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NATIONAL MONETISATION PIPELINE

Asset Monetization programme and the National Monetisation Pipeline (NMP) took shape because of the vision and conviction of our Hon'ble Prime Minister who has always encouraged to pursue excellence in delivering Infrastructure to common citizens of India. Creation of National Monetisation Pipeline (NMP) is Government of India's pioneering initiative to establish a medium-term pipeline along with a roadmap for "monetisation ready" assets. Developed in the backdrop of the unprecedented Covid-induced economic and fiscal shocks, NMP lists out assets and asset classes, under various infrastructure ministries, which will be monetised over a period of time. NMP provides "visibility" on the volume of assets to be monetised and the potential value that can be unlocked. NMP shall also serve as a medium-term roadmap of the potential financing opportunities and drive preparedness of public sponsor as well as private sector/institutional investors towards financing infrastructure gap.

Asset Monetization, based on the philosophy of Creation through Monetisation , is aimed at tapping private sector investment for new infrastructure creation. It also creates employment opportunities, thereby enabling high economic growth and integrating the rural and semi-urban areas for overall public welfare. The NMP comprises a four-year pipeline programme of the Central Government's brownfield infrastructure assets. It estimates aggregate monetisation potential of Rs 6.0 lakh crores through core assets of the Central Government, over a four-year period, from FY 2022 to FY 2025.

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Introduction

Infrastructure is critically linked to the growth and economic performance of the country. It has been seen as one of the six pillars forming the base of the Union Budget 2021-22. It announced giving big thrust on monetizing assets through the National Monetisation Pipeline. Giving a preview of areas/projects to be covered under the NMP, the Budget announcements informed that-

- 5 operational toll roads worth Rs. 5,000 crore being transferred to the NHAIInvIT;
- Transmission assets worth Rs. 7,000 crore to be transferred to the PGCILInvIT;
- Dedicated Freight Corridor assets to be monetized by Railways, for operations and maintenance, after commissioning;
- Next lot of Airports to be monetized for operations and management concession;
- Other core infrastructure assets to be rolled out under the Asset Monetization Programme;
- Oil and Gas Pipelines of GAIL, IOCL and HPCL;
- AAI Airports in Tier II and III cities;
- Other Railway Infrastructure Assets;
- Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED; and
- Sports Stadiums.

Asset Monetization

In India, the idea of asset monetisation was first suggested by a committee led by economist Vijay Kelkar in 2012¹ on the roadmap for fiscal consolidation. The committee had recommended that the government should start monetisation to raise resources for further development and financing infrastructure needs.

Asset monetisation 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. A public asset can be any property owned by a public body, roads, airports, railways, stations, pipelines, mobile towers, transmission

¹ https://finmin.nic.in/sites/default/files/Kelkar_Committee_Report.pdf

lines, etc., or even land that remains unutilised. As a concept, asset monetisation implies offering public infrastructure to the institutional investors or private sector through structured mechanisms.

Monetisation is different from ‘privatisation’, in fact, it signifies ‘structured partnerships’ with the private sector under certain contractual frameworks. Asset monetisation has two important motives: Firstly, it unlocks value from the public investment in infrastructure, and secondly, it utilises productivity in the private sector. Asset monetisation aims to tap the private sector investment for new infrastructure creation.

National Monetisation Pipeline

Union Minister for Finance and Corporate Affairs on 23 August 2021 launched the asset monetisation pipeline of Central ministries and public sector entities as ‘National Monetisation Pipeline’. It is considered as one of the key factors in fulfilling the government’s goal of providing universal access to high-quality and affordable infrastructure to its citizens.

Under the ambitious NMP, the government has identified 13 sectors - including airports, railways, roads, shipping, gas pipeline among others - which will be privatised as the government aims to monetise its brownfield infrastructure assets². It estimates aggregate monetisation potential of Rs 6.0 lakh crores through core assets of the Central Government, over a four-year period, from FY 2022 to FY 2025. NMP is one among the three pronged strategy developed by the government to strengthen country’s infrastructure, the other two being

² Brownfield Public Assets refers to such de-risked institutional and long-term patient capital, which can thereafter be leveraged for further public investments. And a brownfield project is the one where the development work is carried out in a place where prior work has been done.

creating institutional structures, and enhancing share of capital expenditure in central and state budgets.

Report on NMP

The National Monetization Pipeline is a whole of a government initiative. It has been developed by NITI Aayog, in consultation with infrastructure line ministries, based on the mandate for ‘Asset Monetisation’ under Union Budget 2021-22. NMP is, therefore, a culmination of insights, feedback and experiences consolidated through multi-stakeholder consultations undertaken by NITI Aayog, Ministry of Finance and line ministries under the chairpersonship of Cabinet Secretary.

The strategic objective of the programme is to unlock the value of investments in brownfield public sector assets by tapping institutional and long-term patient capital, which can thereafter be leveraged for further public investments. This is aimed at achieving the broader and longer-term vision of ‘inclusiveness and empowerment of common citizens through best in class infrastructure’.

Report on NMP has been brought out in two volumes (i) Guidance book for Asset Monetisation (Volume I), and (ii) Roadmap for Asset Monetisation over the Medium Term, including the pipeline of infrastructure assets (Volume II). NMP Volume II provides an annual phasing of the asset pipeline to be monetised along with the value over the four-year period – FY 2022 to FY 2025.

Key Objectives of NMP

- Serve as a medium-term roadmap for the line ministries and agencies;
- Provide medium-term visibility to investors on infrastructure assets pipeline;
- Provide a platform for ministries to track asset performance; and
- Bring in greater efficiency and transparency in public assets management



Source: Niti Aayog National Monetisation Pipeline Report. Volume -II

NMP: Framework, Implementation, and Monitoring

As part of a multi-layer institutional mechanism for overall implementation and monitoring of the Asset Monetization programme, an empowered Core Group of Secretaries on Asset Monetization (CGAM) under the chairmanship of Cabinet Secretary has been constituted. The Government is committed to making the Asset Monetisation programme, a value-accretive proposition both for the public sector and private investors/developers, through improved infrastructure quality and operations and maintenance. The primary ownership of the assets under these structures, hence, continues to be with the Government with the framework envisaging hand back of assets to the public authority at the end of transaction life.

Presently only assets of central government line ministries and Central Public Sector Enterprises in infrastructure sectors have been included in NMP. Monetization through disinvestment and monetization of non-core assets have not been included in the same. Process of coordination and collation of asset pipeline from states is currently ongoing and the same is envisaged to be included in due course. The framework for monetisation of core asset monetisation has three key imperatives as under:



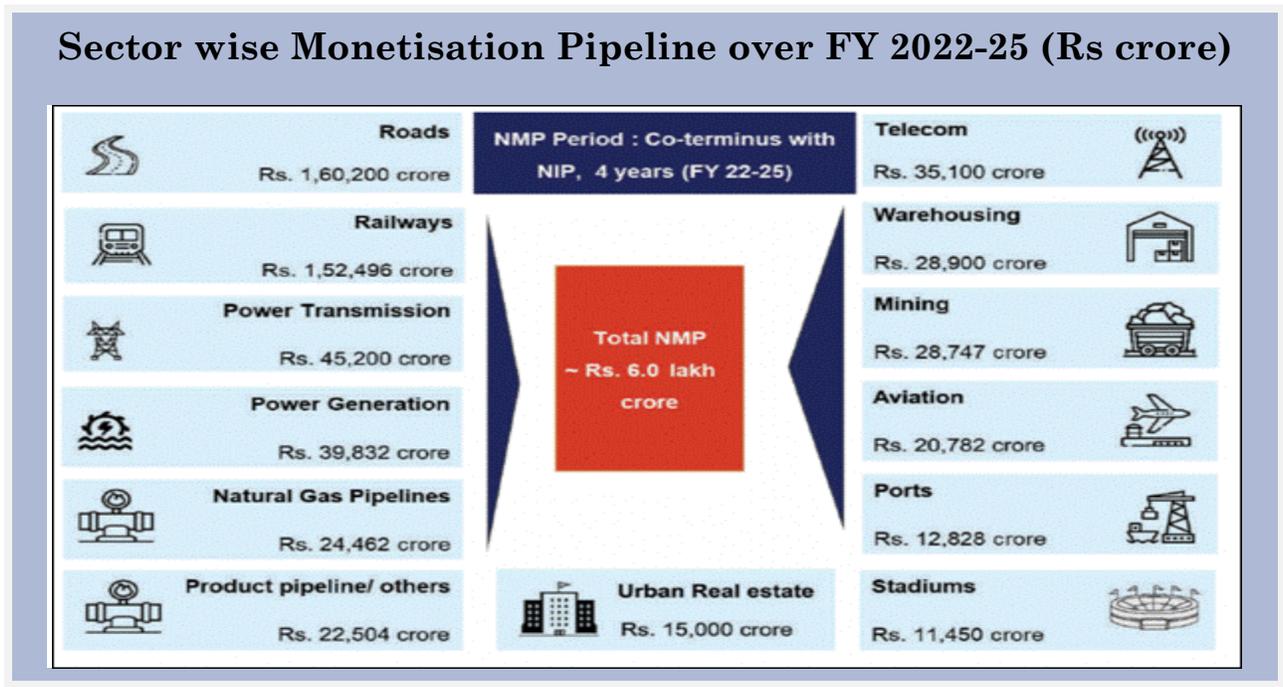
Source: Niti Aayog National Monetisation Pipeline Report. Volume -I

Real time monitoring of projects under NMP will be undertaken through the asset monetisation dashboard, as envisaged under Union Budget 2021-22, to be rolled out shortly.

Estimated Potential of National Monetisation Pipeline

Considering that infrastructure creation is inextricably linked to monetisation, the period for NMP has been decided so as to be co-terminus with balance period under National Infrastructure Pipeline (NIP).

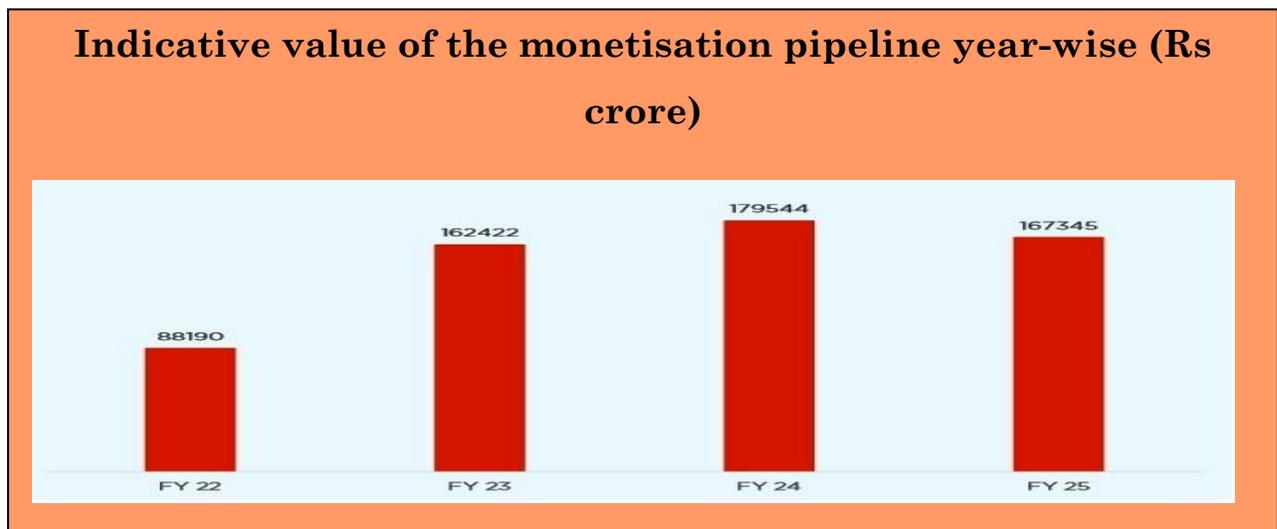
The aggregate asset pipeline under NMP over the four-year period, FY 2022-2025, is indicatively valued at Rs 6.0 lakh crore. The estimated value corresponds to ~14% of the proposed outlay for Centre under NIP (Rs 43 lakh crore). This includes more than 12 line ministries and more than 20 asset classes. The sectors included are roads, ports, airports, railways, warehousing, gas & product pipeline, power generation and transmission, mining, telecom, stadium, hospitality and housing.



Source: Niti Aayog National Monetisation Pipeline Report. Volume -II

The top 5 sectors (by estimated value) capture ~83% of the aggregate pipeline value. These top 5 sectors include Roads (27%), Railways (25%), Power (15%), Oil & Gas pipelines (8%), and Telecom (6%).

In terms of annual phasing by value, 15% of assets with an indicative value of Rs 0.88 lakh crore are envisaged to be rolled out in the current financial year 2021-22. However, the aggregate as well as year on year value under NMP is only an indicative value with the actual realization for public assets depending on the timing, transaction structuring, investor interest etc.



Source: Niti Aayog National Monetisation Pipeline Report. Volume -II

The assets and transactions identified under the NMP are expected to be rolled out through a range of instruments. These include direct contractual instruments such as public private partnership concessions and capital market instruments such as Infrastructure Investment Trusts (InvIT), among others. The choice of instrument will be determined by the sector, nature of asset, timing of transactions (including market considerations), target investor profile and the level

of operational/investment control envisaged to be retained by the asset owner etc.

The monetisation value that is expected to be realised by the public asset owner through the asset monetisation process, may either be in form of upfront accruals³ or by way of private sector investment.

Talking about NMP Shri Amitabh Kant, CEO, NITI Aayog emphasized that asset Monetisation needs to be viewed not just as a funding mechanism, but as an overall paradigm shift in infrastructure operations, augmentation and maintenance considering private sector's resource efficiencies and its ability to dynamically adapt to the evolving global and economic reality. He opined that the NMP document is a critical step towards making India's Infrastructure truly world class. According to experts, if the government achieves to collect the targeted money, then NMP will be marked among the biggest and boldest reforms initiated in the infrastructure sector of all times.

References:

1. Niti Aayog Report: National Monetisation Pipeline Volume I
2. Niti Aayog Report: National Monetisation Pipeline Volume II
3. <https://www.thehindu.com/business/Economy/national-monetisation-pipeline-heres-the-breakup-of-the-govts-big-privatisation-push/article36075874.ece>
4. <https://www.business-standard.com/about/what-is-asset-monetisation#collapse>
5. <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1748297>
6. <https://pib.gov.in/PressReleasePage.aspx?PRID=1747988>

³ Upfront accruals in a contract allows to accrue the entire interest upfront by the system as soon as the loan/money under the contract is disbursed and the fees as soon as it is applied.