



National Land Monetisation Corporation (NLMC)

For Prelims: National Land Monetization Corporation, National Monetisation Pipeline (NMP).

For Mains: Asset Monetisation and related challenges, Rationale behind Asset Monetisation plan and benefits

Why in News?

The Union Cabinet has approved the creation of the **National Land Monetisation Corporation (NLMC)**.

- The Union Finance Minister had announced in the [Union Budget 2021-22](#) it as a **Special Purpose Vehicle (SPV)** to carry out monetisation of government and surplus land holdings of [public sector undertakings \(PSU\)](#).

What is National Land Monetization Corporation (NLMC)?

- **Ownership:** The NLMC will be a firm, fully owned by the Government of India. It will fall under the administrative **jurisdiction of the Ministry of Finance**.
- **Initial Capital:** It will be set up with an initial authorised share capital of ₹5,000 crore and a paid-up capital of ₹150 crore.
- **Functions of NLMC:**
 - **Monetisation of Assets:** NLMC will carry out the **monetisation of government and public sector assets** in the form of surplus, unused or underused land assets.
 - **Strategic Disinvestment:** The Corporation will also facilitate the monetisation of assets belonging to PSUs that have ceased operations or are in line for a [Strategic disinvestment](#), with the aim of unlocking the value of these land holdings.
 - The surplus land and building assets of such enterprises are expected to be transferred to the NLMC, which will then hold, manage and monetise them.
 - **Advisory Role:** The NLMC will act as an **advisory body and support other government entities and CPSEs** in identifying their surplus non-core assets and monetising them in an efficient and professional manner, maximising the scope of value realisation.
 - **Directory of Best Practices:** The NLMC will undertake monetisation as an agency function and is expected to act as a directory of best practices in land monetisation.
 - The NLMC will **hire professionals from the private sector with a merit based approach**, similar to other specialised government companies like the [National investment and infrastructure Fund \(NIIF\)](#) and [Invest India](#).
 - This is because asset monetisation of real estate requires expertise in valuation of property, market research, investment banking, land management, legal diligence and other related skill sets.

What does Monetisation Mean?

- **About:** When the government monetises its assets, it essentially means that it is **transferring**

the revenue rights of the asset to a private player for a specified period of time.

- In such a transaction, the government gets in return an upfront payment from the private entity, regular share of the revenue generated from the asset, a promise of steady investment into the asset, and the title rights to the monetised asset.
- **Ways of Monetisation:** There are multiple ways to monetise government assets;
 - In the case of land monetisation of certain spaces like offices, it can be done through a **Real Estate Investment Trust (REIT)**, a company that owns and operates a land asset and sometimes, funds income-producing real estate.
 - Assets of the government can also be monetised through the **Public Private Partnerships (PPP) model**.
- **Reasons of Monetisation:**
 - The government monetises its **assets to create new sources of revenue**.
 - Monetisation is also done to **unlock the potential of unused or underused assets** by involving institutional investors or private players.
 - It is also done to **generate resources or capital for future asset creation**, such as using the money generated from monetisation to **create new infrastructure projects**.

How much Land is Currently Available for Monetisation?

- According to the [Economic Survey 2021-2022](#), as of now, CPSEs have put nearly 3,400 acres of land on the table for potential monetisation.
- As per the survey, monetisation of non-core assets of PSUs are at different stages:
 - In March 2020, for instance, BSNL had identified a total of ₹24,980 crore worth of properties for monetisation.
 - The Railways and Defence Ministries, meanwhile, have the largest amount of government land in the country.
 - The **Railways** have over 11 lakh acres of land available out of which 1.25 lakh acres is vacant.
 - The **Defence Ministry** has in its possession 17.95 lakh acres of land. Out of this, around 1.6 lakh acres fall inside the 62 military cantonments while over 16 lakh acres are outside the cantonment boundaries.

What are the Possible Challenges for NLMC?

- **Lack of identifiable revenue streams** in various assets.
- **Slow pace of privatisation** in government companies.
- The **less-than-encouraging bids** in the recently launched [Public-private partnerships \(PPP\)](#) 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.

Way Forward

- 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.
- **Maintaining transparency is the key** to adequate realisation of the asset value.
- Recent experience suggests that **Public-Private Partnerships (PPP)** now involve transparent auctions, a clear understanding of the risks and payoffs, and an open field for any and all interested parties.
 - Thus, the **utility of PPP in greenfield projects can not be neglected**.
- The government should set up an efficient dispute resolution mechanism.

What is Disinvestment?

- Disinvestment means **sale or liquidation of assets** by the government, usually Central and state public sector enterprises, projects, or other fixed assets.
 - The government undertakes disinvestment to **reduce the fiscal burden on the exchequer, or to raise money for meeting specific needs**, such as to bridge the revenue shortfall from other regular sources.
- **Strategic disinvestment** is the transfer of the ownership and control of a public sector entity to some other entity (mostly to a private sector entity).
 - Unlike the simple disinvestment, **strategic sale implies a kind of privatization**.
 - The disinvestment commission defines strategic sale as the **sale of a substantial portion of the Government shareholding of a central public sector enterprises (CPSE) of upto 50%**, or such higher percentage as the competent authority may determine, along with transfer of management control.
- The **Department of Investment and Public Asset Management (DIPAM)** under the Ministry of Finance is the nodal department for the strategic stake sale in the Public Sector Undertakings (PSUs).

What is the National Monetisation Pipeline (NMP)?

- The government of India has launched the **National Monetisation Pipeline (NMP)**.
 - It 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).

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. In the context of governance, consider the following: (2010)

1. Encouraging Foreign Direct Investment inflows
2. Privatization of higher educational Institutions
3. Down-sizing of bureaucracy
4. Selling/offloading the shares of Public Sector Undertakings

Which of the above can be used as measures to control the fiscal deficit in India?

- (a) 1, 2 and 3
- (b) 2, 3 and 4
- (c) 1, 2 and 4
- (d) 3 and 4 only

Ans: (d)

Q. Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news? (2017)

- (a) It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
- (b) It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
- (c) It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
- (d) It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Ans: (b)

Q. Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news? (2017)

- (a) It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
- (b) It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
- (c) It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
- (d) It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Ans: (b)

PDF Refernece URL: <https://www.drishtias.com/printpdf/national-land-monetisation-corporation-nlmc>