The PPPRC Asset Recycling Section

Asset Recycling: A Comprehensive Overview

Asset recycling offers an innovative solution to the significant infrastructure funding gap. The World Bank provides comprehensive guidelines to help governments monetize existing infrastructure assets. While much can be achieved through asset recycling, it is still a relatively new approach, and countries require guidance for effective implementation.

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Bridge at sunset

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.*

Asset Recycling – Projects and Programs

Infrastructure development is crucial for the continued economic growth and prosperity of emerging markets and developed economies (EMDEs). The demand for infrastructure, propelled by population growth and ever-increasing rate of urbanization, has resulted in the need to build, and improve infrastructure in EMDEs.

EMDEs are increasingly facing strong headwinds with rising inflation, volatile economic settings, and other recent macro-economic shocks. These factors have adversely impacted their fiscal capacity to fund infrastructure. Furthermore, the climate crisis has propelled countries to invest in mitigating measures to counter the adverse effects of climate change, such as clean energy transition, electric mobility, and climate resilience measures. The substantial capital investment required means that traditional sources of funding are increasingly stretched and need to be augmented by other funding solutions.

Given so, countries are exploring Asset Recycling as a mechanism to unlock capital invested in existing infrastructure assets and to apply the proceeds to develop new infrastructure assets.

The Asset Recycling section in PPPRC provides a comprehensive overview of how governments can leverage public assets to generate funding and drive infrastructure renewal.

- The first section centers on **Asset Recycling Projects**, delivering actionable insights to help governments expertly navigate the complex process of selecting, preparing, and executing asset recycling transactions. It serves as a hands-on guide, offering a systematic and consistent approach to facilitate asset recycling transactions.

- The second section shifts attention to **Asset Recycling Programs**, a long-term structured approach to Asset Recycling.

Together, these sections form a dynamic and practical blueprint for harnessing public assets to unlock future investment opportunities.

Asset recycling is a relatively new approach, and countries need guidance to implement it effectively. This section of PPPRC will be continuously developed with new resources and key publications.

What is Asset Recycling

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, including assets that have higher economic benefits and are more risky or less commercially viable. In addition, through asset recycling programs, governments have been able to access private sector efficiencies for better service delivery.

Governments and public sector organizations that own and operate infrastructure assets have adopted asset recycling as a financing and funding mechanism to meet growing infrastructure needs as an alternative to raising taxes or increasing debt.

Through the recycling of capital and application of proceeds towards new infrastructure, the public benefits from improved services provided by the private sector operating existing assets, and from additional services delivered by investment in new infrastructure.

Objectives of asset recycling

- Monetizing government assets to reinvest proceeds in assets that community needs. This can be implemented through various means, including granting concessions or securitizing cash flows generated by the asset.
- Developing and investing in new infrastructure without increasing the government's debt levels and/or taxes, or reallocating budget from other crucial public services programs.
- Realizing opportunities for efficiency gains and operational excellence in existing infrastructure with the support of private sector expertise and innovation.
- Promoting infrastructure as an asset class by broadening the potential investor base to include institutional investors, such as sovereign wealth funds, pension funds, insurance funds and asset managers.
- Providing diversified investment opportunities for investors in infrastructure as an asset class, either through direct investment or through specialized infrastructure funds or pension funds.

In developing an asset recycling program, governments should strategically assess the following:

- The capital value invested in existing infrastructure assets on the public balance sheet.
- The potential benefits that can be realized by monetizing these assets and directly reinvesting capital proceeds to
    - (a) create additional or improve existing infrastructure
    - (b) repay existing debt obligations used to finance infrastructure and/or (c) cover the operational expenses of existing infrastructure assets; and
- The pipeline of future assets that can be developed and subsequently "recycled," thereby ensuring a long-term focus in the country's infrastructure development program.

The Asset Recycling section of PPPRC has been developed by the World Bank's Infrastructure Finance Department (IFD), with support from KPMG.

Related Sections

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Asset Recycling Projects

City road with traffic and skyline

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Asset Recycling Programs

Asset Recycling, Executive Summary, Takayama, Japan

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Executive Summary: Asset Recycling

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Guidelines for Asset Identification

Modern skyscrapers

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The Case for Asset Recycling

Blurred traffic at night

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Asset Recycling Models

Modern skyscraber

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Checklists for Asset Recycling

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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.