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Monitoring the Asset Recycling Program

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On this page: *An asset recycling program is a virtuous cycle, refined through regular reviews, learning from outcomes, and adapting to market conditions. Read more below, or visit the main page for the Asset Recycling Handbook and Content Outline, or Download the Full Report*

An asset recycling program is a virtuous cycle that should be continuously improved through the regular review of program outcomes against initial objectives, identifying failures or mistakes and adjusting the objectives of the program to reflect market conditions more accurately. The following three assessments can help Government objectively evaluate the success of the program:

Whether there was a reduction of funding constraints for additional infrastructure investment

Strong government sponsorship of the program has positive effects in alleviating funding constraints for new infrastructure. The monetization of assets will enlarge the government’s balance sheet and help maintain existing debt levels as new debt need not be raised for the development of new infrastructure.

Whether there was an increase in economic activity, employment and living standards

The program should have a direct positive impact on the economy in the form of increased economic activity due to an increase in employment from higher activity in the construction sector. The development of new infrastructure, such as power and transport infrastructure, especially in rural areas, brings about improvement in living standards through access to power and ease of mobility. Essential infrastructure will enable the efficient operation of small and medium businesses and enterprises and boost the local economy.

Whether there was an enhancement in the productive capacity of the economy

The Government should evaluate the productivity gains brought about by recycling public assets into private ownership and operation. A suitably qualified private sector party will have the requisite expertise and experience to manage infrastructure assets more efficiently. They are also incentivized to improve operational efficiency for the purpose of maximizing profits and returns on their investments. Hence, a productivity gain is generated by asset monetization, as assets would be managed more efficiently by the private sector.5 The proceeds from monetization of assets expands government coffers and allow for investment into new infrastructure increases overall capacity and supply of infrastructure services.

Case Study - Review of National Partnership Agreement (NPA) on AR, Australia

The National Partnership Agreement on Asset Recycling commenced on 02 May 2014 and expired on 30 June 2019. The Agreement was designed to assist in addressing State and Territory funding constraints that limited their ability to invest in additional economic infrastructure. It aimed to increase investment in productivity enhancing infrastructure by encouraging the sale of state-owned assets to unlock funds and recycle the capital into additional infrastructure.

A review of the National Partnership Agreement on Asset Recycling (the NPA) was undertaken specifically to examine the extent to which the objectives and outcomes of the NPA, in relation to reducing funding constraints for additional infrastructure, increasing economic activity, and enhancing productive capacity, have been achieved.

In undertaking the review, consultation was undertaken with jurisdictions and infrastructure agencies. Key findings and themes from the stakeholder consultations were identified and presented.

- Funding constraints were reduced for jurisdictions that participated in the NPA, with Commonwealth funding providing impetus for asset divestments
- Economic activity increased for jurisdictions that participated in the NPA
- Productive capacity increased for jurisdictions that participated in the NPA
- The level of Commonwealth incentive payments for jurisdictions that participated under the NPA had a positive influence in bringing forward the timing of asset divestments and reinvestment, as well as generating a commensurate level of reinvestment from jurisdictions

Source: Review of the National Partnership Agreement on Asset Recycling, The Treasury, Australian Government.

(https://treasury.gov.au/sites/default/files/2019-03/T349382_EY_Report_on_Consultations.pdf)

Related Content

- **The PPPRC Asset Recycling Section**
- **Executive Summary: Asset Recycling**
- **Asset Recycling Projects**
- **Asset Recycling Programs**
- **Table of Contents for Asset Recycling**

Additional Resources

- Asset Recycling Handbook (Download PDF)

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.