Reimagine disinvestment

What is the issue?

The Centre needs to rethink its disinvestment policy and perhaps stop budgeting for proceeds from sale of PSU equity.

Why should government reimagine disinvestments?

- In recent times the disinvestment programme for selling strategic stakes in public sector enterprises has met with several delays.
- **Market related uncertainties -** Sale of 52.8% stake in Bharat Petroleum was called-off recently by the bidders, citing uncertainties in global energy market.
- Strategic sale of Central Electronics was shelved due to lapses in the bidding process.
- Sale of stake in Pawan Hans also could not take off.
- While DIPAM has been trying to sell strategic stakes in many other public sector undertakings, including Rashtriya Ispat Nigam, IDBI, BEML and Shipping Corporation of India, it has been hard put to close these sales.
- Disinvestment of smaller stakes in PSUs has also met with limited success.
- **Regulatory uncertainties –** The bidders are also wary about aggressive employee unions in the PSUs and government interference in its management.
- When the government keeps adjusting its regulatory policies in these sectors, it is quite difficult for a private sector company to operate here.
- For example private oil companies are now struggling with the petroleum products pricing regime.
- All these highlights the need for a complete overhaul of the disinvestment programme.

How should disinvestments be planned?

- Disinvestment should be driven by the long-term vision of the government on the extent to which it wants to privatise the economy and the sectors where it needs to retain a presence — and not by the need to raise revenues.
- The strategic disinvestment policy of 2021 laid down that the Centre will maintain 'bare minimum' presence in strategic sectors.
- Here the government needs to rethink the extent of its presence in certain strategic sectors such as power, coal, energy and defence.
- Exiting non-strategic sectors is a good idea.

What needs to be done now?

- Setting targets for disinvestment is not a good idea.
- Over 10% of the fiscal deficit has been planned to be met through disinvestment proceeds.
- The Centre needs to stop relying on disinvestment proceeds to bridge the gap in its Budget (fiscal deficit).
- By not budgeting such receipts the Centre need not worry about the fiscal deficit if the

disinvestment target is not met.

- In case of sale of strategic or partial stake in any year, it can be accounted for in the actual budget numbers.
- This way, there would be no urgency to sell stakes in profitable PSUs at cheap valuations, or to devise innovative methods to show higher proceeds.
- The Centre should instead focus on improving the management of these enterprises to increase their profitability.

Reference

1. https://www.thehindubusinessline.com/opinion/editorial/reimagine-disinvestment/article65487927.ece

