

## National Monetisation Pipeline- Part II

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### What is the issue?

With the Union Government's announcement on the National Monetisation Pipeline (NMP), here is an assessment of its effectiveness on ground.

### Is monetization beneficial?

#### Under-utilised assets

- E.g., A port or an empty piece of land that is not being used adequately.
- Here, the private player makes the necessary investment to make the asset more revenue-generating, and reaps the benefits from it.
- So, this is a win-win situation as -
  1. the government gets a 'fair' value for its assets
  2. the economy benefits from an increase in efficiency (increased cash flows from the asset)
  3. the private player gets its return on investment

#### Well-utilised assets

- While NMP's focus is on under-utilised assets, the list of projects includes well-utilised assets also .E.g., monetising a highway that has good traffic.
- In this case, the private player has little incentive to invest and improve the assets' efficiency as -
  1. anyways, it can operate the assets as they are
  2. the cost of capital is higher (than that for a public authority), which could offset the benefit of any reduction in operating costs made
- In any case, the Government earns lesser revenues than what it might earn if it operated the assets itself.
- Clearly, the **benefits** are likely to be **greater when under-utilised assets are monetised.**
- But private players will prefer well-utilised assets because cash flows and returns are more certain. But this does not go well with the larger public interest.

### Which is the effective mode (PPP or InvIT) of monetization?

#### Challenges in PPP [Public Private Partnership] route

- Getting the valuation of the assets right over a long-term horizon, say, 30 years is hard as this involves -
  1. Rightly assessing the growth rate of the economy over such a period.
  2. In case of roads - Other factors such as the level of economic activity in the area, prices of fuel and vehicles, alternative modes of transport and their relative prices, etc.

- In some cases, the consumer and the economy end up bearing the high cost.
- Also, the life of the asset may not be long when the government receives it back after the agreement period. In that case, asset monetisation virtually amounts to sale.

### **InvIT - the [Infrastructure Investment Trusts](#)**

- These are mutual fund-like vehicles. While in mutual funds, investors invest in equity stocks, in InvIT, the investment is in infrastructure projects.
- In the InvIT route, the public authority continues to own the rights to a significant portion of the cash flows and to operate the assets.
- So, the issues that arise with the transfer of assets to a private party (under PPP) are less here.

### **What should be done on the implementation side?**

- The Government can set up an **Asset Monetisation Monitoring Authority** to independently monitor the monetization process.
- Staffed by competent professionals, the Authority should look into -
  1. the valuation of the assets
  2. the impact on price charged to the consumer
  3. the choices on assets (under-utilised or well-utilised assets)
  4. the experience across different sectors, etc.

**Source: The Hindu**

**Related article: [InvITs of NHAI](#)**

