

Opinion

Asset monetisation: Transparency holds the key

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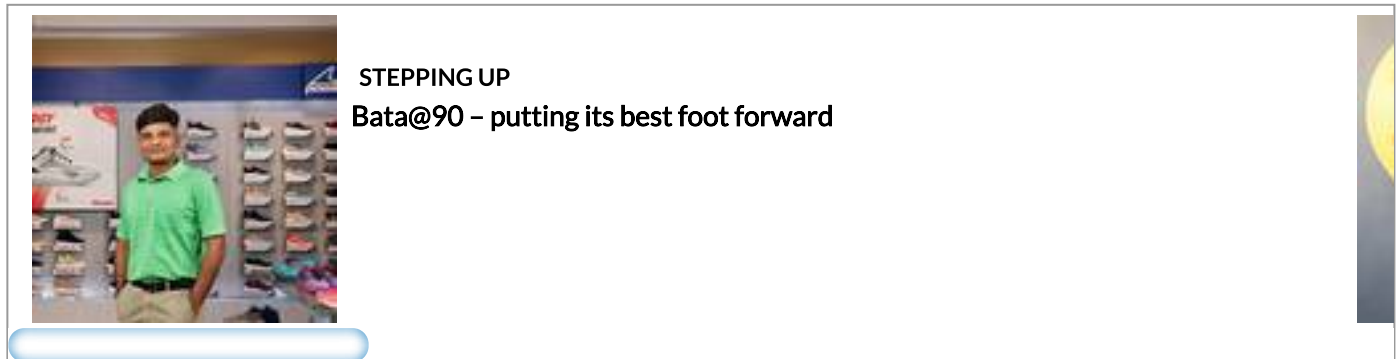


A panel must be formed to identify the PSU assets that can be monetised and also on the use of the funds generated

The National Monetisation Pipeline, announced in the Budget to turn unutilised or underutilised assets lying with the government and PSUs into money can be a major financing option for infrastructure creation. It can also strengthen the capital base as well as unlock the value of the assets owned by the PSUs.

The government plans to transfer five operational roads worth ₹5,000 crore to the Infrastructure Investment Trust (InvIT) of the NHAI and transfer transmission assets of ₹7,000 crore to PowerGrid's Investment Trust, respectively.

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There is talk also of the Railways monetising its Dedicated Freight Corridor assets; IndianOil, GAIL and Hindustan Petroleum their oil and gas pipelines; , and some PSUs their warehousing assets. In many cases these assets are occupied by unauthorised persons.

Generating returns

Monetisation will generate returns for PSUs owning these unutilised assets. Also, with the private sector bidding for these assets, it is expected that these will be put to productive use and generate employment.

However, the government also needs to move with caution while monetising these assets. It is bound to face resistance on ideological grounds and may even be accused of selling the “family silver”.

There could also be resistance by vested interests who are illegally occupying unutilised government/PSU-owned land often with political backing. The best course of action would be to constitute a commission for identifying assets for monetisation; as also the *modus operandi* of the monetisation and the use of funds.

This commission may be headed by a retired Supreme Court judge and consist of eminent persons thereby creating a transparent mechanism open to viewpoints from all stakeholders concerned and minimising the scope for resistance and opposition.

Once the assets are identified, they can be handed over to a national trust that would act as the caretaker including for the monetisation process and use of funds. This process might require setting up of a National Trust for Surplus Public Assets.

Another point that needs to be made clear is the use of funds generated through the monetisation. It is essential to clarify that these assets belong to the public sector undertakings or authority concerned. Hence, the revenue raised through monetisation should not be used for the government's short-term budgetary support and must adhere strictly to company law norms. On the flip side, if the funds help in minimising the borrowing of the PSU concerned and thereby the interest payment burden, the Centre will also indirectly benefit with higher dividend receipts.

It can also reduce the burden of budgetary support required to strengthen the capital base of the public sector unit. The funds generated through asset monetisation can also be used for the PSUs' technology upgrade, hence reducing the reliance on Budgetary support.

Also the process will be the key to the successful implementation of the monetisation plan. In certain cases the assets may be transferred on long-term lease while in others, the public assets may be developed by private investors on Build-Operate-Transfer basis. This would depend on the nature of the asset as well how it is utilised. The details of the modalities can be worked out by the suggested commission.

With the government focussing on affordable housing, some assets can be earmarked for such projects where preference may be given to armed forces and national security personnel, migrant workers, etc. Efforts may also be made to accommodate unauthorised occupants.

Private initiatives in social infrastructure can also be encouraged in sectors such as healthcare, and education, thereby making the existing social infrastructure more robust. Of course, tracts of land adjacent to railway stations or airports cannot be used for housing or social infrastructure. Thus, these properties will be fit primarily for commercial use.

Last, but not the least, for the monetisation idea to succeed, it is important for the government to be focussed, adhere to the timelines set and take the general public into confidence on the process and the ultimate beneficiaries.

This would make the process transparent and help the government gain the confidence and support of only all the stakeholders but also the citizens, thereby making success of the asset monetisation plan.

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