



S.K. Kesarwani

Registered Valuer

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B.E., MSc REV, MSc P&M

Land Monetization: The Key Instrument of Development

The monetization of urban land is gaining traction as governments at the central and state levels seek new revenue streams. This approach involves unlocking the potential benefits of leasing land, which can generate a consistent revenue stream for public sector undertakings and urban local bodies. Additionally, land monetization contributes to planned urbanization, accelerates real estate prospects, facilitates commercial development, boosts tourism, and has positive effects on economic development, employment, and the quality of life for citizens.

One of the key advantages of land monetization is that it allows for the retention of land ownership while realizing market rent. By carefully considering the potential benefits and viability, infrastructure-serviced land can fetch higher value. There is also the option of land exchange or swap with another government entity, providing additional opportunities for optimizing land use.

To ensure a successful land monetization process, it is important to engage all stakeholders and incorporate a commercial aspect to make the project viable and revenue-generating. A crucial step in this process is to map and list vacant lands across the country, making this information available to the public. This promotes transparency and accountability in the land monetization process.

Public-private partnerships (PPP) have emerged as a viable model for land monetization. PPP combines the public interest of the government sector with the professionalism and expertise of the private sector, allowing for efficient and effective development.

However, progress in monetizing commercially viable land has been limited due to the time-consuming approval processes involved with various civic authorities. Address this challenge and take advantage of the post-Covid-19 economic revival, it is important to expedite approval processes and convert this situation into an opportunity to build a self-reliant (Atmanirbhar) Bharat.

Monetization refers to the process of converting something into money or creating revenue-generating activities, services, or assets. In the context of land monetization, it involves capturing the real estate value of public land that is currently idle or underutilized to improve the finances of government bodies and local authorities.

The purpose of land monetization is to unlock the value of public land and generate revenue, while also contributing to urban development. Transparency throughout the process is crucial, and the details of the land to be monetized should be made public. This allows potential bidders, funding agencies, and the public to understand the purpose, intended use, cost of development, and estimated timelines of the proposed project.

An example of land monetization is the initiative taken by the Delhi government, which put up 10 million sq. ft of land for commercial development. This exercise is expected to generate revenue of around Rs 6000 crore and contribute to urban development and job creation.

The Public-Private Partnership (PPP) model has emerged as a viable option for land monetization. It combines the market efficiency, professionalism, and expertise of the private sector with the objectives of the government/public sector. This model facilitates the independent viability of commercial projects and ensures sufficient revenue generation for project shareholders.

The National Asset Monetization Pipeline is an initiative by the Indian government to monetize assets owned by public sector enterprises (PSEs) across various sectors. The aim is to raise resources for future investments and put the generated revenue to public use. Under this pipeline, the government has identified several assets for

monetization, including roads, electricity transmission infrastructure, oil and gas pipelines, telecom towers, sports stadiums, and more.

Meet the target of raising approximately Rs 2.5 lakh crore through asset sales, the government has lined up plans to monetize these assets. Some of the specific assets that have been identified for monetization include BPCL (Bharat Petroleum Corporation Limited), CONCOR (Container Corporation of India), Air India, Shipping Corporation of India, Indian Oil, GAIL (Gas Authority of India Limited), Hindustan Petroleum, and others.

In terms of land assets, the Rail and Defence ministries are among the largest government landowners in the country. The Railways alone owns approximately 4.78 lakh hectares (11.80 lakh acres) of land, of which 4.27 lakh hectares are under operational and allied usage, while around 0.51 lakh hectare (1.25 lakh acres) is vacant.

The report also highlights the value of land and building assets identified for monetization in BSNL (Bharat Sanchar Nigam Limited) and MTNL (Maha nagar Telephone Nigam Limited). The total value of assets identified for monetization in BSNL is Rs 67,837 crore, and in MTNL, it is Rs 17,985 crore. The expected revenue from the monetization of these assets for the year 2021-22 is Rs 1,200 crore for BSNL and Rs 300 crore for MTNL. BSNL and Rs 300 crore for MTNL.

The Aviation and Roads ministries are actively conducting the monetization of assets through bidding of airports on a Public-Private Partnership (PPP) basis and highways on a Toll-Operate-Transfer (TOT) basis. The government's goal, as outlined in the Union Budget 2020-21, is to monetize at least twelve lots of highway bundles covering over 6,000 km of roads before 2024.

The government's plan for the monetization of government assets is outlined in the National Monetization Pipeline. This roadmap was introduced by the finance minister in the Union Budget to assess the potential value of underutilized and unused government assets. Several countries, including the United States, Australia, Canada, France, and China, have successfully implemented similar policies.

In India, the concept of asset monetization was proposed first by a committee led by Vijay Kelkar in 2012. The committee suggested that monetization should be used as a key instrument to raise resources for development and to finance infrastructure needs. The need for monetization arises from the increased government spending due to the global pandemic. The total expenditure of the government has exceeded the target, reaching ₹34.50 trillion against the planned ₹30.42 trillion. On the other hand, government revenue is shrinking, leading to a significant increase in borrowing. Total borrowing has more than doubled from ₹7.96 trillion to ₹18.49 trillion. Higher borrowing also results in increased interest costs.

The ratio of interest payment to revenue receipts was 36.3% in 2019-20 and has further increased to 44.5% in the current fiscal year. It is projected to reach an all-time high of 45.3% in 2021-22. With half of the revenue going towards servicing old debts, it becomes crucial to prioritize capital expenditure to revive the economy.

Monetization of government assets provides an opportunity to generate additional revenue and reduce the burden of debt servicing. By unlocking the value of underutilized assets, the government can raise funds for infrastructure development and other priority sectors, which is essential for economic growth and recovery.

The National Infrastructure Pipeline (NIP) was launched by the government with 6,835 projects in December 2019, and it has now been expanded to include 7,400 projects. The NIP sets specific targets for infrastructure development, and the government is committed to achieving these targets in the coming years.

To fund the infrastructure projects, a major increase in funding is required. In the budget for 2021-22, the government has proposed to spend ₹5.54 trillion, which is 34.5% higher than the budgeted amount for 2020-21.

For financing the new infrastructure construction, the government has identified the monetization of government- and public sector-owned assets as an important option. One model for asset monetization being considered is Real Estate Investment Trusts (REITs). Under the REITs model, land assets are transferred to a trust, providing investment opportunities for institutional investors.

Apart from monetization, the government also has the option to lease or rent out assets instead of selling them. The government expects that monetization will generate ₹2.5 trillion in non-debt capital revenue, which can be used for future investments in the sector.

A pipeline monetization plan has been developed by the government for Indian Oil, GAIL, and Hindustan Petroleum, aiming to raise ₹0.17 trillion by selling stakes in these three companies

To effectively manage the task of asset monetization, the government has established an independent commission with the necessary powers and a team of professionals and researchers. This commission is responsible for formulating and implementing the government's asset monetization initiative.

The Department of Investment & Public Asset Management (DIPAM) plays a crucial role in the asset monetization process. The following are the components and broad process involved in asset monetization as per DIPAM:

- 01.** Identification of CPSEs/PSUs/Government Bodies and their Assets: The first step is to identify the Central Public Sector Enterprises (CPSEs), Public Sector Undertakings (PSUs), and government bodies along with their assets that have the potential for monetization.
- 02.** Finalization of Models for Monetization of Identified Assets: After identifying the assets, different models for monetization are finalized. These models can include direct contractual approaches, structured finance approaches, land monetization, and models as per the guidelines of the Department of Public Enterprises (DPE).
- 03.** Transaction Process: Once the models are finalized, the transaction process begins. This involves the implementation of the chosen monetization model, including the preparation of legal agreements, financial evaluations, due diligence, and valuation of the assets.
- 04.** Role of DIPAM: DIPAM plays a crucial role in facilitating the asset monetization process. It provides policy support, coordination, and advisory services to the government and the asset monetization cell. DIPAM collaborates closely with other stakeholders to ensure the smooth execution of the monetization process.

05. Central Public Sector Enterprises: The asset monetization process specifically focuses on Central Public Sector Enterprises (CPSEs) and their assets. These CPSEs are identified as potential sources for generating revenue through monetization.
06. Custodian of Enemy Property of India: The Custodian of Enemy Property of India is also involved in the asset monetization process. It deals with assets that are considered enemy property and can be monetized as part of the overall asset monetization initiative.

The role of valuers is significant in the asset monetization process. They are part of the intermediaries/advisers who provide services to support the Asset Monetization Cell of DIPAM. Valuers play a crucial role in assessing and determining the value of the assets to be monetized, ensuring transparency and fair valuation in the process.

