

# Financing Mechanisms

## Financing Mechanisms

A successful PPP relies not only on sound project preparation but also on innovative and sustainable financing. This section explores a range of financing mechanisms available for infrastructure PPPs.

[Download Chatbot](#)

Photo Credit: [Image by Freepik](#)

Skylines found or type unknown

A number of financing mechanisms are available for infrastructure projects, and for public-private partnership (PPP) projects in particular.

A successful PPP relies not only on sound project preparation but also on innovative and sustainable financing. This section explores a range of financing mechanisms available for infrastructure PPPs, including asset recycling through concession and lease models. It also highlights emerging approaches such as Islamic finance, project-financed transactions, and the role of tariff setting in addressing funding constraints.

In addition, this section introduces commercial value capture strategies—such as land value capture and joint development—that allow governments to harness the increase in land or property value generated by infrastructure investments. These mechanisms can significantly enhance project revenues and reduce reliance on public funding.

Climate finance is also featured as a critical enabler of sustainable infrastructure. By leveraging concessional funding, green bonds, and carbon credit markets, climate finance helps align PPPs with environmental goals while attracting private capital to climate-resilient and low-carbon projects.

Whether you're structuring a new deal or refining an existing model, these tools can help unlock new opportunities and ensure long-term project sustainability.

Key Resources Include:

### Blended Finance

Blended finance is a strategic approach that combines public and private funding to mobilize private capital flows towards emerging and frontier markets. It aims to attract commercial capital to projects that benefit society while providing financial returns to investors.

### Revenues

Revenues are a critical component of any financial model, providing the income streams necessary to ensure the viability and sustainability of a project. In infrastructure projects, revenues can come from both traditional and innovative sources

### Risk Allocation

A number of key risks must be identified, allocated, and managed to ensure successful financing and implementation of a PPP project.

### Asset Recycling

Guidelines for implementing asset recycling transactions, particularly through concession and lease models, to unlock capital from existing public assets and reinvest in new infrastructure.

### **Innovative Revenues for Infrastructure**

Exploration of non-traditional revenue streams such as land value capture, advertising rights, and user fees that can enhance project bankability and reduce reliance on public funding.

### **Commercial Value Capture**

Mechanisms that allow public entities to capture a portion of the increased economic value generated by infrastructure investments, including land value capture, tax increment financing, and joint development.

### **Climate Finance**

Tools and strategies to access climate-aligned funding sources, such as green bonds, blended finance, and carbon markets, to support low-carbon and climate-resilient infrastructure.

### **Local Currency Financing**

Approaches to reduce currency risk and improve project affordability by sourcing debt in local currency, often through domestic capital markets or development finance institutions.

### **Islamic Finance**

Sharia-compliant financing structures such as sukuk (Islamic bonds) and ijara (leasing), which offer alternative capital sources for infrastructure investment in relevant markets.

### **Project-Financed Transactions**

Approaches to structuring projects where repayment is primarily based on the cash flow generated by the project itself, rather than the balance sheet of the sponsors.

### **Tariff Setting and Funding Constraints**

Guidance on designing tariff structures that balance cost recovery, affordability, and financial sustainability, while addressing common funding gaps in infrastructure delivery.

Explore the comprehensive resources below to learn more about the various financing mechanisms used in Public-Private Partnerships (PPPs):

## **Sections**

[Cityscape](#) href not found or type unknown

[Blended Finance](#)

[Modern cityscape](#) href not found or type unknown

[Revenues](#)

[Risk Allocation, Bankability and Mitigation in Project Financed Transactions; Office Glass Ceiling](#)

## Risk Allocation

City road with traffic and skyline

## Asset Recycling Programs

Image not found or type unknown

## Innovative Revenues for Infrastructure (IRI)

Low angle of modern building with yellow streetlight

## Introduction to Commercial Value Capture (CVC)

City not found or type unknown

## Compendium of Climate Finance Reports and Tools

Mobilizing Islamic Finance for Infrastructure PPPs Cover

## Mobilizing Islamic Finance for Infrastructure PPPs

Office Building, Financial Institution

## Reference Guide: Islamic Finance for Infrastructure PPP Projects

Key Issues in Developing Project Financed Transactions: Corporate Building

## Key Issues in Developing Project Financed Transactions

Modern building

## Payment Mechanism

Highrises

## Finance Structures for PPP

Project Finance – Key Concepts: Office Tower, Financial Centre

## Project Finance – Key Concepts

Windmill

## Tariff Setting and Funding Constraints

# 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](#)