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Modern skyscraper

Checklists for Asset Recycling

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***On this page:** A practical checklist for developing and implementing a successful asset recycling program. Read more below, or visit the main page for the [Asset Recycling Handbook](#) and [Content Outline](#), or [Download the Full Report](#)*

Asset Recycling Roadmap

Asset recycling is a mechanism that has been adopted by various governments to monetize existing, operational infrastructure assets (brownfield assets) to unlock capital and to reinvest the proceeds raised towards the development of new infrastructure assets.

Implementing an AR Roadmap

The AR Roadmap sets a framework to successfully develop and implement an AR program and encompasses six steps.

Check Point: Define the AR Program (Section 2.3.1)

Define goals, objectives, scope, and scale of an AR program: Governments should take a longterm view on (1) reducing funding constraints for additional infrastructure investment by monetizing existing infrastructure assets and (2) focusing on increasing economic activity, employment and living standards by developing new infrastructure assets. The key action points for the governments should be:

- Define priority sectors and assets for re-investment ?
- Provide visibility in meeting the funding gap for the new infrastructure assets through asset recycling ?
- Ensure transparency and accountability in the application of sales proceeds ?

Check Point: Create Necessary Setting (Section 2.3.2)

Ensure appropriate governance framework (including legal framework, institutional framework, capacity building, implementing guidelines)

- Define laws and the regulatory framework to enable and facilitate transactions ?
- Develop the institutional framework to ensure proper governance and accountability ?
- Incorporate a capacity building program to ensure that public sector officials are familiar with asset recycling process and procedures ?
- Develop implementing process and guidelines ?
- Engage with the public to obtain buy-in ?

Check Point: Create Momentum (Section 2.3.3)

- Set the right public perception through continued communication ?
- Define mechanisms to engage with the public ?
- Engage with the private sector ?
- Identify key participants to engage ?
- Develop and showcase project pipelines ?

Check Point: Monetize Assets/Transaction Process (Section 2.3.4 and Section 3)

Select suitable monetization models and identify priority assets to be prepared and structured before the transaction through standardized transaction process and documentation

- Choose the right monetization model ?
- Prepare and structure the asset ?
- Optimize the asset value ?
- Develop standard transaction process information and documentation in the public domain ?

Check Point: Reinvest Proceeds (Section 2.3.5 and Section 3)

Set up a re-investment mechanism for utilization of proceeds, and allocate the proceeds towards adequate uses

Define a fund retention mechanism ?

Define avenues for utilization of proceeds ?

Check Point: Monitor the AR Program (Section 2.3.6)

Assess the success of the program against defined goals and objectives

An asset recycling program is a virtuous cycle that should be continuously improved through regular review of program outcomes against initial objectives, identify failures or mistakes and adjusting the objectives of the program to reflect market conditions more accurately.

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

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

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

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Selection of Monetization Models

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The selection of specific monetization models namely, direct contractual agreements (DCA), divestment, infrastructure asset-based securitization (IABS) and infrastructure investment trusts (InvITs) will depend on a number of factors; such as ownership retention, operational efficiencies, revenue risk transfer and target investor type. The table presents the comparison across the four models and parameters on relative terms.

[insert icons to the below table]

| Choice of monetization model based on decision factors | DCA | Divestment (Partial / Full) | IABS | InvITs |
|--|--|-----------------------------|------|--------|
| Asset ownership | Monetization models that allow full retention of asset ownership by government | | | |
| Operational efficiencies | Monetization models that provide private sector operational efficiencies | | | |
| Revenue risk transfer | Monetization models that transfer revenue risk to the private sector | | | |
| Mobilization of institutional capital | Monetization models that mobilize investors beyond strategic investors | | | |
| Recommendation of monetization model | | | | |
| DCA | Suitable for retention of asset ownership, leveraging private sector efficiencies and transfer of revenue risk to private sector. | | | |
| Divestment | Suitable for leveraging private sector efficiencies and transfer of revenue risk to private sector. Partial or full divestment may be appropriate depending on considerations such as ownership requirements level of control and extent of risk transfer on the part of the government. | | | |
| IABS | Suitable for retention of asset ownership and existing operating arrangements, and mobilization of institutional capital. | | | |
| InvITs | Suitable for transfer of revenue risk to private sector and mobilization of institutional capital. | | | |

[insert legend "Most Favorable to Least Favorable"]

asset recycling type unknown

Re-Investment

Re-Investment

Under a holistic asset recycling program, the proceeds realized from monetization of infrastructure assets should be re-invested in developing new infrastructure assets; thereby creating a virtuous cycle of monetization and re-investment.

Check Point 1: Choice of Re-Investment Mechanism – Choose either one of the reinvestment mechanisms to implement.

| | Retention-Based Mechanism | Fund-Based Mechanism |
|----------------------------|--|---|
| Description | Under a retention-based mechanism the public sector entity that undertakes the asset monetization scheme retains the proceeds from monetization for future activities. | Under a fund-based mechanism, the government establishes a separate fund to pool together and retain the proceeds from monetizing infrastructure and subsequently apply the funds for specific use. |
| Consideration | Jurisdictions with federal government structure, where political power is divided between a larger central government, the local government, and regional governments | Jurisdiction with a government with centralized power and responsibility for the planning, development, and operations of infrastructure assets. |
| Choice of Mechanism | ? | ? |

Check Point 2: Critical Success Factor – Clear Regulatory and Governance Framework

| | | | |
|---|---|--|---|
| Clear and defined laws and regulations | ? | Stakeholder engagement with the public | ? |
| Transparent and inclusive decision-making | ? | Building government capabilities | ? |

Check Point 3: Critical Success Factor - Clear and Transparent Use of Proceeds

| | |
|---|---|
| New Infrastructure Projects Priority List | ? |
| Technical and Operational Assessment, Economic and Social Impact and Financial Assessment | ? |

Related Content

- [Asset Recycling Handbook \(Download PDF\)](#)

Subsections

[Table of Contents for Asset Recycling](#)

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.