

Asset Monetization Programmes

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In news

The first consultative meeting on asset monetization was held recently, it was organized by Department of Investment and Public Asset Management (DIPAM) in partnership with World Bank

Background

Cabinet in its meeting on 28.02.2019 approved procedure and mechanism for Asset Monetization of Central Public Sector Enterprises (CPSEs)/Public Sector Undertakings (PSUs)/other Government Organizations and Immovable Enemy Properties.

About Asset Monetization Programme

- Asset monetization is a stated objective of the Government and DIPAM is mandated to facilitate monetization of non-core public assets.
- DIPAM is mandated with facilitating monetization of non-core assets of government CPSEs under strategic disinvestment or closure and enemy property of value of INR 100 crores and above.
- DIPAM has a framework for monetizing non-core assets.

What is Asset Monetization?

- Asset Monetization involves creation of new sources of revenue by unlocking of value of hitherto unutilized or underutilized public assets.

Objective Asset Monetization programme

The objective of the asset monetization programme of the Government of India (GOI) is **to unlock the value of investment made in public assets which have not yielded appropriate or potential returns so far**, create hitherto unexplored sources

of income for the company and its shareholders, and contribute to a more accurate estimation of public assets which would help in better financial management of government/public resources over time.

Significance of Asset Monetization

- Internationally, it is recognized that public assets are a significant resource for all economies.
- Monetizing these assets that Government's control, including Public corporations, is widely held to be a very important but inadequately explored public finance option for managing public resources.
- Many public sector assets are sub-optimally utilised and could be appropriately monetized to create greater financial leverage and value for the companies and of the equity that the government has invested in them.

Policy framework: Scope

The policy framework lays down the Institutional framework for monetization of the following:

- Identified **non-core assets of CPSEs** under strategic disinvestment
- **Immovable Enemy Property** under the custody of Custodian of Enemy Property (CEPI), MHA as per sub section 6 of section 8A of the Enemy Property Act, 1968
- This framework is also available for use to monetize assets of **other CPSEs/PSUs/other** Government Organizations with the approval of the Competent Authority
- **Sick/Loss making CPSEs under closure** normally follow the DPE closure guidelines dated 14.06.2018 in this regard.
 - However, any sick/loss making CPSE can also adopt this framework with the approval of Competent Authority.

DIPAM's MoU with World Bank

- On 16th November 2020. DIPAM signed an agreement with World Bank for advisory services on Asset Monetization
- Under the agreement, the World Bank is to provide advisory services to DIPAM for asset monetization.
- The World Bank advisory project, approved by the Finance Minister, **is aimed at analyzing public asset monetization in India and benchmarking its institutional and business models against international best practices** as well as supporting development of operational guidelines and capacity building for their implementation.
- It is expected that this project would facilitate and accelerate the non-core asset monetization process and help unlock the value of these un-used/ marginally used assets which has the potential to substantially augment financial resources for further investments and growth.