

Disinvestment is not always privatisation

Distinguish disinvestment of PSE equity from privatisation, deregulation, devaluation and demonetisation

• Public Sector Equity & Policy Terms

◆ Disinvestment

Government sells part or all of its equity holding in a public enterprise.

The transaction changes share ownership.

Government sale proceeds are non-debt capital receipts.

○ Minority stake sale

Shares are sold without transferring management control.

Government can retain control after selling part of its holding.

A partial sale does not by itself establish privatisation.

◇ Strategic disinvestment

A substantial or entire holding is sold with management control.

The buyer can be private or another public-sector enterprise.

Privatisation is the case where ownership/control move to private hands.

□ Different from deregulation

Deregulation relaxes government controls or entry restrictions in a sector.

Rules can change even when no government shares are sold.

Ask separately: did shares change hands, and did management control change?

REMEMBER A stake sale is disinvestment; the buyer and transfer of control determine whether it is privatisation.