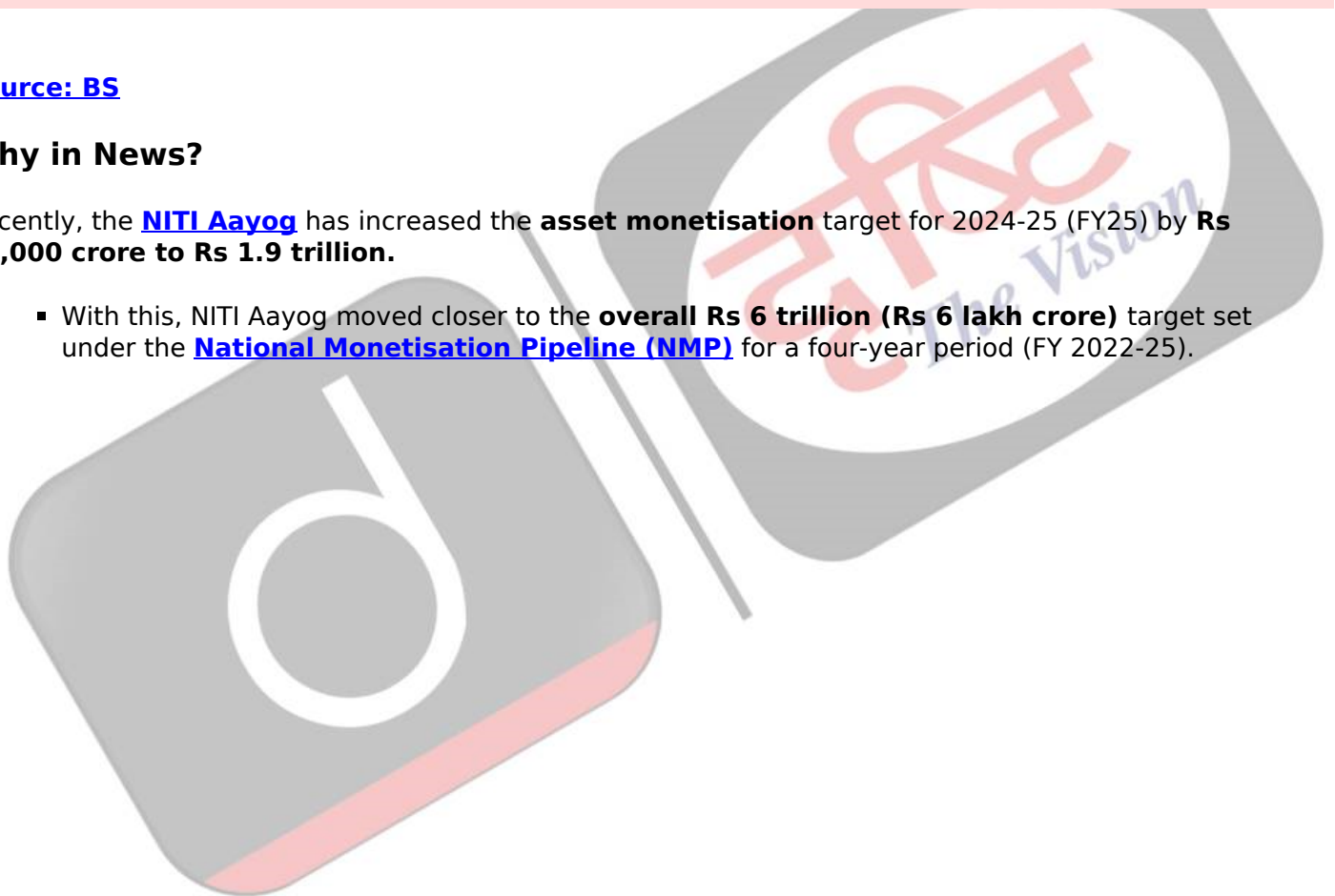# Raising of Asset Monetisation Target

Source: BS

Why in News?

Recently, the **NITI Aayog** has increased the **asset monetisation** target for 2024-25 (FY25) by **Rs 23,000 crore to Rs 1.9 trillion.**

- With this, NITI Aayog moved closer to the **overall Rs 6 trillion (Rs 6 lakh crore)** target set under the **National Monetisation Pipeline (NMP)** for a four-year period (FY 2022-25).
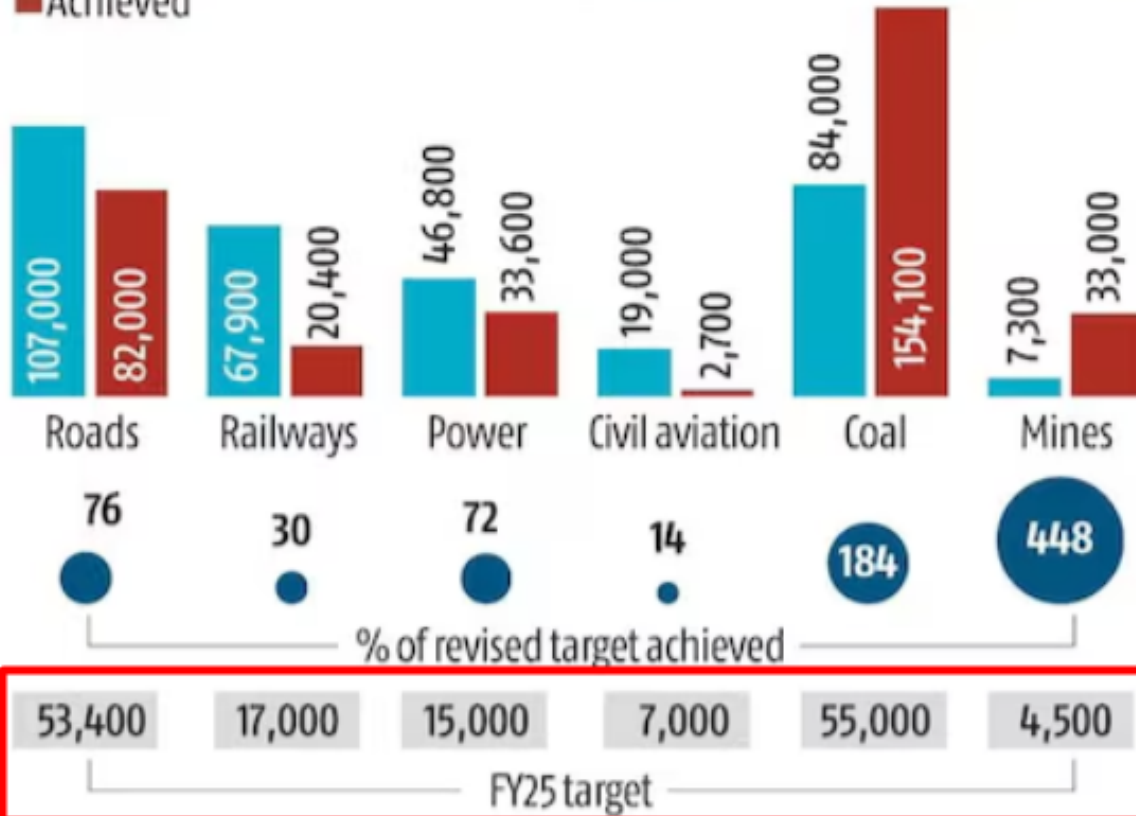
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MONETISATION: KEY SECTOR WATCH

Approximate figures in ₹ crore
- ■ Revised target (2021-24)
- ■ Achieved

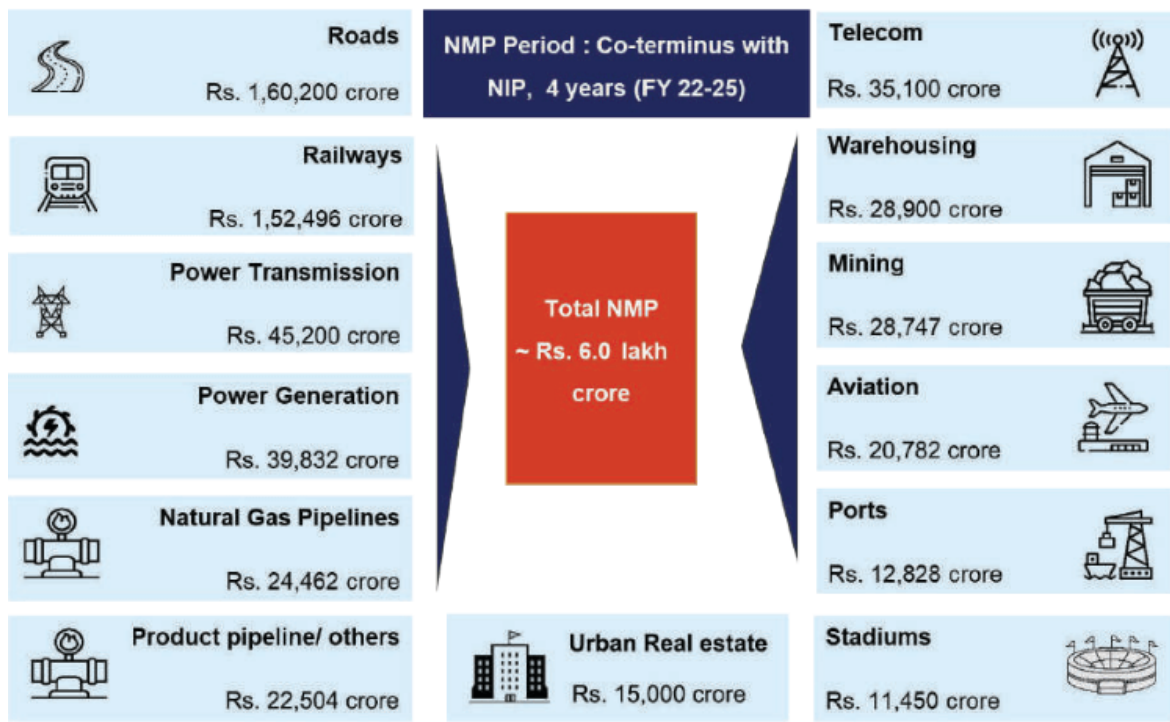| Sector	Revised target (2021-24)	Achieved	% of revised target achieved	FY25 target
Roads	107,000	82,000	76	53,400
Railways	67,900	20,400	30	17,000
Power	46,800	33,600	72	15,000
Civil aviation	19,000	2,700	14	7,000
Coal	84,000	154,100	184	55,000
Mines	7,300	33,000	448	4,500

What is Asset Monetisation?

- **About Asset Monetisation:** Monetising an asset means **converting** it into a form that can generate **revenue or currency.**
  - Monetising involves using something of value to **generate profit or convert it into cash**. For example, a government may monetise its national debt by acquiring treasury securities, thereby increasing the money supply.
- **Need of Asset Monetisation:** It unlocks the economic value of **underutilised or unutilised public assets** to create new revenue streams for governments and public entities.
  - It aims to identify and leverage these assets to generate financial returns without necessarily selling them outright.
- **Focus on Public Assets:** Public assets that can be monetised include properties owned by public bodies, such as infrastructure like **roads, airports, railways, pipelines, and mobile towers.**
  - The focus is on **brownfield assets**, which are existing assets that can be improved or put to better use.
  - Brownfield assets are those which a private company or investor purchases or leases **an existing infrastructure project or production facility** to carry out new production activity.
- **Monetisation vs. Privatisation:** Privatisation entails complete **ownership transfer** to the private sector, while asset monetisation involves structured partnerships with private entities,

allowing public authorities to **retain ownership** while benefiting from **private sector efficiency and investment.**

What is the National Monetisation Pipeline (NMP)?

- **About NMP:** The NMP is a key initiative to promote **sustainable infrastructure financing** through the **monetisation** of operating public infrastructure assets.
    - It envisages an aggregate monetisation potential of **Rs 6 lakh crore** through the **leasing of core assets** of the Central government and public sector entities.
- **Preparation of NMP:** The pipeline has been prepared by **NITI Aayog** in consultation with infrastructure line ministries.
    - These include ministries responsible for **Roads, Transport, Highways, Railways, Power, Civil Aviation, Telecommunications**, and others.
    - The NMP targets brownfield infrastructure assets, offering public asset owners a roadmap and providing the private sector with visibility on monetisation opportunities.
- **Sectors and Asset Classes Covered:** The NMP covers a wide array of sectors including roads, ports, airports, railways, gas & product pipelines, power generation and transmission, mining, telecom, warehousing, and more.
    - The **top 5** sectors include **roads (27%** of the total pipeline value) followed by **railways (25%)**, **power (15%)**, oil & gas pipelines (8%) and telecom (6%).
- **Monetisation Framework:** The framework for monetisation of **core asset monetisation** has three key mandates.
    - **Monetization of 'Rights' NOT 'Ownership':** The government retains **primary ownership** of the assets and assets are returned to **public authority** after the transaction period ends.
    - **Stable Revenue:** It involves selecting **de-risked brownfield assets** with stable revenue.
    - **Defined Partnership:** Structured partnerships are established under well-defined **contractual frameworks**, with strict key performance indicators (KPIs) and performance standards.
- **Link with NIP:** The NMP is **aligned with the National Infrastructure Pipeline (NIP)**, ensuring that the monetisation period is **co-terminus** with the NIP, which runs through **FY 2022 to FY 2025.**
    - The purpose of NMP is to reinvest capital into the **Rs 111 trillion National Infrastructure Pipeline.**
    - NIP aims to attract investments in key **greenfield and brownfield projects** across all economic and social infrastructure sub-sectors.
- **Instruments for Monetisation:** The **NMP will utilise a variety of instruments** for asset monetisation, including:
    - **Public-Private Partnership (PPP) concessions** for direct contracts.
    - **Infrastructure Investment Trusts (InvITs)** and other **capital market instruments.**
        - **InvITs** enables direct investment of money from individual and institutional investors in infrastructure projects to earn a portion of the income as return.

Roads Rs. 1,60,200 crore	**NMP Period : Co-terminus with NIP, 4 years (FY 22-25)**	**Telecom** Rs. 35,100 crore
Railways Rs. 1,52,496 crore		**Warehousing** Rs. 28,900 crore
Power Transmission Rs. 45,200 crore	**Total NMP ~ Rs. 6.0 lakh crore**	**Mining** Rs. 28,747 crore
Power Generation Rs. 39,832 crore		**Aviation** Rs. 20,782 crore
Natural Gas Pipelines Rs. 24,462 crore		**Ports** Rs. 12,828 crore
Product pipeline/ others Rs. 22,504 crore	**Urban Real estate** Rs. 15,000 crore	**Stadiums** Rs. 11,450 crore

What is the Current Status of the National Monetisation Pipeline?

- **Revenue Generation:** The NMP has generated **Rs 3.9 trillion** in the first three years (up to FY24), achieving most of its **adjusted targets.** The original target for this period was Rs 4.3 trillion.
- **Successful Monetisation:** The **Ministry of Coal** has raised **Rs 1.54 trillion** against its four-year target of Rs 80,000 crore, **far exceeding** expectations.
  - Additionally, **mines** have been monetised to the tune of **Rs 32,000 crore,** surpassing the revised target of **Rs 7,300 crore.**
- **Lagging Sectors:**
  - **Railways**: Despite being a major focus area, the Ministry of Railways has only monetised assets worth **Rs 20,417 crore** over the past three years, meeting just **30% of its revised target.**
  - **Warehousing**: Achieved **38% of its target**, amounting to Rs 8,000 crore.
  - **Civil Aviation**: Lagging significantly, having monetised **only 14% of its targeted Rs 2,600 crore** asset base.

What are Challenges with NMP?

- **Low Monetisation Potential:** The NMP targets the monetisation of Rs 6 lakh crore which is **only 5-6%** of the overall capital expenditure under the **National Infrastructure Pipeline (Rs 111 lakh crore).**
- **Missing Disinvestment:** The 13 sectors chosen for monetization have consistently **missed their disinvestment targets** year after year in recent years. It raises doubt on achieving actual monetisation targets.
- **Long-Term Rights**: Monetisation could grant private players **long-term rights (up to 60 years)** to operate and profit from public assets. It can be viewed by many as **privatisation** raising suspicion about government motives.
- **Budgeting and Proceeds Usage**: The NMP lacks clarity on how proceeds from monetisation will be accounted for within the budget.
  - There are **no specific guidelines** on whether these funds will finance infrastructure or be used for revenue expenditures, such as salaries or subsidies.
- **Monopolisation:** The consolidation of ownership may lead to **monopolies,** particularly in the case of **highways and railway lines**. It could lead to increased prices.
- **Issue of Taxpayers' Money:** Taxpayers are concerned about **potential double charges** on public assets, as they first funded their creation and now face additional costs for using them

through payments to private entities after monetization.

Way Forward

- **Expedite Contract-Based Monetisation**: The government should prioritise the acceleration of contract-based monetisation through **Public-Private Partnership (PPP)** concession agreements particularly in railways and airports, where investor interest is strong.
- **Implement Land Monetisation Initiatives**: Engaging real estate and infrastructure companies in developing **multi-storey buildings** can enhance housing amenities while generating revenue.
- **Establish Clear Budgeting Guidelines**: The NMP should establish clear guidelines on how **monetization proceeds** will be treated in the budget, specifying whether funds will be allocated for infrastructure development or operational expenses.

Drishti Mains Question:

Examine the objectives of the National Monetisation Pipeline (NMP). How does the NMP plan to leverage public assets for economic development?

UPSC Civil Services Examination, Previous Year Questions (PYQ)

Mains

Q. Account for the failure of the manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. **(2017)**

Q. The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015)**