Asset Management and Revenue Generation

What is the issue?

- New approaches of asset management have emerged in the recent times, to protect the public interest while maximizing revenue generation.
- In this context, here is an overview on the various models and the priorities and challenges in this regard for India.

What is the scenario in India?

- India has adopted a new asset-management approach.
- It is moving towards the monetization of unutilized and underutilized assets of central public sector enterprises (CPSEs)/public sector undertakings (PSUs).
    - These are apart from other government assets and immovable 'enemy property.'
- This comes as an effort to manage public resources better.
- The government has identified this as a potential source of revenue to finance its ambitious infrastructure programme.
- It is exploring direct sales, leasing and other options.

How does asset monetization help?

- The assets of CPSEs/PSUs and sundry government departments are diverse and spread across the country.
- The government believes monetization of these assets could generate much-needed funds.
- Asset monetization thus generates new sources of revenue by unlocking the economic value of poorly used assets.

How does it work?

- For the above purpose, the government has slotted all its assets into four groups:

a. Land and buildings
b. Brown-field operational assets like pipelines, roads, mobile towers, etc.
c. Financial assets such as equity shares, debt securities, hybrid/structured

finance assets units
d. Miscellaneous assets

- Of the above four, land is a significant tangible asset.
- Its monetization would be the most feasible option to generate revenue.
- The 13th Finance Commission had also laid down the importance of proper use of land held by states, the Centre and CPSEs/PSUs.

What are the challenges in this regard?

- Land is scattered all over India and there is no official record of how much is available that is not being used.
- An important step towards this is to map vacant plots of land across the country and place a list of the same in the public domain.
- The NITI Aayog has asked ministries to identify and share details of their assets to be included in the National Monetisation Pipeline in this pursuit.
- But many government institutions can hardly tell what surplus land they have.

What does the World Bank suggest?

- The World Bank's policy working paper 6665 of 2013 had suggested three initiatives for land management.
- First, central land-holding institutions should identify land required for their present and future service provisions.
- The remaining land should be treated as surplus.
- These institutions must be asked to prepare a plan for the monetization of surplus land.
- Second, the government should institute a land audit to monitor institutions' identification of land needed and what is surplus.
- Australia's land audit may be taken as a model for implementation.
- Third, institutions should be required to estimate the proceeds of land monetization.
- They should include the sums as a revenue source, that would reduce the need for budget subsidies.

What is the priority now?

- Governments across the world are developing models to maximize the value derived from public assets.
- The models of Australia, Canada, China, France and the US are in the limelight.

- Taking lessons from them, India should develop its own appropriate model for the land monetization process to take off.
- In this, particularly, Canada's model offer key inputs.

What is Canada's model for asset management?

- The government of Canada opted for 'asset recycling' to dispose of legacy assets and thereby generate revenues.
- This will go into investing in new assets or refurbishing existing infrastructure.
- The Canadian model for asset management makes use of a special purpose vehicle (SPV) - Canadian land Company.
- It focuses on independent and professional governance.
- The process starts with identification of assets.
- This is then followed by the purchase of surplus properties, including government land, by the SPV at market prices.
- It involves management of purchased assets and ends with their sale to private buyers.
- **Results** - Effective asset management has helped its government improve its capital planning process.
- It now has a well-targeted capital investment plan; the country is setting budgets for 5-20 years.
- Its provincial governments have also taken varying approaches to encourage asset management at the local level.
- A few provinces are making it mandatory for municipalities to have an effective asset-management plan for them to access provincial infrastructure funding.

What are the initiatives in India?

- India's government also plans to launch an SPV to execute the monetization process.
- It is exploring a model that involves real estate investment trusts (REITs) and infrastructure investment trusts (InvITS).
- Under REITs and InvITS, the selected assets will be transferred to a trust, providing an investment opportunity for institutional investors.
- By some estimates, the government can generate ₹2.5 trillion through asset monetization in the first phase.
- The NITI Aayog has been tasked to prepare a National Monetisation Pipeline for 2020-21 to 2023-24.

What is the way forward?

- An effective asset-management approach draws information from across the country and connects the dots for value maximization.
- India needs to bring together people and skills to solve the infrastructure problems.
- The government should also do its best to attract the private sector's interest in what property it has to offer.

Source: Livemint

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