Asset Recycling Handbook - Appendices

Asset Recycling Handbook

Appendices

Appendix A and Appendix B from the Asset Recycling Handbook.

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*The Asset Recycling Handbook is intended to be a living document and will be reviewed at regular intervals. Check out the section below or visit the **table of content** for more content on Asset Recycling in PPPRC. Let us know what you think by taking a Quick Survey.*

Appendix A: How is asset recycling different from privatization?

Parameter	Privatization	Asset Recycling
Objective	• Takes a short-term view on selling or divesting the assets with focus on realization of proceeds • Privatization often involves full divestment of assets with no intent to reinvest or manage proceeds.	• Takes a long-term view on monetizing the assets and re-investment of the proceeds for development of new infrastructure assets • Asset recycling may also involve divestment; however, it is framed within a broader strategy for reinvestment in public infrastructure, ensuring long-term value creation and public benefit. The key difference lies in the use of proceeds.
Asset Ownership	• Generally, there is loss of asset-ownership or control on the asset	• Asset recycling allows for a range of mechanisms for the transfer of ownership and control of the asset.
Re-investment of proceeds	• There is no/ limited policy objective or programmatic intervention for utilization of proceeds.	• The utilization of proceeds for development of new infrastructure completes the virtuous cycle of asset recycling.
Public perception	• Generally, a negative public perception as privatization is seen as “selling” of public assets to the private sector.	• With right messaging, asset recycling is perceived as a preferred “alternative funding” source for development of new infrastructure assets (as in the case of Australia).

Appendix B: Asset monetization and PPPs through direct contractual agreements

It is important to note that direct contractual agreements for asset monetization may also fall under the domain of public-private partnerships (PPPs) in some jurisdictions. However, there are some differences between direct contractual agreements for asset monetization and PPPs.

Parameter	Direct Contractual Agreements (for Asset Monetization)	Direct Contractual Agreements (for Public-Private Partnerships)
Policy Objective	• Monetizing government-owned assets to free-up the capital invested in existing assets. • Efficiency gains through private sector participation from private sector being responsible for the operations of the assets.	• Access private sector financing to develop or re-develop infrastructure assets • Leveraging private sector experience and expertise in construction and/or operations of infrastructure assets.
Asset Class	• Brownfield assets which have demonstrated stable operations and revenue stream/s. • Operating assets with design, construction, development, and financing risks substantially removed.	• Predominantly greenfield assets and may also involve brownfield assets that require capex investments (expansion or upgrades). • Design, construction, development, and financing risks are allocated to the private sector given the private sector's expertise.
Risk Allocation	• Operational risks, and in particular, patronage/demand risk allocated to the private sector. • Assets sufficiently de-risked of the attendant development and/or construction risks.	• Risk allocation varies from project to project and would typically include development/construction risks being transferred to the private sector. Revenue risk may or may not allocated to the private sector. • Other key risks vary with the choice of procurement model (such as DBFOT, O&M, etc.)
Commercial Principles	• Revenue model is largely on a user-pay (i.e., not dependent on Government payments or subsidies) basis. • Proceeds are paid by the private sector to the Government for the concession, either with an up-front payment or periodic payments over the term of the concession.	• Revenue may be generated based on either users-pay or availability-based payment.

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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.