Utilization of Proceeds in Asset Recycling

Guidelines for Implementing Asset Recycling Transactions

Utilization of Proceeds

A range of options and considerations for utilization of proceeds from asset recycling, is presented below, including case studies from various countries.

Download Full Report
Download Chatbot View
Photo Credit
a Image not found or type unknown

*The **Guidelines to Implementing Asset Recycling Transactions** is intended to be a living document and will be reviewed at regular intervals. Visit the **Asset Recycling: Decision maker's notes** for a practitioner's overview of Asset Recycling programs. To find more, check out the **Content Outline**.*

Options for utilization proceeds

The government entities may consider the following for utilization of proceeds from asset recycling:

- Re-investment of proceeds in greenfield assets.
- Re-payment of existing debt relating to the asset that is the subject of the asset recycling transaction (this would usually be a pre-condition of the lenders, unless the current lenders agree to continue their exposure to the project even after the private party takes over operations and maintenance of the project).
- Meeting operational expenditure for existing assets; and
- Provide financial support for technical assistance for future projects.

Considerations in utilization of proceeds

There are several considerations for utilization of proceeds from asset recycling:

- A good practice for government could be to specify the application of the proceeds raised from implementing an asset recycling program. This should include providing clarity as to the intended investment program for new infrastructure asset to be developed as well as the amount that is to be re-invested. This will help in:
    - Defining priority assets.
    - Provide visibility in meeting the funding gap for new infrastructure assets.
    - Ensure transparency and accountability in the application of sales proceeds; and
    - Assess objectively and retrospectively the success of the program, and accordingly calibrate the implementation of the asset recycling program.
- Re-investment within the Relevant Authority's purview: The Relevant Authority may intend to retain the proceeds from asset recycling for re-investment in new/greenfield assets which are within the purview of the Relevant Authority. This mechanism incentivizes Relevant Authority to recycle assets to unlock capital.
- Allocation of proceeds to a separate fund: The proceeds from asset recycling can be allocated to a fund that is separate and distinct from the Relevant Authority's balance sheet. The application of the fund should be transparently specified so that the public can be assured of long-term value creation through

the re-investment of the proceeds in infrastructure assets. In some jurisdictions, this approach is used to de-politicize the monetization and application of the proceeds through asset recycling programs by enhancing accountability and transparency.

- Add to the strategic criteria for determining the use of proceeds:
  - Conforms to the Long-Term Strategy for Low Carbon and Climate Resilience 2050 and net zero pledges and the country's Nationally Determined Contribution (NDC).

Box 10: Case Study on the Utilization of Proceeds from Asset Recycling

Utilization of proceeds of asset recycling by various jurisdictions: A range of options for utilization of proceeds from asset recycling, being practiced by various countries is presented below.

Countries	Sectors	Asset Recycling Model	
Australia	Ports, Energy, Roads, Land Registry	Sale and / or long-term lease of assets	• Alleviat • Re-inve • Re-payr
India	Highways	Toll-operate-transfer (TOT), InvIT, Securitisation for brownfield highway assets	• Re-inve
Brazil	Airports, rail and roads (predominantly airports)	Operations and Maintenance Concessions	• Alleviat proceed
Mexico	Highways and toll roads	Sale/ securitization through National Infrastructure Fund	• Provide sectors
Turkey	Predominantly Airports	Lease and/or transfer of operating rights (TOR) model	• Re-inve

Related Sections

Image not found or type unknown

Asset Recycling Projects

Image not found or type unknown

Low angle of city

Direct Contractual Agreements

Image not found or type unknown

Case Studies in Asset Recycling

Image not found or type unknown

Annex in Asset Recycling

Research and Publications in PPPRC

BROWSE BY REGION

- East Asia and Pacific (EAP)
- Europe and Central Asia (ECA)
- Latin America and Caribbean (LAC)
- Middle East and North Africa (MENA)
- North America (NA)
- South Asia (SA)
- Sub-Saharan Africa (SSA)

BROWSE BY SECTOR

- Power & Renewable Energy
- Urban & Cities
- Water & Sanitation
- Transport
- Telecom & ICT
- Solid Waste Management

BROWSE BY Topic

- Asset Recycling
- Climate
- Disruption
- Emission Reduction Credit
- Fragile and Conflict-Affected States (FCS)
- Gender
- Innovative Revenues for Infrastructure

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.

Image not found or type unknown