

DIPAM divestment target for FY23 was ₹1.2 trillion

Target pruned to ₹65,000 cr for better accounting, avoiding market distortion

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While an internal assessment by the Department of Investment and Public Asset Management (DIPAM) had initially pegged the disinvestment receipts for 2022-23 at ₹1.2 trillion, the government pared down the target to ₹65,000 crore in the Budget, given the repeated failures to achieve ambitious targets over the years, and to avoid the unrealistic target seen to plug fiscal deficit.

An internal evaluation by the department had estimated divestment receipts of ₹1.2 trillion, considering the big-ticket privatisations of Bharat Petroleum Corporation, Shipping Corporation of India, and IDBI Bank, among others. However, the decision was taken to refrain from budgeting higher targets, with increasing focus on internal monitoring of all pending and fresh proposals and taking them to their logical conclusion, said an official.

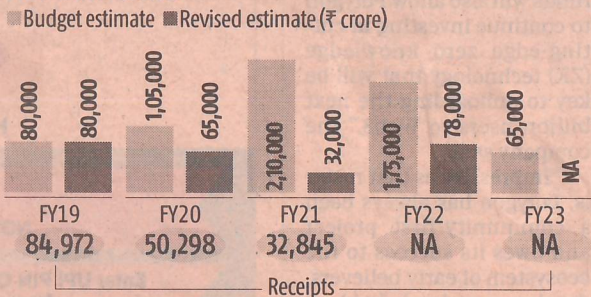
Since this is break from the earlier practice of higher budgeted divestment targets, it required a lot of dialogue with other departments of the finance ministry to opt for a "rationalisation" of the target, informed an official.

This was done bearing in mind DIPAM has been spearheading even those privatisation proposals that do



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Source: Budget documents, DIPAM

INTERNAL EVALUATION

- **Breaking from past practice of high divestment target** required series of dialogue within finance ministry
- **Delay in privatisation proposals** have been beyond the government's control
- **DIPAM to see increased focus on internal monitoring** of all pending and fresh proposals
- **Lower target to not disturb** the market, and avoid price manipulation PSU stocks

not fetch any receipts to the Centre but require the same degree of effort, and a realistic target for divestment would help in better accounting in the Budget. At the same time, a conservative target would not upset the mar-

ket and circumvent price manipulation of stocks of public sector undertakings (PSUs). With regard to better accounting, a realistic target would provide a better picture of the Centre's fiscal gap.

A delay in privatisation proposals has been beyond government control, and not heeding the requests from

interested parties or potential buyers has stoked fears of the transaction falling through. This has also been one of the reasons discussed within the finance ministry to reconcile to a lower target.

Even with a conservative target, DIPAM would undertake internal review of new and pending privatisation proposals to push for completion, added the official.

Earlier, DIPAM Secretary Tuhin Kanta Pandey had told Business Standard that from this year, the government has undertaken a rationalisation exercise, keeping in mind that the disinvestment target is set only for accounting purposes. This is because many transactions, such as privatisation of Neelachal Ispat Nigam, do not get any money for the Union government. "So keeping a very high accounting target is a problem," Pandey had said.

However, nothing stops the government from exceeding the budgeted divestment target. This year, with the initial public offering of Life Insurance Corporation of India on course, the government is hopeful of exceeding its revised ₹78,000-crore divestment mop-up for the ongoing fiscal year.

The government is also likely to pursue privatisation of two public sector banks (PSBs), besides IDBI Bank, and one public sector insurance company after the state elections in 2022 are over. The government has, so far, been tight-lipped on the privatisation of PSBs announced in last year's Budget.

**BUDGET
2022-23**

