



National Monetisation Pipeline

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Why in News

Recently, the government of India has launched the **National Monetisation Pipeline (NMP)**. The NMP **estimates aggregate monetisation potential of Rs 6 lakh crores through core assets of the Central Government, over a four-year period**, from FY 2022 to FY 2025.

The plan is in line with **Prime Minister's strategic divestment policy**, under which the government will retain presence in only a few identified areas with the rest tapping the private sector.



Monetization of 'Rights' NOT 'ownership', Assets handed back at the end of transaction life



Brownfield de-risked assets, stable revenue streams



Structured partnerships under defined contractual frameworks with strict KPIs & performance standards

Key Points

About the NMP:

- 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.
- 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.
- **Union Budget 2021-22** has identified monetisation of operating public infrastructure assets as a key means for sustainable infrastructure financing.
- 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)** announced in December 2019.
 - The estimated amount to be raised through monetisation is around 14% of the proposed outlay for the Centre of Rs 43 lakh crore under NIP.
 - NIP will enable a forward outlook on infrastructure projects which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive. NIP **includes economic and social infrastructure projects**.
 - Other Initiatives for Infrastructure Development include **Scheme of Financial Assistance to States for Capital Expenditure, Industrial corridors**, etc.

Monetisation

- In a monetisation transaction, the government is basically **transferring revenue rights to private parties for a specified transaction period** in return for upfront money, a revenue share, and commitment of investments in the assets.
- **Real Estate Investment Trusts (Reits)** and **Infrastructure Investment Trusts (Invits)**, for instance, are the key structures used to monetise assets in the roads and power sectors.

These are also listed on stock exchanges, providing investors liquidity through secondary markets as well.

- While these are a structured financing vehicle, other monetisation models on **PPP (Public Private Partnership)** basis include:
 - Operate Maintain Transfer (OMT),
 - Toll Operate Transfer (TOT), and
 - Operations, Maintenance & Development (OMD).
- **Greenfield vs Brownfield Investment**
 - **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.

Associated Challenges:

- **Lack of identifiable revenue streams** in various assets.
- The **slow pace of privatisation in government companies** including Air India and BPCL.

Further, less-than-encouraging bids in the recently launched PPP initiative in trains indicate that attracting private investors' interest is not that easy.
- **Asset-specific Challenges:**
 - Low Level of capacity utilisation in gas and petroleum pipeline networks.
 - Regulated tariffs in power sector assets.
 - Low interest among investors in national highways below four lanes.
 - Konkan Railway, for instance, has multiple stakeholders, including state governments, which own stake in the entity.

Way Forward

- **Execution is the Key:** While the government has tried to address many challenges, owing to infrastructure development in the NMP framework, execution of the plan remains key to its success.
- **Dispute Redressal Mechanism:** Further, there is a need for an efficient dispute resolution mechanism.
- **Multi-Stakeholder Approach:** The success of the infrastructure expansion plan would depend on other stakeholders playing their due role.
 - These include State governments and their public sector enterprises and the private sector.
 - In this context, the **Fifteenth Finance Commission** has recommended the setting up of a High-Powered Intergovernmental Group to re-examine the fiscal responsibility legislation of the Centre and States.

Source: PIB