Executive Summary: Asset Recycling

PPPRC Asset Recycling Executive Summary

Executive Summary

This section of the PPPRC focuses on two key areas, Asset Recycling Projects, which provide practical guidance on asset recycling projects, and Asset Recycling Programs, which offer insights on a structured, long-term approach to asset recycling.

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Asset Recycling, Executive Summary, Takayama, Japan

***The PPPRC Asset Recycling section** is intended to serve as a living document and will be periodically updated to reflect emerging best practices, evolving market conditions, and implementation experience. Let us know what you think by taking a Quick Survey.*

This section of PPPRC focuses on two main areas:

- **Asset Recycling Projects: Practical Guidance on Asset Recycling Projects**
- **Asset Recycling Programs: A Long-Term Structured Approach to Asset Recycling**

Governments around the world are increasingly looking at improving the quality of infrastructure and delivering improved services to the community. Infrastructure investment is crucial to the on-going economic prosperity and development of any country. For most countries, to meet the substantial infrastructure investment capital needed to fund an infrastructure program, there is a need to unlock multiple sources of funding to ensure that current developmental momentum can be sustained.

This is in line with the commitment of Governments under the Paris Agreement's ambitious target to protect and sustain ecosystems addressing climate change adaptation and mitigation as well as achieving the Sustainable Development Goals (SDGs), by fostering sustainable infrastructure solutions that deliver low-carbon development pathways.

Infrastructure is pivotal to sustainable development with positive impacts on the economy, environment and society if implemented correctly. Each piece of infrastructure asset should not be viewed on a standalone basis (such as a power plant, an airport, a road, or a water facility), but as part of an ecosystem comprising of a portfolio of assets that collectively support the SDGs.

Given the fiscal constraints and higher upfront costs associated for developing low-carbon infrastructure and transitioning away from carbon-intensive infrastructure, public budget alone will be insufficient to fully fund the infrastructure needs. The COVID-19 pandemic has seen severe pressure on public budgets as governments have re-directed the resources to address the fall out of the pandemic.

Given so, governments must find alternative sources of funding for infrastructure investments; a well-implemented asset recycling program presents as an option to monetize invested capital to meet the infrastructure development needs.

With tightening fiscal constraints and the high upfront costs associated with building new infrastructure and carbon transition, public budget alone will not be sufficient to fund the current and growing infrastructure needs across EMDEs. While governments have raised debt to fund infrastructure developments, the servicing of these debts may require the raising of taxes. In addition, at times the financing required for infrastructure is being diverted to other social programs such as healthcare and welfare.

In addition, there are increasing expectations for service standards delivered by public infrastructure assets. Optimal asset utilization requires expert planning, implementation, and monitoring of the infrastructure asset through well-defined service standards. However, many governments face a shortage of requisite expertise and resources in the efficient management and delivery of public infrastructure assets.

To this end, governments must find alternative sources of funding for infrastructure investments, to complement broader strategy for financing the infrastructure sector and private participation; a well-implemented asset recycling program presents an option to monetize invested capital to meet infrastructure development needs. Many countries are exploring asset development of new infrastructure assets.

Asset recycling broadly consists of two important and interlinked components: (1) the monetization of existing infrastructure assets (brownfield assets) and (2) the subsequent reinvestment of proceeds obtained from the monetization to develop new infrastructure assets.

- **The development of new infrastructure needs in EMDEs are estimated to require between 2% - 8% of a country’s gross domestic product (GDP) per year until 2030.**
- **In addition to the investment needed for new infrastructure, an additional 2.7% of GDP each year is also required for the operation and maintenance (O&M) of existing infrastructure.**
- **An additional 3% of GDP is required for rehabilitation, expansion, and capital improvements of existing infrastructure assets to incorporate climate resilience.**

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This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please [contact the PPP Resource Center]() using the feedback form.

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