2022 OECD SURVEY ON THE GOVERNANCE OF INFRASTRUCTURE

Glossary

It is possible that the terminology applied in this questionnaire may not exactly match- or may not be applicable- to the particular context in your country. In such cases, please use the comments section (or other space provided) to specify the terminology used in your country and clarify your choice of response. This additional clarification will enhance comparability and data quality.

Absolute vs. relative value for money: Absolute value for money concerns the question whether the benefits of the project exceed the costs, while relative value for money concerns the question whether procurement through PPPs outperforms Traditional Infrastructure Procurement (TIP) in terms of value for money.

Accountability: The existence of an obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans.

Accounting System: The concept refers to the system for recording financial transactions. The two major accounting systems are cash-based accounting and accrual-based accounting. Cash-based accounting systems recognise transactions and events when cash is received or paid, whereas accrual-based accounting is a system in which revenue is recognised when it is earned and expenses are recognised as they are incurred.

Affordability: should be considered taking into account the entire life cycle costs of infrastructure projects; from a government's perspective means that projects can be accommodated within the government's current and future budget constraints; from the end-users perspective refers to the ability and willingness to pay the tariffs or other user charges associated with the access and use of the infrastructure asset.

Apparent conflict of interest: Situation in which there appears to be a conflict of interest, but this is not in fact the case, or may not be the case.

Appeal mechanisms: dispute resolution procedure on second instances where decisions can be questioned if the first instance ruled against [→ *remedies system*].

Budget: A comprehensive statement of Government financial plans, which include expenditures, revenues, deficit or surplus and financing. The budget is the Government's main economic policy document, demonstrating how the Government plans to use public resources to meet policy goals.

Capital expenditure: Investments in physical assets such as buildings and equipment that can be used for a number of years. Capital expenditure can be defined differently across countries. In general includes spending on assets that a) are used in the production or supply of goods and services (productivity criterion), has a life that goes beyond one year (longevity criterion) and is not intended for resale (use-by-government criterion) (Premchand, 2007:94). Capital expenditure often includes infrastructure (e.g. office buildings, housing, schools, hospitals, etc).

Central government refers to the national or federal government, as it may be defined differently across countries.

Central Budget Authority: This is the entity in central/federal government usually responsible, among other, for putting together the budget and dispensing resources to line departments to execute the budget. In most countries the CBA is the Ministry of Finance.

Central Infrastructure Unit: The Unit is an organization that has been set up by government to centrally facilitate, promote or improve infrastructure procurement across government departments and levels of government. It covers all the models that can be used to deliver infrastructure. Its aim is to make sufficient capacity available by carrying out one or more of the following functions with regard to infrastructure:

- Examination of projects in order to ensure that the project meet specific quality criteria such as affordability, value for money (VfM), and appropriate risk transfer;
- Examination of projects to ensure that all formal and procedural requirements are met;
- Policy and rule guidance to decision makers based on theoretical and practical experience;
- Technical support to implementing agencies, including training in key subjects and
- methodologies;
- Co-ordination amongst relevant government entities in order to ensure the input from all relevant parties.

Circular economy: means maintaining the value of products, materials and resources in the economy for as long as possible and minimising waste (definition by the European Commission). Three main mechanisms for reduced demand for natural resources, and the materials derived from them are often highlighted. *Creating material loops* involves the substitution of secondary materials (i.e. those that have been used already in production processes and are derived from the recycling of industrial or household waste) and second-hand, repaired, or remanufactured products for their virgin or new equivalents. *Slowing material flows* involves the emergence of products which remain in the economy for longer, usually due to more durable product design. *Narrowing material flows* involves the more efficient use of natural resources, materials, and products, either through the development and diffusion of new production technologies, the increased utilisation of existing assets, or shifts in consumption behaviour away from material intensive goods and services.

Codification: is the process of bringing together a legislative act and all its amendments in a single new act. The new act passes through the full legislative process and replaces the acts being codified. There are two types of codification: vertical – one original act and its amendments are incorporated in a single new act; horizontal – two or more original acts covering related subjects - and the amendments to them - are incorporated in a single new act.

Compliance promotion: refers to actions performed by regulatory enforcement agencies to promote guidance and persuasion with regard to compliance with regulatory requirements. It is aimed at helping regulated entities know and understand what they need to do to be in compliance with applicable regulations.

Conflict of interest: In the public sector, a conflict of interest arises when a public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities. It entails a breach of trust, namely – a breach of the entrusted responsibility not to misuse one's official position in order to obtain an improper private-capacity advantage, either for the official himself or for another private interest.

Contingent liabilities: Contingent liabilities are liabilities whose budgetary impact is dependent on future events, which may or may not occur. Common examples include government loan guarantees, government insurance programmes, and legal claims against the government.

Cool-off period: A designated period of time during which former public officials cannot accept employment with specific private sector organisations or cannot represent them in dealings with particular parts of the government where those activities are likely to imply a real or apparent conflict of interest.

Cost–benefit analysis: Cost-benefit analysis is a systematic process for calculating and comparing benefits and costs of a government policy. It has two purposes: a) to determine if it is a sound investment/decision (justification/feasibility); b) to provide a basis for comparing different government policies. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much. Cost-benefit analysis is related to, but distinct from →*cost-effectiveness analysis***.** In cost-benefit analysis, benefits and costs are expressed in monetary terms, and are adjusted for the time value of money, so that all flows of benefits and costs over time are expressed on a common basis in terms of their "net present value."

Cost-effectiveness analysis: Cost-effectiveness analysis is a form of economic analysis that compares the relative costs and outcomes (effects) of two or more courses of action. Cost-effectiveness analysis is often used in the field of health services, where it may be inappropriate to monetize health effect. Common measures include “quality-adjusted life years”.

Current expenditure: Current expenditure incurs in carrying out an organisation’s day-to day activities such as payroll, rent, office supplies and utilities.

Energy infrastructure: refers to the physical assets, networks and grids for the generation, transmission and distribution of energy.

Ex post evaluations: refer to the process of assessing the effectiveness and efficiency of regulations once they are in force. They are undertaken to ascertain the extent to which regulations met their originally intended goals, do not impose unnecessary costs on citizens and/or businesses, and continue to deliver good outcomes for the community.

External audit: The function that provides external oversight for the risk management and internal control framework.

Fiscal sustainability: is the ability of a government to maintain public finances at a credible and serviceable position over the long term, taking into account debt servicing costs and future socio-economic and environmental factors that challenge public budgets.

Governance of infrastructure: means the policies, frameworks, norms, processes and tools, used by public bodies to plan, make decisions, implement and monitor the entire life cycle of public infrastructure.

Government office buildings: are office buildings used by public authorities (e.g. government departments, government agencies, public bodies).

Green budgeting: refers to the use of budgetary policy-making tools helping to achieve environmental and climate goals. This includes evaluating the environmental impact of budgetary and fiscal policies and assessing their coherence towards the delivery of national and international commitments. Green budgeting can also contribute to informed, evidence-based debate and discussion on sustainable growth.

Green financing: stands for 'financing the green economy' or 'financing the green transition', and corresponds to the aim of increasing the level of financial flows towards green investment (definition by the European Parliament).

Green public procurement: is defined in the EU as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured".

Integrity: refers to the use of funds, resources, assets and authority, according to the intended official purposes and in a manner that is well informed, aligned with the public interest, and aligned with broader principles of good governance.

Integrity risk management: From the perspective of public integrity, risk management consists of the policies, processes and actions for managing risks of fraud, corruption and abuse (collectively referred to as **integrity risks**).

Internal audit: The internal audit function examines the adequacy and effectiveness of public sector organisations' internal control systems, procedures, governance arrangements, risk management processes, and performance of operations.

Internal control: Internal control is about ensuring that operations are efficient, effective and in line with laws and policy objectives. Internal control processes protect governments from fraud, corruption, waste and abuse. They also help governments to measure value for money, assess risk, and ensure compliance with laws, regulations and policies.

Line Ministries: Central government organisations responsible for designing and implementing policies in line with wider Government policies, and for the direction of Agencies/Executive Units under their authority. Line Ministries may be called Departments in some countries, and have responsibility for their own budget portfolios although they must report to CBAs and are subject to their review.

Life cycle of public infrastructure: means the series of stages during the lifetime of a public infrastructure asset, starting from planning, prioritisation and funding, to the design, procurement, construction, operation, maintenance and decommissioning.

Long-term national infrastructure plan: a politically sanctioned document that demands concrete action in terms of infrastructure services to society over the long term. This might go beyond a normal political mandate period. The design of the vision requires a process that distils complex and multi-faceted infrastructure issues, cutting across a multiplicity of actors, sectors and interests, into a coherent set of decisions with long-term impact, including projects and processes. Such a process should be anchored in central agencies (Chief Executive, Ministry of Finance, or similar) have substantial input from policy departments, sub-national governments, civil society, and business stakeholders.

Medium-term expenditure framework: a framework for integrating fiscal policy and budgeting over the medium-term (typically over a 3-5 year period). In general terms, this involves systematic linkages between (a) aggregate fiscal forecasting, (b) maintaining detailed medium-term budget estimates reflecting existing government policies, and (c) maintaining compliance with a normative fiscal framework. A key objective of an MTEF is to establish multi-year expenditure ceilings which are effective for the purposes of planning and prioritisation.

Multi-level governance is a term used to characterise the relationship between elected governments situated at different administrative levels. It concerns layers of actors who interact with each other across levels of government (vertically), among relevant actors at the same level (horizontally), or in a network.

Nature-based solutions (NbS): are actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits (UNEA).

Negotiated tendering: For contracts of highly specialized areas, or contracts to be extended, it may be appropriate to negotiate with a single supplier.

Open Government Data (OGD): is a philosophy - and increasingly a set of policies - that promotes transparency, accountability and value creation by making government data available to all. Public bodies produce and commission huge quantities of data and information. By making their datasets available, public institutions become more transparent and accountable to citizens. By encouraging the use, reuse and free distribution of datasets, governments promote business creation and innovative, citizen-centric services.

Open tendering: Open tendering offers the maximum level of competition, allowing for emerging suppliers to try securing work. If the project is large, a pre-qualification process might take place producing a short-list of suitable suppliers who then will be invited to tenders.

Optimism bias: The tendency for ex-ante assessments to underestimate the cost and time it will take to complete a project.

Permitting/licensing: is the practice of requiring prior approval by a government authority for the construction and operation of infrastructure. Approval is based on the provision of specific validated or certified information, usually in written form. Governments use permits or licenses – in varying degrees and with different objectives – to protect the environment, to assure certain market allocations or to protect users.

Potential conflict of interest: A potential conflict of interest may exist where an official has private-capacity interests which could cause a conflict of interest to arise at some time in the future.

Pre- or post- public employment: The movement of personnel between employment in the public and private sectors, referred to as the "revolving door" phenomenon.

Public-Private Partnerships (PPPs): for the purposes of this questionnaire the PPP concept includes both 'pure PPP', i.e. projects where the main source of revenue for the private partners is government (in the form of regular payments or a unit charge), as well as concessions (where the main source of revenue are user charges levied by the private partners on the beneficiaries of the services). (PPPs) are long term agreements between the government and a private partner whereby the private partner delivers and finances public services using a capital asset, sharing the associated risks with the public sector. The private partner will receive either a stream of payments from the government or user charges levied directly on the end users, or both. The stream of payments for services delivered may depend on the private partner's compliance with government specifications for quality and quantity. PPPs may deliver public services both with regards to infrastructure assets (such as bridges, roads) and social assets (such as hospitals, utilities, prisons).

PPP Unit: A PPP Unit is an organization that has been set up by government to centrally facilitate, promote or improve PPPs across government departments. Its aim is to make capacity available by carrying out one or more of the following functions with regard to PPPs:

- Examination of projects in order to ensure that the PPPs meet specific quality criteria such as affordability, value for money (VfM), and appropriate risk transfer;
- Policy and rule guidance to decision makers based on theoretical and practical experience;
- Technical support to implementing agencies, including training in key subjects and methodologies;
- Promotion of PPP as a feasible and efficient method for infrastructure procurement;
- Co-ordination amongst relevant government entities in order to ensure correct processes.

Regulated Private Assets/Regulated Asset Base (RAB): The RAB comprises the net book value of the assets under economic regulation. The key principle of the RAB is that the assets are subject to financial capital maintenance (financial value is maintained) as opposed to physical capital maintenance (the productive capacity of the assets is maintained). Through this the investors are shielded from hidden expropriation. In effect, the private investor's returns in a RAB are subject only to meeting efficiency targets that he has agreed with the economic regulator. The financial return for the owner of the asset return is almost guaranteed. RAB models attract large amounts of private capital into infrastructure (utilities in particular) through a transparent and consistent mechanism that reduces investor risk and places a cap on consumer prices. For the investors themselves, this mechanism represents an important method for preserving the capital invested in the regulated assets.

Regulatory framework: setting the "rules of the game" for a particular sector and market. The regulatory framework has profound impact on infrastructure investment, development, maintenance, upgrading and decommissioning. At the most basic level regulation is justified when its economic, social and environmental benefits justify the costs and net benefits are maximised. Regulation should serve the public interest and be informed by the legitimate needs of those affected by regulation.

Regulatory Impact Assessment (RIA): is a systematic process used to identify and quantify the costs and benefits likely to flow from a regulatory or non- regulatory option for a policy under consideration. As a minimum, every ria should include a description of the problem and the objective sought, identify potential solutions, analyse benefits and costs, and explain how the proposal will be monitored and evaluated.

Remedies system: dispute resolution procedure by which an excluded bidder can contest the decision to award the contract to another supplier. These claims could be brought on the basis of alleged violation of the law or general procurement principles (fairness, transparency, equal treatment, etc.).

Resilience: means the capacity of systems to absorb a disturbance, recover from disruptions and adapt to changing conditions while retaining essentially the same function as prior to the disruptive shock at an acceptable service level (e.g. climate and geological hazards, industrial accidents, terrorist or cyberattacks).

Responsible business conduct (RBC): acknowledgement and encouragement of positive contributions that business can make to economic, environmental and social progress. It also recognises that business activities can result in adverse impacts related to workers, human rights, the environment, bribery, consumers and corporate governance.

Revenue: comprises tax revenue (shared and own-source); transfers (current and capital grants and subsidies); tariffs and fees; property income (financial and physical assets) and social contributions.

Selective tendering: Only suppliers who are invited can submit tenders. A pre-selected list of potential suppliers is prepared containing suppliers which qualify in terms of size, nature and complexity of their activities and who have a suitable track record. The list is maintained and regularly reviewed based on the performance of prospective suppliers.

Single-stage tendering: When at the beginning of tendering, realistic prices can be calculated in a full-information environment with regards to the necessary parameters, single-stage tendering is suitable.

Short list: A list of specific priority projects (within a long- term plan) that is politically committed to make happen within the medium term. This may apply to specific government programmes for an electoral cycle.

Social infrastructure: refers to physical facilities and spaces used to provide social services, such as healthcare, education and training, social housing programs, justice and public safety provisions, culture, sports and recreational facilities.

Stakeholders: are any interested and/or affected party, including individuals, regardless of their age, gender, sexual orientation, religious and political affiliations, and institutions and organisations, whether governmental or non-governmental, from civil society, academia, the media or the private sector.

Stakeholder consultation: is a more advanced level of participation that entails a two-way relationship in which stakeholders provide feedback to the government and vice-versa. It is based on the prior definition of the issue for which views are being sought and requires the provision of relevant information, in addition to feedback on the outcomes of the process.

Stakeholder engagement: is when stakeholders are given the opportunity and the necessary resources (e.g. information, data and digital tools) to collaborate during all phases of the policy-cycle and in the service design and delivery.

Stakeholder information: is an initial level of participation characterised by a one-way relationship in which the government produces and delivers information to stakeholders. It covers both on-demand provision of information and "proactive" measures by the government to disseminate information.

Stakeholder participation refers to all the ways in which stakeholders can be involved in the policy cycle and in service design and delivery, including: **information**, **consultation**, and **engagement**.

SOE: A legal entity that is created by the government in order to partake in commercial activities on the government's behalf. A state-owned enterprise (SOE) can be either wholly or partially owned by a government and is typically earmarked to participate in commercial activities.

Strategic framework: High-level document approved by national authorities, such as Parliament and government that sets out a country's policy goals and ambitions for a specific sector or area of public policy. Strategic frameworks can also include targets, roadmaps, and action plans.

Strategy for public integrity: In essence, a strategic approach for public integrity is one that is formalised and runs through existing government procedures for strategy development in consultation with relevant stakeholders; is based on evidence; takes a system-wide perspective; and focuses on key integrity risks.

Subnational governments: means all levels of government below the national one (regional and local).

Tax revenue: comprises taxes on production and imports; current taxes on income and wealth and capital taxes. It includes both own-source tax revenue (or "autonomous") and tax revenue shared between central and subnational governments.

Total Cost of Ownership (TCO): This type of analysis is meant to uncover all the lifetime costs that follow from owning certain kinds of assets. For this reason, TCO is sometimes called life cycle cost analysis.

(Traditional) infrastructure procurement (TIP): Public works refer to the acquisition by government of infrastructure such as roads and buildings (i.e. hospital buildings, school buildings). Usually, government specifies the design requirements of the capital asset. A private company builds and subsequently transfers it to government, who then operates the asset.

(Inland) transport infrastructure: refers to the assets and networks that support transport systems, including road, rail, inland waterways, maritime ports and airports.

Two-stage tendering: During the first stage, the parties agree on a limited appointment since not all the information is available. This appointment allows the work to begin. During the second stage when all required information becomes available, a fixed price is negotiated for the contract.

Value for money: Value for money is a concept that includes both qualitative and quantitative aspects and typically involves an element of judgment on the part of government. It can be defined as what government judges to be an optimal combination of quality, features and price, calculated over the whole of the project's lifetime.

Water infrastructure: refers to the physical assets and networks used for water supply, treatment, storage, transmission, water resource management, wastewater treatment and flood prevention.