



National Land Monetization Corporation

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?

Recently, the Union Cabinet has approved the setting up **National Land Monetization Corporation (NLMC)** as a wholly owned Government of India company.

- The Finance Minister had **announced plans to set up a special purpose vehicle** for this purpose in the [Union Budget 2021-22](#).
- In August, 2021, the government of India launched the [National Monetisation Pipeline \(NMP\)](#).

What is National Land Monetization Corporation (NLMC)?

▪ About:

- NLMC will **undertake surplus land asset monetisation as an agency function**, and assist and provide technical advice to the Centre in this regard.
- NLMC has been announced with an **initial authorized share capital of Rs 5000 crore** and **paid-up share capital of Rs 150 crore**.
- The **Board of Directors of NLMC** will comprise senior Central Government officers and eminent experts to enable professional operations and management of the company.
 - The Chairman, non-Government Directors of the NLMC will be **appointed through a merit-based selection process**.
- The new company, which will be **set up under the administrative jurisdiction of the finance ministry**.
- NLMC will **hire professionals from the private sector** just as in the case of similar specialised government companies like the [National Investment and Infrastructure Fund \(NIIF\)](#) and [Invest India](#).

▪ Benefits:

- This will **enable productive utilization of under-utilized assets** to trigger private sector investments, new economic activities, boost local economy and generate financial resources for economic and social infrastructure.
- NLMC is also **expected to own, hold, manage and monetize surplus land and building assets** of CPSEs under closure and the surplus non-core land assets of Government owned CPSEs under strategic disinvestment.
 - This will **speed up the closure process of CPSEs** and **smoothen the strategic disinvestment process of Government owned CPSEs**.

▪ Challenges:

- Among the **key challenges that NLMC might face** include lack of identifiable revenue streams in particular land assets, dispute resolution mechanism, various litigations and lack of clear titles, and low interest among investors in remote land parcels.

What will be the Function of the NLMC?

- NLMC will undertake monetization of surplus land and building assets of **Central Public Sector Enterprises (CPSEs)** and other Government agencies.
 - CPSEs are those companies in which the **direct holding of the Central Government or other CPSEs is 51% or more.**
 - At present, **CPSEs hold considerable surplus, unused and under-used non-core assets** in the nature of land and buildings.
- NLMC will also **advise and support other Government entities** (including CPSEs) in **identifying their surplus non-core assets** and monetizing them in a professional and efficient manner to generate maximum value realization.
- NLMC will **act as a repository of best practices in land monetization**, assist and provide technical advice to the Government in implementation of asset monetization programmes.

What is Asset Monetisation?

- **About:**
 - It is the process of **creating new sources of revenue for the government** and its entities by unlocking the economic value of unutilised or underutilised public assets.
- **Need:**
 - India needs more **infrastructure but the public sector simply doesn't have the resources** to build it. There are two possible responses.
 - For setting new infrastructure, **one can think of bringing in the private sector** with a contractual framework for what it has to do, and then let it bring its own resources.
 - To recognise that **there are more risks in the construction stage** and it is perhaps better to let the public sector build the asset and then sell it off to private players or if not an outright sale, let the private sector manage it.
 - Building new infrastructure has **two constraints for any country including India** -
 - Access to patient, predictable and cheap capital and
 - Execution capability, where government and private agencies can take up multiple marquee projects simultaneously.
- **Related Challenges:**
 - **Lack of identifiable revenue streams** in various assets.
 - **Slow pace of privatisation** in government companies.
 - Further, **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.**

Source: PIB

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