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## Create the Necessary Setting (Public Sector Governance of Asset Recycling)

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*On this page:* Principles of participation, transparency, accountability, fairness, and efficiency – which are also widely accepted across other infrastructure delivery programs, such as public-private partnerships (PPPs) – should be followed. Read more below, or visit the main page for the [Asset Recycling Handbook](#) and [Content Outline](#), or [Download the Full Report](#).

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Good governance should underpin an asset recycling program. This requires establishing enabling institutions, procedures, and processes around the lifecycle of an asset recycling program.

To ensure good governance for asset recycling, the principles of participation, transparency, accountability, fairness, and efficiency – which are also widely accepted across other infrastructure delivery programs, such as public-private partnerships (PPPs) – should be followed.

A good governance framework for asset recycling should have the following components:

- Defining laws and the regulatory framework to enable and facilitate transactions
- Developing the institutional framework to ensure proper governance and accountability
- Incorporating a capacity building program to ensure that public sector officials are familiar with asset recycling process and procedures
- Developing implementing process and guidelines
- Engaging with the public to obtain buy-in

### **Ensure all laws and regulations are in place**

The legal processes in many jurisdictions may be insufficient to provide certainty to investors in conventional infrastructure procurement mechanisms. The government needs a secure, predictable, stable, consistent, and commercially oriented framework of law and regulation, so that asset recycling can be scalable.

- Ensure that laws and regulations for the effective implementation of asset recycling program are clear, transparent, and enforceable. In addition, existing regulations should be carefully evaluated to avoid conflicting outcomes.
- Investors interested in asset monetization need predictability and security in legal frameworks, which means fewer, clearer, and better rules.

### **Maintain key institutional roles and responsibilities**

It is important to establish a clear, predictable, and legitimate institutional framework supported by competent and well-resourced authorities for asset recycling programs.

- Key institutional roles and responsibilities should be well-defined. This requires that central line ministries (more specifically, Ministry of Finance), state-owned enterprises (SOEs) who own and operate the infrastructure assets, procuring entities and dedicated units, and sector regulators are entrusted with clear mandates to ensure clear lines of accountability.
- Monetization and re-investment projects should be prioritized at the highest government level. As there may be many competing investment priorities, it is the responsibility of government to define and pursue strategic goals. There should be no institutional, procedural, or accounting bias either in favor of or against asset recycling.

### **Build necessary capacity holistically**

There are several new skills that must be developed for asset recycling, as distinguished from traditional or other infrastructure programs.

- Governments can build necessary capacities in a combined approach that establishes new institutions and trains public officials, while also using external expertise.
- For countries new to asset recycling, a key requirement is to acquire necessary skills, usually by hiring consultants and external advisers. In particular, the right advisors can provide guidance on: (a) Technical (b) Legal (c) Financial (d) Project Monitoring/Due Diligence (e) Accounting and Tax (f)

Environmental and Social aspects of asset recycling transactions.

### **Implementation guidelines (for monetization and re-investment)**

- Step-by-step implementation guidelines for both monetization and re-investment at all levels (center and state/SOE) should be formulated. For instance, aspects such as the development of a pipeline, the transaction of the asset, and the reinvestment of proceeds should be undertaken following a transparent, neutral, and non-discriminatory process that promotes the defined objectives of the asset recycling program.

### **Engage with the public**

- An asset recycling program should put people first by increasing accountability and transparency in projects to improve people's livelihoods, especially vulnerable people. This is further elaborated in the section on creating momentum.

### **Ensure environmental and social sustainability**

- The asset recycling program also should integrate the principles of sustainable development into projects, by incorporating environmental social and governance (ESG) considerations in the objectives of the project, setting clear contractual specifications aligned to those objectives and awarding projects to those bidders who have a demonstrated capacity to manage environmental and social aspects in line with Good International Industry Practice.

## **Case study - Institutional and governance framework for Asset Monetization Program, India**

The Government of India has set out detailed institutional framework for the monetization of assets owned by Central Public Sector Entities (CPSEs) and Public Sector Undertakings (PSUs) under the Asset Monetization Program. The framework:

- Establishes the decision-making bodies; and
- Creates roles and responsibilities of the decision making (and other) bodies

Note: While the following framework is specific to the setting in India, lessons can be drawn and applied to other jurisdictions. It is also worth noting that a one-size-fits-all approach may not be tenable for institutional and governance frameworks given the unique setting that each jurisdiction faces.

Accordingly, the framework must be assessed in the context of the laws and regulations of the respective jurisdiction.

### **Constituting decision-making bodies**

To implement the Asset Monetization Program, an Alternative Mechanism (AM), Core Group of Secretaries on Asset Monetization (CGAM) and Inter Ministerial Group (IMG) was established:

**Alternative Mechanism (AM)**

- Union Finance Minister
- Minister of Road Transport and Highways
- Minister of Respective Administrative Ministry

**Core Group of Secretaries on Asset Monetization (CGAM)**

- Under the Chairmanship of Cabinet Secretary, the group constitutes Secretaries of Departments of Economic Affairs, Revenue, Expenditure, Corporate Affairs, Legal Affairs, Public Investment and Asset Management, Urban Development, Public Enterprises.

**Inter-ministerial Group (IMG)**

- Under the Chairmanship of Secretary, Department of Public Investment and Asset Management, the group constitutes the representatives of Departments of Administration, Economic Affairs, Expenditure, Public Enterprises, Legal Affairs, Corporate Affairs, Financial Advisor, Chief Managing Director, and Director (Finance) of the concerned CPSE.

**Roles and responsibilities of the decision making and other bodies**

Under the institutional and governance framework, the following roles and responsibilities are assigned to decision making and other bodies:

**Name of Body / Institution**

**Description**

**Roles and Responsibilities**

Cabinet Committee on Economic Affairs (CCEA)

Committee headed by the Prime Minister of India

Approve any subsequent changes to the institutional framework approved by the Cabinet.

NITI Aayog

The apex public policy think tank of the Government of India

NITI Aayog serves as the apex public policy think tank of the Government of India, and the nodal agency tasked with catalyzing economic development and fostering cooperative federalism through the involvement of State Governments of India in the economic policymaking process using a bottom-up approach.

- NITI Aayog recommends the selection of CPSEs, the assets and the model of monetization in consultation with CGAM

The AM takes the primary role of approving the proposals, models, assets, and processes for monetization:

Alternative Mechanism (AM) Group constituted under Asset Monetization Program

- To approve the proposals for the selection of assets and CPSEs as recommended by IMG and CGAM.
- To set a threshold based on value of asset which would determine the assets that would be monetized under the program.
- To approve model for monetization, model contract documents, transaction documents for inviting bids and contracts.
- To approve detailed monetization process on the recommendation of IMG/ CGAM.

The CGAM takes the primary role of recommending the proposals, models, assets, and processes for monetization:

Core Group of Secretaries on Asset Monetization (CGAM) Group constituted under Asset Monetization Program

- To recommend to CCEA the changes to institutional and governance framework.
- To recommend to AM the proposals related to selection of assets.
- To recommend to AM a threshold based on value of asset which would determine the assets that would be monetized under the program.
- To recommend to AM to lay down the detailed process for monetization.
- To supervise periodically and to monitor the Asset Monetization Program at least twice a year.
- To consider changes in transaction processes, if any.

The IMG also takes the primary role of recommending the proposals, models, assets, and processes for monetization; while some roles are same as CGAM, a few additional responsibilities include:

Inter-ministerial Group (IMG) Group constituted under Asset Monetization Program

- To consider interpretation and deviation in the transaction process.
- Recommend to CGAM to lay down the detailed process for asset monetization.
- Selection of intermediaries and partnerships, with institutions such as multi-lateral agencies or other expert independent bodies.
- To recommend to Alternative Mechanism, an appropriate model to be used for the selected asset. The IMG would be advised about the appropriate model for the transaction by the technical consultants at DIPAM, proposals of Administrative Ministry/CPSE, and recommendation of NITI Aayog.

The DIPAM is the Secretariat for Alternative Mechanism, CGAM, IMG and Oversight Committee and provides secretarial support including preparation of agenda notes, minutes, notices, etc.

DIPAM  
The Department of  
Investment and  
Public Asset  
Management  
(DIPAM)

- To coordinate and put up to CGAM the monitoring formats for supervision and monitoring of the Asset Monetization Program.
- Appoint intermediaries associated with Asset Monetization Program based on the recommendations of IMG.
- To develop E-bidding platform.
- To function as a part of the Consultative Group
- To interact with potential investors, potential bidders and other stakeholders including State Government.
- To lay down the detailed transaction process for consideration of IMG/CGAM/AM.

#### Related Content

- [The PPPRC Asset Recycling Section](#)
- [Executive Summary: Asset Recycling](#)
- [Asset Recycling Projects](#)
- [Asset Recycling Programs](#)
- [Table of Contents for Asset Recycling](#)

#### Additional Resources

- [Asset Recycling Handbook \(Download PDF\)](#)

*This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.*

*This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please [contact the PPP Resource Center](#) using the feedback form.*