

8. Glossary

Where applicable, terms and definitions from the GI Hub *PPP Risk Allocation Tool 2019 Edition*³¹, APMG International's *PPP Certification Guide*³² and other globally accepted definitions have been adopted for consistency across the global reference documents.

Acronym	Description
Applicable laws	The laws and legal frameworks that apply to a given PPP contract and project. The applicable laws may depend on the country and jurisdiction in which the project is located, the law of the PPP contract, or some other consideration.
Authority/Owner/ Contracting Authority	The public sector or government agency that ultimately owns the asset constructed during the project and will take over control at the end of the PPP contractual period.
Availability based projects/payments	Projects which entitle a Private Partner to receive regular payments from a public sector client to the extent that the project asset is available for use in accordance with contractually agreed service levels.
Bankability	The ability of a project to be accepted by lenders as an investment under a project financed structure, or the ability of the project to raise a significant amount of debt financing by means of long-term loans under a project financed structure, due to the creditworthiness of the project in terms of sufficiency and reliability of future cash-flows.
Case Study	The case studies or projects that were reviewed as a part of the development of this Reference Guide.
Commercial Operations/ Service Commencement	The date on which the construction phase of the project is successfully completed (typically determined by some form of independent certification and/or testing regime); the scheduled commercial operation date represents a target date for such successful completion with failures to achieve that date having commercial consequences (typically delay liquidated damages and/or termination).
Conditions Precedent to Service Commencement / Total Completion	Defined minimum requirements for achieving Service Commencement/Total Completion. Service Commencement/Total Completion are linked to availability payments that are used to repay the project finance partners. The Private Partner is incentivised to deliver the project on time and to the required standard to receive payment.
Concession Agreement	The agreement outlining the terms on which the project will be undertaken (e.g. BOO, BOOT, BOT).
Construction phase/ D&B Phase	The period from when the Private Partner takes control of the project site (typically by reference to the date of signing or effective date (if conditional) of the concession agreement or the commencement of construction by reference to certain works) until the commercial operations date.
Deductions	A method set out in the payment mechanism by which payments to the Private Partner are reduced if it fails to meet the key performance indicators. Sometimes called 'Abatements'.
Demand risk projects	Projects which rely on demand forecasting (e.g. road and rail use) to determine the bankability of the project.

³¹ The Risk Allocation Tool can be found here: <https://ppp-risk.gihub.org/>

³² The PPP Certification Guide can be downloaded here: <https://ppp-certification.com/pppguide/download>

Acronym	Description
Default Points	Similar to the NPE Points, Default Points are assigned when defined events occur. Default Points have potentially higher consequences than the NPE Points, as contractual default could occur due to poor performance. Default Points are typically assigned to incidents that relate to health and safety, security, environment, quality and external communication/commitments.
Default termination	Where an innocent party exercises its contractual right to terminate the concession agreement in whole or in part due to the other party's actual or anticipatory failure to perform its contractual obligations.
Design-Build-Finance-Operate/DBFO	The project structure whereby the Private Partner designs and then builds the project asset in question. It then finances and retains the responsibility to operate the project.
Final/Total Completion	The milestone that typically follows Substantial Completion once all outstanding non-conformances have been closed. The project is typically already in commercial operation at this stage.
Financial close	The point in time at the end of the procurement phase where the PPP contract has been signed, any conditions precedent for financing are met and financing is in place so that the Private Partner can commence construction.
Force majeure	An event, outside the control of the contracting parties, that results in one or both of the parties being unable to fulfil their contractual obligations. In common law jurisdictions the definition of force majeure is typically a matter of drafting and negotiation whilst in civil law jurisdictions is normally set out in the relevant civil or commercial code.
Handback	The transfer of the project assets, and responsibility for those assets, to the government or to a new Private Partner or new operator upon the termination or expiry of the PPP contract.
Investors	An independent third-party normally appointed by both the Private Partner and the Procuring Authority, whose remit is to certify that the construction works comply with the specifications and standards set out in the PPP contract.
ISO	Parties who provide capital to the project enabling it to commence, seeking to make gains on the monies provided in the form of interest payments or a proportion of profits from the project (i.e. equity return).
LEED	Leadership in Energy and Environmental Design (LEED) is one of the most recognised green building certification programs used worldwide. It includes a set of rating systems for the design, construction, operation, and maintenance of green buildings, homes, and neighbourhoods that aims to help building owners and operators be environmentally responsible and use resources efficiently.

Acronym	Description
Lenders	Institutions that provide lending or debt capital to the project: mainly banks through loans and institutional investors through project bonds.
Liquidated damages/LDs	A specified monetary amount paid for a specific contractual breach that aims to compensate the injured party for the loss it suffers for such breach. Such amounts are agreed up front and in many common law jurisdictions must be a genuine pre-estimate of loss to withstand challenges that such regimes are unenforceable. Liquidated damages are also commonly referred to as agreed delay damages or penalties.
Non-Performance Event (NPE)/NPE Point:	A NPE means a failure by the Private Partner to meet a specific Performance Measure. Performance Measures relate to both the construction period and the operating term, and are quantifiable KPIs that are used to enforce the requirements by linking Private Partner performance to payment. Each NPE is assigned a pre-defined number of NPE Points to indicate the relative priority, and to increase payment deductions for more significant events.
Operations & Maintenance (O&M)	Operation and maintenance – where a party is responsible for the continual functioning of the project after the commercial operations date.
Operating term/ Operations phase	The functional stage of the project after the construction phase when it adequately operates, finishing with the end date of the agreement.
Output specification	The document outlining the levels of capacity from the project from a technical and financial perspective that are required in order to ensure the project is built to the desired standard and is profitable.
Payment mechanism	The formulae used to assess performance of the project and to calculate the payments to be made to the Private Partner assessed against their compliance with the performance indicators
Performance indicators/ KPIs	Benchmarks to measure performance of the project, or the parties' contribution to the project. These are typically referenced to the output specification and are the benchmark against which the Private Partner is incentivised to perform. If the Private Partner falls short of the performance indicators then typically deductions will be made and in persistent or material circumstances a right of termination may arise. It is imperative that the Contracting Authority runs a sensitivity analysis in the payment mechanism to calibrate the deductions.

Acronym	Description
Public-Private Partnership/PPP/P3	A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. See also Public-Private Partnership project definition in the introductory sections.
Private Partner/ Concessionaire/SPV/ Project Co	The entity from the private sector that undertakes the project typically through the use of a special purpose vehicle incorporated specifically and only for the purposes of undertaking the project.
Procurement agency	The agency acting on behalf of the Owner to manage the procurement of the project including qualification phase, proposal phase, award of the Project Agreement, construction phase and the concession period.
Project Developer/DB Contractor	The entity employed by the Private Partner or subsidiary to build the project. The entity employed by the Private Partner or subsidiary to build the project. Also often referred to as the design and build (DB) contractor or engineering, procurement and construction (EPC) contractor.
Review Procedure	Although the Owner transfers the risk of developing a compliant design, and successful construction to the Private Partner, the Review Procedure provides the avenue to provide comments, and review risks, throughout the project. The output specification typically identifies the deliverables that are subject to the Review Procedure. The Private Partner is incentivised to develop designs and deliverables that are compliant with the output specification to avoid potential schedule delays and rework to address comments.
Sponsor	The party that is the ultimate owner of the Private Partner. It invariably includes the major project parties such as construction contractor and commonly includes financial investors or funds. Sponsors will limit their liability to the project through the Private Partner but may need to give limited support or guarantees to the lenders of the senior debt, particularly during the construction phase.
Substantial Completion	The stage of a project where construction is sufficiently complete, in accordance with the contract documents, so that the Owner may use or occupy the asset (or portion of the asset) for the intended purpose and often signals the start of the operating term.