



National Monetisation Pipeline (NMP)

This editorial is based on “The NMP is Hardly the Panacea for Growth in India” which was published in The Hindu on 15/12/2021. It talks about the National Monetisation Pipeline (NMP) and associated challenges.

For Prelims: Significance of NMP, Cronyism, Asset Monetisation, Index of Industrial Production (IIP), Dispute Resolution Mechanisms

For Mains: Issues associated with Asset Monetisation Pipeline (NMP), Initiatives for effective functioning of NMP, Issues associated with Public Sector Enterprises (PSEs), Dispute Resolution Mechanisms.

About seven decades back, assets like roads, railways, ports, power, oil & gas pipelines etc. were placed under the control of state-owned public enterprises (PSEs) arguing that the private sector could not be entrusted with the custodianship of these socially important assets.

However, In the years since, the PSEs have disappointed even their most ardent well-wishers. Barring a few exceptions, they have **failed to deliver on their financial and social objectives**.

The [National Monetisation Pipeline \(NMP\)](#) launched in August 2021, is designed to unlock the value of **investments in such brownfield public sector assets** by tapping institutional and long-term capital.

Although the idea of creating “structured public-private partnerships” to unlock value from underutilised public assets makes eminent sense, several underlying issues also exist.

National Monetisation Pipeline (NMP)

- **About:** The **National Monetisation Pipeline (NMP)** envisages an aggregate **monetisation potential of ₹6-lakh crore** through the leasing of core assets of the Central government in sectors such as roads, railways, power, oil and gas pipelines, telecom, civil aviation etc, over a four-year period (FY 2022-25).
- **Need for NMP - Failure of Public Sector Enterprises:**
 - **Cost Overruns:** In some cases, **project completion time is exceeded, leading to elevated project cost** so much so that either the project itself becomes unviable at the time of its launching.
 - **Overcapitalisation:** Optimum **input-output ratio is seldom observed** in a majority of government infrastructure projects leading to their overcapitalisation.
 - **Other Reasons for Failure of PSEs:** A **reluctance to implement labour reforms, a lack of inter-ministerial/departmental coordination, poor decision-making, ineffective governance** and **excessive government control** are other reasons for the failure of public infrastructure assets.

▪ **Significance of NMP:**

- **Boost Economy:** It is the first-of-its-kind initiative that will boost the economy, **generate better employment opportunities** and **drive the competitiveness** of the Indian economy.
- **Utilising Underutilised Public Assets:** The NMP advocates **unlocking idle capital** from non-strategic underperforming government owned assets.
 - It also envisages **reinvesting the funds, thus received, into new infrastructure projects** and augmentation of assets such as greenfield infrastructure creation.
 - **Eight core industrial sectors** that support infrastructure (coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity) have a **total weight of nearly 40% in the [Index of Industrial Production \(IIP\)](#).**

Challenges Associated to NMP

- **Issue of Taxpayers' Money:** The taxpayers have already paid for these public assets and, so, why should they pay again to a private party to use them.
- **Cycle of Creating and Monetising Assets:** The NMP is quite likely to create a **vicious cycle of creating new assets and then monetising the same** when they become liabilities for the Government at a later stage.
- **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 and **multiple stakeholders** which own stake in the entity.
- **Monopolisation:** A significant criticism of the NMP is that the **transfer would end up creating monopolies**, leading to a rise in price.
 - Monopolisation is **inevitable in the case of highways and railway** lines.
- **Out of Sync with Contemporary Pressures:** The world is in the crosshairs of existential challenges, **[global warming](#), [pandemics](#), [geopolitical chaos](#) and [fundamentalism](#).**
 - India has to additionally tackle **[endemic poverty](#)**, disappointed expectations, social polarisation and the erosion of democratic institutions.
 - **In this context, this scheme has been set within too narrow a frame.**

Way Forward

- **Strengthening Public Enterprises:** As India needs to invest about \$1.5 trillion on infrastructure development in order to aspire to become a \$5 trillion economy by the year 2024-25, **public enterprises should be in focus.**
 - An important step would be to **completely revamp their corporate governance structure** in order to **enhance operational autonomy augmented with strong governance practices** including listing on stock exchange for greater transparency and accountability.
- **Alternative Dispute-Resolution Mechanism:** Strengthening the judicial processes can not be much emphasised.
 - **Efficient and effective [dispute resolution mechanisms](#)** will naturally and automatically accrue to the design and execution of NMP too.
- **Multi-Stakeholder Approach:** The success of the infrastructure expansion plan would depend on other **stakeholders playing their due role**, this includes 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.
- **Dealing with Cronyism:** The only way of ensuring that asset monetisation doesn't lead to cronyism is to make the bidding conditions such that the **people eligible to bid are not a small, predetermined set.**
 - However, the high capital intensity of the project itself makes it difficult for everyone to bid but **ensuring sufficient participation on the government's part is important.**
- **Addressing Systemic Problems and Generating Social Values:** Until and unless the systemic problems are addressed, the private sector will find it difficult to **harness the full value of the public assets** and the transfer of operatorship to them will offer at best a partial palliative.

- Private-public investment structures make sense, but they **must be modeled to also generate social value**. There are no shortcuts to sustainable development.

Drishti Mains Question

“Although the idea of creating “structured public-private partnerships” via the National Monetisation Pipeline (NMP) to unlock value from underutilised public assets makes eminent sense, several underlying issues also exist”. Comment.

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