



# National Monetisation Pipeline

**For Prelims:** [Index of Industrial Production \(IIP\)](#), [National Monetization Pipeline \(NMP\)](#), [Infrastructure Investment Trust \(InvIT\)](#), [Global Warming](#), [Pandemics](#), [Endemic Poverty](#).

**For Mains:** National Monetisation Pipeline, Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

**Source:** FE

## Why in News?

Recently, the Centre has decided to conduct an **Asset Recycling Drive** under the [National Monetization Pipeline \(NMP\)](#), aiming to generate resources for new investments in infrastructure.

- The Centre's asset recycling drive is expected to **generate around Rs 1.5 trillion in the fiscal year 2024-25**.
- Transactions with monetisation values of around Rs 0.97 trillion were completed in 2021-22, and Rs 1.32 trillion in 2022-23.

## What is the National Monetisation Pipeline (NMP)?

- **About:**
  - The NMP envisages **an aggregate monetisation potential of Rs 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)**.
  - The **Monetization through NMP only includes core assets**, excluding monetization through **disinvestment of non-core assets**. Currently, only assets of **central government line ministries and CPSEs** in infrastructure sectors have been **included**.
  - The government is currently in the process of coordinating and collating asset pipelines from states to expand the scope of the NMP, **incorporating assets at both the central and state levels in due course**.
    - To streamline the process, the **monetization of non-core assets**, including land, real estate, and infrastructure, **is being transferred from the [Department of Investment and Public Asset Management \(DIPAM\)](#) to the [Department of Public Enterprises \(DPE\)](#) within the Ministry of Finance**.
  - This pipeline is intended to **support investments under the [National Infrastructure Pipeline \(NIP\)](#) worth Rs 111 trillion in six years through FY25**.
    - The **timeline for the NMP** has been strategically set to be **co-terminus with the remaining period under the [National Infrastructure Pipeline \(NIP\)](#)**.
- **Need for NMP:**
  - **Cost Overruns:** In some cases, **project completion time is exceeded**, leading to elevated project cost so much so that the project itself becomes unviable at the time of its launching.

- **Overcapitalisation:** The optimum **input-output ratio is seldom observed** in a majority of government infrastructure projects leading to their overcapitalisation.
- **Resource Optimization:** Inefficiencies in resource allocation and utilization contribute to project delays and cost escalations.
  - The NMP aims to optimize resources by introducing private sector efficiency and market-driven approaches, ensuring better alignment of inputs and outputs.
- **Coordination Challenges:** Lack of inter-ministerial and inter-departmental coordination can lead to **inefficiencies and delays in project execution.**
  - The NMP encourages collaboration between the public and private sectors, fostering a more coordinated and streamlined approach to infrastructure development.
- **Labour Reforms and Decision-Making:** Reluctance to implement labour reforms, poor decision-making, and ineffective governance contribute to 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.
    - NMP is linked with the **PM Gati Shakti**, which is a **holistic and integrated approach** to infrastructure development in India. Gati Shakti focuses on building a comprehensive and well-connected infrastructure network, while the NMP aims to monetize existing infrastructure assets to fund new projects.
    - The success of one initiative can complement and reinforce the goals of the other, contributing to India's overall economic growth and development.
  - **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.**
- **Achievements and Expectations:**
  - **Mining Sector:** The monetization of assets in 2023-24 has been led by the mining sector, particularly coal blocks and other mines.
    - The achievement in this sector is expected to be around Rs 55,000-60,000 crore in FY 2024-25, **surpassing the original target of Rs 8,726 crore.**
    - FY23 segment target increased to Rs 37,500 crore from Rs 6,060 crore, achieved around Rs 68,000 crore.
    - FY22 mining sector surpassed target, generating Rs 68,000 crore against Rs 3,394 crore.
  - **National Highways Authority of India (NHAI):** NHAI, as the second biggest contributor to **brownfield asset recycling**, is likely to achieve around Rs 45,000 crore in the fiscal year 2024-25.
    - This achievement is through a mix of **Toll Operate Transfer (ToT)**, securitization, and **Infrastructure Investment Trust (InvIT)** models.
  - **Expectations for Other Sectors in FY24:**
    - The power generation and transmission sectors, which met their combined **target of Rs 15,300 crore** in FY23, are likely to do well in FY24 with an achievement of around Rs 20,000 crore as against the initial target of Rs 26,700 crore.
    - **Railways**, whose target was reduced to Rs 20,000 crore for FY24 from Rs 44,907 crore, is seen achieving around Rs 8,000-10,000 crore compared with Rs 8,000 crore in FY23.
      - While railways has not progressed much in the monetisation of key assets such as stations, it would **complete some transactions in railway colony redevelopment**, Gati Shakti freight terminals and rolling stock.
    - The **Oil and Gas sector** has achieved around Rs **4,000 crore and could reach Rs 8,000 crore by March 2024.**

## What are the Challenges Associated with NMP?

- **Issue of Taxpayers' Money:** Taxpayers have expressed **concerns about potential double charges on public assets.** After funding the creation of these assets, they now **face an additional cost for utilizing them through payments to private entities** following their

monetization.

- The challenge lies in navigating this **perceived duplication of charges and ensuring a fair balance between public investment and private involvement** in the management and utilization of these assets.
- **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 utilization 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 major critique of the NMP is the **potential for monopolization resulting** from the transfer of assets, which could lead to increased prices.
  - The consolidation of ownership may lead to monopolies, **particularly in the case of highways and railway lines**. This concern centres around the possibility of reduced competition and market dynamics, potentially resulting in higher costs for end-users.

## Way Forward

- There is a need to **enhance transparency in the asset monetization process** to build trust among stakeholders, including investors, government agencies, and the public.
- Communicate the benefits of asset monetization in terms of economic growth, job creation, and improved infrastructure.
- It is imperative to continuously refine and update the policy framework to address emerging challenges and opportunities.
- Ensure a supportive regulatory environment that encourages private sector participation and investments.
- Establish a robust monitoring and evaluation system to track the performance of asset monetization projects.

## UPSC Civil Services Examination, Previous Year Questions (PYQ)

### **Mains:**

**Q.1** Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. **(2017)**

**Q.2** The nature of economic growth in India in recent times is often described as a jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015)**