NATIONAL MONETISATION PIPELINE - GS III MAINS

Q. Asset Monetisation needs to be viewed not just as a funding mechanism, but as an overall paradigm shift in infrastructure operations, augmentation and maintenance. Elucidate (10 marks, 150 words)

News: *Railways Unlikely to Meet Asset Monetisation Targets by 2024-25: Report*

What's in the news?

- The Indian Railways is unlikely to meet its asset monetisation targets for the four-year period ending 2024-2025.

Key takeaways:

- The NITI Aayog-developed 'National Monetisation Pipeline', brought in 2021-22, estimated an aggregate asset monetisation potential of Rs 6 lakh crores through core assets of the Union government, over a four-year period, from FY 2022 to FY 2025.

National Monetisation Pipeline:

- The pipeline has been **developed by NITI Aayog**, in consultation with infrastructure line ministries, based on the **mandate for 'Asset Monetisation' under Union Budget 2021-22.**
- NMP estimates aggregate monetisation **potential of Rs 6.0 lakh crores** through core assets of the Central Government, over a four-year period, from **FY 2022 to FY 2025.**
- It **aims to unlock value in brownfield projects by engaging the private sector,** transferring to them revenue rights and not ownership in the projects, and using the funds generated for infrastructure creation across the country.

Greenfield Project: It refers to investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where **no previous facilities exist.**

Brownfield investment: The projects which are **modified or upgraded** are called brownfield projects. The term is used for purchasing or leasing existing production facilities to launch a new production activity.

Key takeaways:

- The NMP has been announced to provide a clear framework for monetisation and give potential investors a ready list of assets to generate investment interest.
- Currently, **only assets of central government** line ministries and Central Public Sector Enterprises (CPSEs) in infrastructure sectors have been included.

- The government has stressed that these are **brownfield assets,** which have been "de-risked" from execution risks, and therefore should encourage private investment.
- **Roads, railways and power sector assets will comprise over 66% of the total estimated value of the assets to be monetised**, with the remaining upcoming sectors including telecom, mining, aviation, ports, natural gas and petroleum product pipelines, warehouses and stadiums.
- In terms of annual phasing by value, 15% of assets with an indicative value of Rs 0.88 lakh crore are envisaged for rollout in the current financial year.
- The **NMP will run co-terminus with the Rs 100 lakh crore National Infrastructure Pipeline (NIP).**
- Monetization through disinvestment and monetization of non-core assets have not been included in the NMP.

Objectives:

- NMP aims for **universal access to high-quality and affordable infrastructure to the common citizen of India.**
- Asset monetization, based on the philosophy of Creation through Monetization, is aimed at tapping private sector investment for new infrastructure creation.
- This is necessary for creating employment opportunities, thereby enabling high economic growth and seamlessly integrating the rural and semi-urban areas for overall public welfare.
- The strategic objective of the programme is to unlock the value of investments in brownfield public sector assets by tapping institutional and long-term patient capital.

Expected Benefits of the Scheme:

1. Innovative way of Private Participation: Private sector is well known for its efficiency and technology.

2. NMP will provide a way to exploit the strength of the private sector for i**nfrastructure creation without transfer of ownership.**

3. **Ensure Further investment in Infrastructure Building:** It will help to properly monetise underutilised brownfield projects

4. **Revival of the economy** and create sustainable demand.

5. **Spillover effect** of infrastructure is high on cycle of demand e.g. infrastructure related raw materials requirements (cement, steel, etc.) will boost

6. Monetization will **make the hitherto unproductive assets as productive in nature.**

7. It will **reduce the cost of maintenance** of the assets at the same time continued revenue flow from the assets without losing government ownership.

8. It will **improve the current fiscal capacity of the government** and help to reinvest in other infrastructure development.

Challenges:

- **Lack of identifiable value streams** in various assets may discourage the private sector.
- Since **ownership is not transferred**, infrastructure projects may not be attractive for the private sector.
- **Lack of dispute resolution mechanism** will lead to loss of time and resources in case of conflict.
- Risk of **creation of monopolies** where a few firms capture most of the assets.
- The **issue of balancing social benefit and private profit.**
- **Lack of independent regulator** will hamper smooth functioning.
- Government **red tape and complex procedures** may slow down the process.
- **Sector specific challenges** like regulated power tariffs, low-capacity utilization in gas and oil pipelines, low investor interest in national highways less than four lanes will create difficulty in their monetisation.

WAY FORWARD:

- Asset Monetisation needs to be viewed not just as a funding mechanism, but as an **overall paradigm shift in infrastructure operations**, augmentation and maintenance considering the private sector's resource efficiencies and its ability to dynamically adapt to the evolving global and economic reality.
- New models like **Infrastructure Investment Trusts & Real Estate Investment Trusts** will enable not just financial and strategic investors but also common people to participate in this asset class thereby opening new avenues for investment.