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.

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 Budget Authority (CBA): 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;
- Coordination amongst relevant government entities in order to ensure the input from all relevant parties.

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.

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.

Expenditure: The term refers to Government spending (or outlays) made to fulfil a Government obligation, through a payment or promise of a future payment.

Green Budgeting: Environmentally responsive or green budgeting means using the tools of budgetary policy-making to improve the impact of environmentally sustainable policies. This includes assessing the coherence of policies and resource allocations, towards the delivery of national and international commitments. Green budgeting can also contribute to informed, evidence-based debate and discussion on sustainable and inclusive growth.

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.

Long-term national strategic 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.

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

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;
- Coordination amongst relevant government entities in order to ensure correct processes.

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 the complete a projects.

Regulatory design: 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. In addition to well-designed rules, good outcomes require that the implementation of these rules is overseen by regulators that enjoy adequate governance arrangements and whose mission allows for the achievement of expected economic, social, and environmental goals.

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.

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.).

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.

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.

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.

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.