

Summary of Recommendations

1. *The Ministry of Finance may ensure through improved and effective coordination with the administrand the PSUs identified for disinvestment that the titles to all properties are in place and their valuation is carried out properly on the basis of their market value. This would enable Government to obtain correct valuation in their independent exercise undertaken through the Global Advisor and the asset valuer.*
2. *The Ministry may also ensure that decisions on extinguishments of liabilities and other major pending issues are expedited well before the calling of EoIs. This would enable the interested and qualified parties to take into account correct and deserved valuation while submitting their bids.*
3. *The Ministry may define the scope of work of the Global Advisors and standardize the mandate of and the agreement with them so that the latter do not have an open ended and disparate arrangement for what is an extremely sensitive and important exercise intended to aid the process of disinvestment and obtain the maximum value for the stake under disinvestment. The asset valuers would need to be given adequate time to prevent the exercise from becoming redundant.*
4. *The specific steps taken by the Ministry throughout the sale process and the steps taken by the Global Advisor to keep the interest of prospective bidders alive in order to ensure proper competition need to be documented. The documentation could include the directions and guidelines issued to the Global Advisor at each stage of bidding, detailed record of the minutes of the meetings of the decision making bodies in the approval channel and discussions with the management of the PSU. A log of all contacts and a record of all questions raised by prospective bidders with the Global Advisor and the clarifications given should also be maintained.*
5. *The Ministry may ensure that the National Investment Fund is operationalized promptly so that sale proceeds realized from future disinvestment are credited into the Fund which would enable effective monitoring of the end use of the funds and proper assessment of the achievement of the objectives of disinvestment.*
6. *The Ministry may also put in place a mechanism to ensure that the advisors and intermediaries do not remain insulated from any responsibility for any post disinvestment claims. A suitable indemnity clause in the agreements with the advisors could be considered for this purpose.*

7. *The Ministry may critically examine the efficacy of the post closure adjustment clause in Share Purchase Agreement especially in the case of unlisted PSUs as the clause would appear to have put Government in the position of having to grapple with substantial claims raised by SPs in each of the four unlisted disinvested PSUs.*