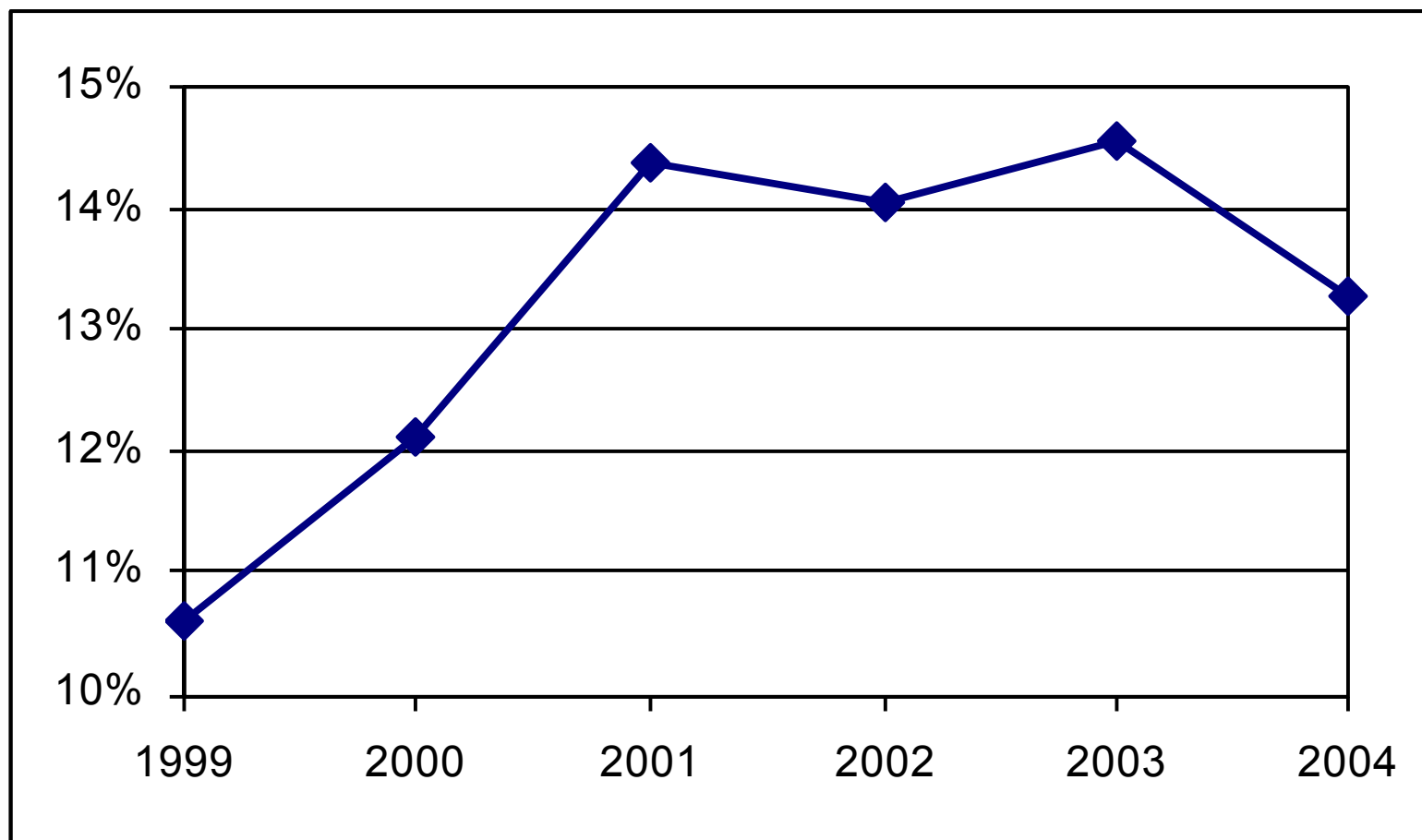
Fig. 29. Percentage of loans to private households in total amount of loans

share of credits to private households



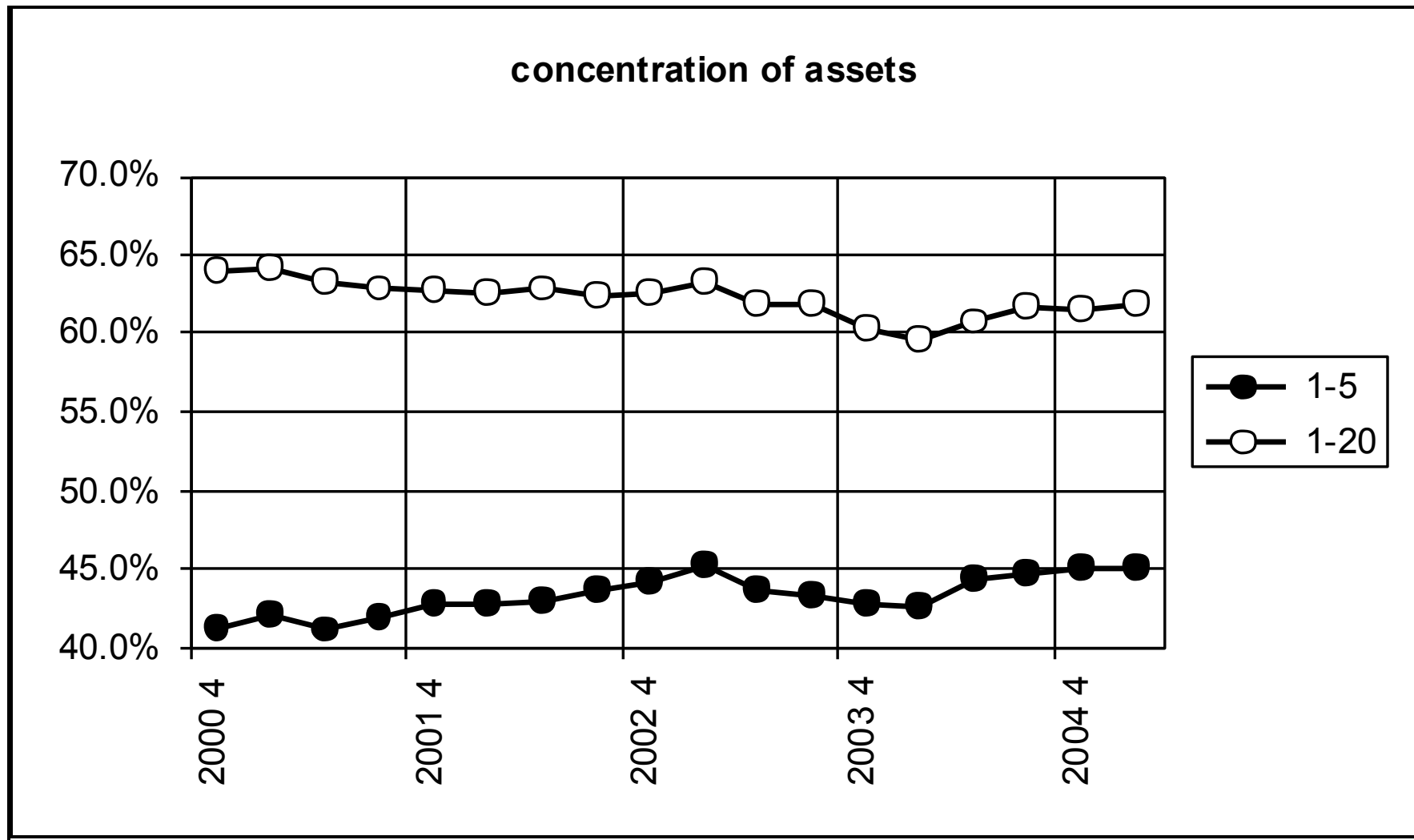
Source: CBR.

Fig. 30. Ratio of equity to total assets of banking system (1998 - 7.2%)



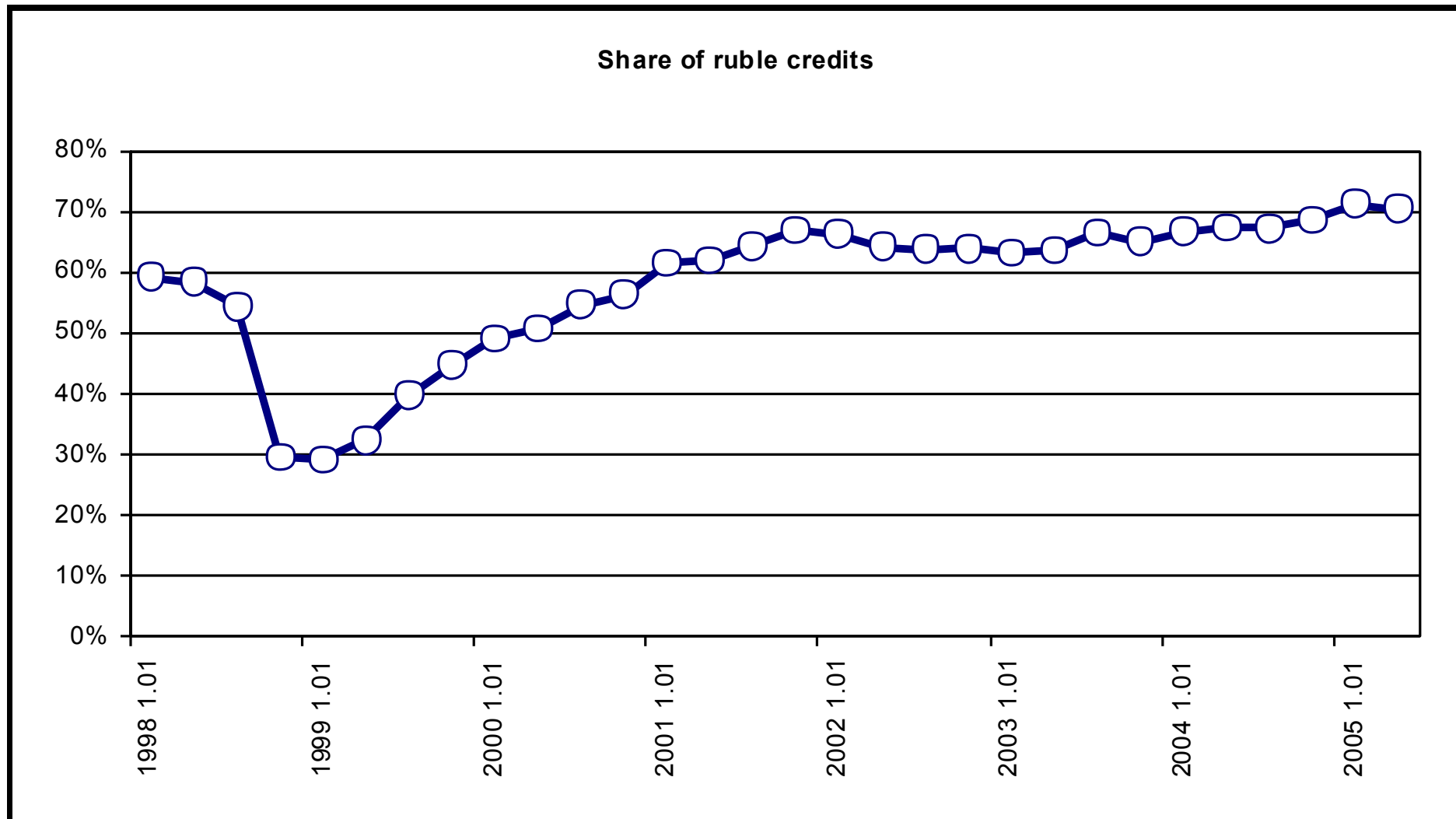
Source: CBR.

Fig. 31. Share of largest 5 (20) banks in total assets of banking system



Source: CBR.

Fig. 32. Percentage of loans in rubles to non-financial enterprises and organizations in total amount of loans



Source: CBR.

Fig. 34. Share of long term loans in total loans

