

National Monetization Pipeline

[UPSC Notes]

What is the National Monetization Pipeline (NMP)?

The national monetization pipeline (NMP) is the Government of India's framework for monetizing public assets, such as roads, trains, airports, power transmission lines, non-renewable and renewable energy, warehousing, and sporting goods. The pipeline was created by NITI Aayog in collaboration with infrastructure line ministers, based on the Union budget 2021-2022 mandate for asset monetization.

Over a four-year period, from the financial year 2022 to the financial year 2025, the national monetization pipeline projects a total monetization potential of Rs.6 lakh crores through the central government's core assets. By involving the private sector, giving them revenue rights rather than ownership in the projects, and using the revenues raised for infrastructure development across the nation, it seeks to unlock value in brownfield projects.

What is Monetization in NMP?

In a monetization deal, the government essentially transfers revenue rights to third parties for a predetermined transaction period in exchange for an upfront payment, a revenue share, and an agreement to invest in the assets.

- The main forms utilized to monetize assets in the road and electricity sectors include real estate investment trusts (REITs) and infrastructure in one investment trusts (InvITs).
- Additionally, because they are registered on stock exchanges, investors can access liquidity via secondary markets.
- While these are organized financing mechanisms, alternative Public Private Partnership (PPP) -based monetization methods include:
 1. Operate maintain transfer (OMT)
 2. Toll operate transfer (TOT)
 3. Operations, maintenance, and development (OMD)

Greenfield project: A project investing in a manufacturing, office, or other physical firm-related structure or collection of structures in a location with no existing facilities, is referred to as a greenfield project.

Brownfield project refers to buying or renting current production facilities to start a new production process. Projects that have been updated or modified or referred to as brownfield projects.

Need for NMP

The program's prime objective is to unlock the value of investments in brownfield public sector assets.

- Asset monetization aims to maximize private sector investment to develop new infrastructure. For this, various institutional and long-term private funding alternatives are used.
- Under NMP, various instruments have been identified, ranging from public-private partnerships to capital vehicles like infrastructure investment trusts are INVIT.
- For instance, ports may be leased to private parties for upkeep and construction of additional infrastructure to increase capacity. The contractual relationships concluded for this purpose will include revenue-sharing models, more private investments from the private player, etc.

Advantages of the National Monetization Pipeline (NMP)

The technology and precision of the private sector is well acknowledged and proven. The NMP will offer a method to use the private sector's strength without transferring ownership to build infrastructure.

- Ensuring more infrastructure spending will enable neglected brownfield assets to be appropriately monetized.
- Economic recovery and the creation of long-term demand.
- The impact of infrastructure on the demand cycle is significant. It will increase the value of building infrastructure in the nation.
- For the benefit of total societal welfare, it will facilitate rapid economic expansion and fully integrated rural and semi-urban regions.

Role of NITI Aayog in NMP

The following explains the role of Niti Aayog:

- Creating key performance indicators (KPIs) for the contractual relationships and monitoring their growth and achievement.
- To ensure consistency in the contracts' guiding concepts, each ministry must develop a cohesive set of contracts.
- This lessens the potential of lawsuits and project delays. For this aim, real-time monitoring will be done during the asset monetization dashboard.
- Provide the private sector with the project and regulatory predictability it wants.

Challenges in National Asset Monetization Pipeline

There are several roadblocks to implementing the NMP, National Monetization Pipeline.

- The lack of identified revenue-generating methods in diverse assets could cause investment to result in losses.
- The gradual privatization of public firms, for example, BPCCL and Air India.

- The gas and oil pipeline network's capacity utilization falls short of expectations and has much-unrealized potential.
- The newly unveiled PPP project in the railway sector demonstrates a lack of interest from private investors.
- Assets in the power sector have regulated tariffs, making private enterprise less feasible.
- Investors are not drawn to less than four-lane national highways.
- The impact of infrastructure on the demand cycle is significant.
- Numerous parties are interested in many assets, such as railroads, including state governments, which also possess a stake in the company.

Major Accomplishments under the National Asset Monetization Pipeline

Ministry of Coal

The Ministry of Coal, which yielded a monetization value of nearly Rs.40,000 crore through auctioning 22 coal blocks and granting MDO contracts in the financial year 2022, was the largest contributor to the asset monetization pipeline.

Mineral mining assets

Following the conclusion of 31 mineral block auctions, the mineral mining assets generated an estimated monetization value of Rs.18,700 crore in the financial year 2022.

Ministry of Road Transport and Highways

The monetization value for the Ministry of Road Transport and Highways was approximately Rs.23,000 crore. In the financial year 2022, the infrastructure investment trust mechanism was used to monetise about 390 km of highways, and three toll operations.

Ministry of Power

After state-owned transmission Giant Power Grid Corporation attempted monetizing its first batch of transmission assets utilizing the InvIT model, it recorded a monetization accomplishment of Rs.9500 crores.

National Hydroelectric Power Corporation (NHPC)

The National Hydroelectric Power Corporation finished monetizing one of its operational hydro assets, raising roughly Rs.1,000 crore.