



## AIR Discussions (March 2nd Week)

### **NEWSONAIR SPOTLIGHT: ASSET MONETISATION AND IMPLICATIONS**

#### **CONTEXT:**

- NITI Aayog, along with the Department of Economic Affairs (DEA), organized a **national-level workshop on asset monetization**.
- The workshop elaborated on the **strategic context of core and non-core asset monetization, the need for and modality of such monetization by public sector entities, and the experiences of public and private sector entities in the space**.
- Finance Minister stressed on the **need for monetization as an alternative funding mechanism and the potential therein for improved operational value**.
- She also called for a **proactive and collaborative approach by the Central and State agencies for achieving the objectives of the National Monetization Pipeline**.

#### **WHAT IS ASSET MONETISATION?**

- Asset monetisation is the process of **creating new sources of revenue for the government by unlocking the economic value of unutilised or underutilised public assets**.
- A public asset is any property owned by a public body, tangible or intangible. These include roads, railways, stations, pipelines, mobile towers etc. or financial assets like shares in Central Public Sector Enterprises (CPSEs), securities and dividends.
- A sub-optimally utilised or unutilised asset is one that is not using its maximum potential which could otherwise be attained by exploiting it commercially at a market valuation.
- For example, if a government asset is deriving a net value of Rs 50 crore but has the potential to earn Rs 500 crore, it will come under this category.
- The government's asset monetisation programme aims to correct this anomaly and get the returns it invested in these public assets, and create hitherto unexplored sources of income.
- Experts deem asset monetisation as an effective way to generate revenue for the government but believe that it is still hugely untapped.
- **The government does not need to sell assets and it does well to protect assets which give healthy returns. This process is only to innovate and enrich an asset which has largely been unresponsive in terms of revenue.**

#### **WHAT IS THE PURPOSE OF ASSET MONETIZATION?**

- By unlocking the value of underutilized or unutilized public assets, asset monetization creates **new sources of revenue** for the public sector undertakings owning them and in the long term will lead to **efficient utilization of these resources**.
  - As of now, these assets have been lying idle and, with private entities bidding for them, they will be utilized for creation of productive assets and setting up of factories leading to regional economic development.
  - Also, the concerned PSU will get access to additional resources which can be utilized for restructuring, reinvestment and expansion.
  - It can also trim market borrowings by PSUs and bring down interest payment burden.
- The idea is to **boost the non-debt capital receipts**, which are currently raised solely via disinvestment of government stakes in CPSEs.



- The proceeds to the Centre from asset monetisation would be counted as disinvestment receipts, which so far only included receipts from equity sales in CPSEs and other entities.
- The assets that would be up for grab by 2024 could **easily exceed Rs 2 lakh crore.**
- Biggest goal is to **ensure proper use of the public money.**
- There are **several loss-making public sector enterprises.** Many of them have to be supported through tax payers' money.
- The **maximum energy, resources and capacity of the government should be employed for welfare works.** When the government starts doing business, it causes severe losses.
- There are several hurdles before the government in the decision making process. One can't run a business with such an approach.
- **When the government monetizes a particular asset, it is replaced by the private sector of the country.**
  - The private sector brings in investment as well as the best global practices.
  - It brings in top quality manpower and transforms the management.
  - It further modernizes things and the entire sector is modernized.
  - It also leads to rapid expansion of that sector and creates new job opportunities also.
  - Monitoring is equally important so that the entire process remains transparent and according to the rules.
  - That is, we can further increase the efficiency of the entire economy through monetizing and modernizing.
- This **will also create a clear roadmap for investments.**

### HOW DOES THE GOVERNMENT PLAN TO IMPLEMENT THIS?

- The institutional framework laid down for asset monetization specifies that a mechanism will be put in place for the disposal or leasing of identified public assets.
- A threshold limit based on the value of the asset will be set and any asset identified below this threshold value will be long-term leased or disposed of by the concerned ministry, CPSE etc.

### RECENT STEPS:

- The budget for 2021-22 proposes a **national monetization pipeline**, of potential brownfield projects.
- The Centre plans to transfer **five operational roads worth ₹5,000 crore to the InvIT of NHAI and also shift ₹7000 crore transmission assets to PowerGrid's InvIT.**
- Also in the pipeline are for monetization of **DFC assets by Railways, operational toll roads of NHAI, oil and gas pipeline of IOC, GAIL, Hindustan Petroleum, warehousing assets of CPSEs, and AAI's airports in tier 2 and tier 3 cities, Delhi/ Kolkata metro.**
- Road Transport, Highways and MSMEs Minister said that **NHAI is planning to raise Rs 1 lakh crore through monetisation of highways under the toll-operate-transfer (TOT) mode in the next five years.**
- Union Budget 2021 has pegged the **divestment target for FY22 at Rs 1.75 lakh crore and the Centre has already initiated the process of strategic sale of several firms, has major IPOs planned and will sell two public sector banks and one general insurance company.**
- **Target of monetizing about 100 such assets in the fields of oil, gas, ports, airports, power etc. has been announced.**
- These assets are estimated to have **investment opportunities worth Rs 2.5 trillion.**
- The mantra with which the government is moving ahead is **monetise and modernise.**
- **All infrastructure ministries have been directed to zero in on potential assets for monetisation.**
- **A dash board will be set up** where the assets can be viewed by potential investors.



- Niti Aayog had identified two lists of core assets, including 12 lots of highway bundles, POWERGRID transmission lines, running of passenger trains and redevelopment of railway stations. It also recommended the monetisation of special assets such as stadiums and tourism/ mountain railways lines.
- A **core group of secretaries for asset monetisation (CGAM), headed by the cabinet secretary**, reviews the progress of this initiative.
- The Airports Authority of India is the only entity to have completed monetisation of six identified airports and is now gearing up for the next round.
- Shipping ministry was in the process of recycling 11 assets, including berths and International Cruise Terminal at Goa Port.
- As for the assets of CPSEs, while the government would retain 100% of the proceeds from monetisation of non-core assets of units identified for strategic sale and enemy properties, it could share a large chunk of the proceeds with CPSEs in case operational core assets are monetised.

### BACKGROUND:

- Since 2018-19, plans to monetise the assets of the government and PSUs across the board, from key gas pipelines, power transmission lines and sports stadia to office spaces, land and apartments deemed surplus to requirements, have been taking shape.
- DIPAM is working on restructuring and asset monetisation of public sector enterprises for better management and competitiveness in the present world.
- Cabinet in 2019 approved **procedure and mechanism for Asset Monetization of CPSEs/ PSUs/other Government Organizations and Immovable Enemy Properties**.
- As per the Budget Estimate for 2019-20, estimates for disinvestment proceeds were kept at Rs. 90,000 crore.
- In July 2019, the government drew up a roadmap for asset monetisation across sectors, to raise ~Rs 3.5 lakh crore over five years. The programme covers core as well as non-core assets and is steered by a well-laid down institutional framework.
- Under the 'National Asset Monetisation Policy', the assets identified so far can be broadly divided into two categories: Core or Productive Assets, and Non-Core Assets.
- **Core Assets:** no outright sale.

GOVT'S ASSET MONETIZATION PLANS	
Core or Productive Assets	Non-Core Assets
Gas Pipelines of GAIL	PDIL – Three units in Jharkhand
Telecom Assets of MTNL-BSNL	Hindustan Prefab – Factory land, surplus land, flats and office space (all Delhi)
Sports facilities like Jawaharlal Nehru Stadium, National Stadium, etc	Bridge & Roof Co – 32 flats in Navi Mumbai, Mumbai, Delhi
Power transmission assets	Scooters India – 90 acres land in Lucknow
Heritage railway routes and private trains	Bharat Pumps and Compressors – 119 acres land in UP, flats in Mumbai
Highway assets	Hindustan Fluorocarbons – 66 acres land in Telengana
	None core assets of Air India, Pawan Hans

Source: DIPAM, govt sources

- **Non-Core Assets:** deemed surplus to requirements and for the most part consist of land, office space, factories, commercial spaces, apartments and properties belonging to the railways, defence and a number of PSUs. Some of these assets could be earmarked for outright sale and hence be counted as part of divestment proceedings. In other cases, there are options of a REIT, long-term lease, or various development models.



- The **first consultative meeting on asset monetization** was held recently, it was organized by DIPAM in partnership with World Bank

### CHALLENGES:

- The underlying **structural and legacy issues combined with market conditions** could pose a serious threat to the success of such monetization plans.
- **Lack of proper maintenance of asset register and title and encroachment issues** have adversely affected the Indian Railways' plan to monetize its land.
- **Land unavailability, delayed approvals and clearances, policy constraints and lack of coordination among stakeholders** are other challenges.
- The **current market conditions and legacy real estate industry issues** could further impact the progress.
- Monetization of public assets is a complex and rigorous process that involves **stakeholders' management, efficient coordination, and detailed due diligence of the technical, operational and financial aspects** of the assets.

### INTERNATIONAL EXAMPLES:

- Monetisation as a mechanism to finance infrastructure has been successfully employed by nations such as Australia and the US.
- **Australia** has been a frontrunner through its five-year national programme of Asset Recycling Initiative (ARI) generating \$5 billion.
- In the **US**, monetisation of toll rights is undertaken at a massive scale and structured as 75-year transactions.

### WAY FORWARD:

- **Monetisation needs to be repositioned as a tool to leverage institutional capital.**
  - In order to do so, **structured transactions with a mandatory transfer of assets back to the government** should be given priority over slump sale models, especially in case of core infrastructure assets.
  - **Structures such as TOT, InvITs** bring in private-sector efficiencies in managing and operating assets under well-defined regulatory frameworks.
- **Scanning of assets** needs to be a perennial exercise and the ministries must proactively create 3-5 year asset pipelines commensurate with expansion plans.
- There is a **need to look beyond the traditional asset classes** of highways, railways and airports.
- **Pipeline network, operational metro lines, storage infrastructure, transmission towers and rental earning public real estate assets** should be explored as potential asset classes with re-imagined structures.
- The **government should undertake a cycle of greenfield asset creation** followed by monetisation post-construction without holding on to the assets.
- There is a need to **carefully manage stakeholders, regulatory and structural issues**, which create formal as well as informal barriers.
- Monetisation needs to be made value-accretive for entities undertaking the transactions.
- There is a need to **explore mechanisms to plough back tax revenues in the form of performance-linked incentives and ring-fence the monetisation proceeds for expansion investments of respective entities.**



To conclude, asset monetisation, when undertaken effectively, can deliver infinite value from the infrastructure assets, which will not only create substantial fiscal impact but also help in creating new and world-class infrastructure in India and transform it into a \$5 trillion economy.

### **SOURCES:**

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## NEWS IN BRIEF: PRELIMS SPECIAL

### *Pradhan Mantri Swasthya Suraksha Nidhi*

- Cabinet has approved the Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) as a **single non-lapsable reserve fund for share of Health from the proceeds of Health and Education Cess**.
- It is a non-lapsable reserve fund for Health in the Public Account.
- **Accruals into the PMSSN will be utilized for the following flagship schemes of the Ministry of Health & Family Welfare:**
  - Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)
  - Ayushman Bharat – Health and Wellness Centres (AB-HWCs)
  - National Health Mission
  - Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)
  - Emergency & disaster preparedness and responses during health emergencies
  - Any future programme/scheme that targets to achieve progress towards SDGs and the targets set out in the National Health Policy (NHP) 2017.
- The scheme is under the Ministry of Health & Family Welfare.

<http://newsonair.com/News?title=Cabinet-approves-%26%2339%3BPM-Swasthya-Suraksha-Nidhi%26%2339%3B-as-single-non-lapsable-reserve-fund&id=411558>

### *International Women's Day*

- International Women's Day was observed by the United Nations for the first time on **8 March 1975**.
- The very first day for women in the modern era was celebrated in the United States of America on February 28, 1909 when the Socialist Party of America observed a National Woman's Day.
- This day was marked in honour of a garment workers' strike that had taken place in New York in 1908.
- The **theme for the 2021 women's day is "#ChooseToChallenge"**.

<http://newsonair.com/News?title=International-Women%25E2%2580%2599s-Day-timeline&id=411380>

### *Exercise DUSTLIK II*

- The **India – Uzbekistan joint military exercise "DUSTLIK II"** commenced at Ranikhet (Uttarakhand).
- This is the Second Edition of the annual bilateral joint exercise of both armies. The first edition was held in Uzbekistan in 2019.
- Both contingents will be sharing their expertise and skills in the field of counter-terrorist operations in mountainous/rural/urban scenario under UN mandate.

<http://newsonair.com/Main-News-Details.aspx?id=411601>



### *INS Karanj*

- INS Karanj commissioned into the Indian Navy.
- It is the **third stealth Scorpene class Submarine** inducted into the Navy.
- It is the **third submarine of the first batch of six Kalvari-class submarines** for the Indian Navy.
- It is a **diesel-electric attack submarine** based on the Scorpène class, designed by French naval defence and energy group DCNS and manufactured by Mazagon Dock Limited.
- INS Karanj is part of **Project 75**.

<http://newsonair.com/Main-News-Details.aspx?id=411557&title=INS-Karanj-%E2%80%933rd-Kalvari-class-submarine-commissioned-into-Indian-Navy>

### *Azadi Ka Amrut Mahotsav*

- Azadi Ka Amrut Mahotsav is a series of events to be organised by the Government of India **to commemorate the 75th Anniversary of India's Independence**.
- According to the government, the Mahotsav will be **celebrated as a Jan-Utsav in the spirit of Jan-Bhagidari**.
- A National Implementation Committee headed by the Home Minister has been constituted to chalk out policies and planning of various events to be undertaken under the Commemoration.
- The 75th anniversary of India's independence falls on 15th August 2022.

<http://newsonair.com/News?title=Azadi-Ka-Amrut-Mahotsav%3A-Marking-75th-Anniversary-of-India%E2%80%99s-Independence-launched-from-Sabarmati-Ashram-in-Gujarat&id=411717>

### *Atmanirbhar Niveshak Mitra portal*

- The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry is in the process of finalising a dedicated digital portal "Atmanirbhar Niveshak Mitra".
- The portal is being developed **for handholding and facilitation, information dissemination, and facilitation of domestic investors**.
- The portal will be launched in May 2021.
- It will digitally support investors throughout their doing business journey in India and help them to get all the information starting from finding an investment opportunity to exploring incentives & taxes applicable to their businesses, information and assistance for doing business in India, sources of funding, information on raw material availability, training, management requirement and tender information.
- This **Project is under the "Invest India" agency which was set up in 2009 as a non-profit venture under the DPIIT**.

### *Mera Ration Mobile App*

- Ministry of Consumer Affairs, Food and Public Distribution launched Mera Ration Mobile App **for the benefit of those ration card holders who move to new places in search of livelihood**.
- 32 States and Union Territories are covered under One Nation One Ration Card and integration of remaining four States and UTs is expected to be completed in next few months.
- Nearly 69 Crore National Food Security Act beneficiaries in the country are covered.



<http://newsonair.com/News?title=Mera-Ration-Mobile-App-for-migratory-ration-card-holders-launched&id=411749>

### *Arbitration and Conciliation (Amendment) Bill, 2021*

- Parliament gave its nod to the Arbitration and Conciliation (Amendment) Bill, 2021
- The legislation seeks to **amend the Arbitration and Conciliation Act, 1996.**
- The Act contains provisions to **deal with domestic and international arbitration and defines the law for conducting conciliation proceedings.**
- It seeks to ensure that **all stakeholders get an opportunity to seek an unconditional stay on enforcement of arbitral awards where the arbitration agreement or contract is induced by fraud or corruption.**
- It also aims at giving greater flexibility to the Arbitration Council of India and helping in promotion of institutional arbitration.

[http://newsonair.com/News?title=Rajya-Sabha-passes-Arbitration-and-Conciliation-\(Amendment\)-Bill%2c-2021&id=411612](http://newsonair.com/News?title=Rajya-Sabha-passes-Arbitration-and-Conciliation-(Amendment)-Bill%2c-2021&id=411612)