



## Strategic Disinvestment

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The **Department of Investment and Public Asset Management (DIPAM)** under the Ministry of Finance has been made the **nodal department for the strategic stake sale in the Public Sector Undertakings (PSUs)**.

- Till now, PSUs for strategic sale were identified by **NITI Aayog**. From now, **DIPAM and NITI Aayog will jointly identify PSUs for strategic disinvestment**.
- Also, DIPAM secretary would now co-chair the inter-ministerial group on disinvestment, along with the secretary of administrative ministries concerned.
- This has done with a view **to streamlining and speeding up the process**, reducing the role of administrative ministries which often used to place hurdles in the path of major stake sales.

## Department of Investment and Public Asset Management

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- The **Department of Disinvestment** was one of the Departments under the Ministry of Finance. It was **renamed** as Department of Investment and Public Asset Management (DIPAM) from 14th April, 2016.
- The mandate of the Department is as follows:
  - All matters relating to the management of Central Government investments in equity including disinvestment of equity in Central Public Sector Undertakings.
  - All matters relating to the sale of Central Government equity through offer for sale or private placement or any other mode in the erstwhile Central Public Sector Undertakings.
- **Disinvestment** means the dilution of stake of the Government in a public enterprise.
- **Strategic disinvestment** is transferring the ownership and control of a public sector entity to some other entity (mostly to a private sector entity).

Unlike the simple disinvestment, strategic sale implies some sort of privatization.

- According to the government, strategic disinvestment would imply the sale of a substantial portion of the Government shareholding of a central public sector enterprises (CPSE) of upto 50%, or such higher percentage as the competent authority may determine, along with transfer of management control.
- Strategic disinvestment in India has been **guided by the basic economic principle** that the **government should not be in the business to engage itself in manufacturing/producing goods and services in sectors where competitive markets have come of age**, and economic potential of such entities may be better discovered in the hands of the strategic investors due to various factors, e.g. infusion of capital, technology up-gradation and efficient management practices etc.

## NITI Aayog

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- The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on **1<sup>st</sup> January 2015**.
- The Government of India constituted the NITI Aayog **to replace the Planning Commission** instituted in 1950.
- It is the premier policy '**Think Tank**' of the **Government of India**, providing both directional and policy inputs.
- While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.
- The Governing Council of NITI, with the **Prime Minister as its Chairman**, comprises Chief Ministers of all States and Lt. Governors of Union Territories (UTs).

**Source: BS**