Glossary

A

Accounting Rate of Interest: means the ratio of profit before interest and taxation to the percentage of capital employed at the end of a period.

Administrative law: refers to the body of law which, in many legal systems belonging to or influenced by the tradition of continental law, regulates a wide range of governmental functions including the provision of public services. Such systems operate under the principle that the Government can exercise its powers and functions either by means of administrative acts or administrative contracts. Administrative law contracts contain unique features that do not exist in private contract law because one of the parties, the public contracting authority acts in the name of the public or represents the public interest. Such systems have often created specific courts, known as administrative courts, to oversee the implementation and interpretation of administrative law. In countries operating under such a system, agreements entered into for the carrying out of a PPP project, typically project agreements, fall within the category of administrative law contracts, whereas in countries belonging to or influenced by the Common law tradition, project agreements would usually be standard private law contracts.

After-tax cash flow: means the total cash generated by an investment annually, defined as profit after-tax plus depreciation, or equivalently operating income after Lax plus the tax rate times depreciation.

After-tax real rate of return: means the money after-tax rate of return minus the inflation rate.

Alignment: means the projection of a road, especially its center line, on a horizontal plane.

Alternative Dispute Resolution (ADR): includes dispute resolution processes and techniques that fall outside of a State judicial process. It is generally classified into at least five sub-types: partnering, negotiation, conciliation or mediation, dispute review or adjudication boards and arbitration.

Amortization: means the gradual reduction of any amount over a period of time which includes various specific practices such as depreciation depiction, write-off or intangibles, prepaid expenses, and deferred charges or gradual reduction of loan principal over time.

Ancillary services: refer Secondary Developments.

Arbitration: refers to one of the alternative disputes resolution methods in which the parties to an agreement entrust the resolution of their disagreements to an arbitral tribunal composed of one or three arbitrators chosen by them, rather than to a tribunal or court of the State judiciary system. In recent years, arbitration has been used increasingly for settling domestic as well as international disputes including disputes arising under privately financed infrastructure projects. Arbitration, often in a country other than the host country, is preferred, and in many cases required, by private investors and lenders, in particular foreign ones, since arbitral proceedings may be structured by the parties so as to be less formal than judicial proceedings and better suited to the needs of the parties and to the specific features of the disputes likely to arise under a project agreement. The parties can choose as arbitrator persons who have expert knowledge of the particular type of project. They may choose the place where the arbitral proceedings are to be conducted and the language to be used in the arbitral proceedings. The proceedings and arbitral awards can be kept confidential, while judicial proceedings and decisions usually cannot. The decision rendered by an arbitral tribunal, called an «award», is binding upon the parties as if it were rendered by a State court.

Annual Debt Service Coverage Ratio (DSCR): means the ratio of cash flow to debt service obligations and calculated for each year of operation. This shows whether the net income of the project can support or cover, with a margin of comfort, the annual debt service obligations. Usually, the DSCR for each year of operation should be a minimum of 1.2 and often as much as 1.4, i.e. the minimum cash flow amount should be 1.2 or 1.4 times the amount of the debt service. If the DSCR is less than one, it means that the project will have to dip into reserves or other financial resources to cover debt payments and there is no surplus to provide a return to equity holders.

Annuity: means income from capital investment paid in a series of regular interval payments.

Authority: means any State, nation or government, or any federal, national, regional, state, provincial, municipal or other political subdivision thereof, any administrative,, regulatory, fiscal, judicial or government-owned body, department, commission, authority, tribunal, agency,, or other entity, of any such kind exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Authorization: refers to any consent, registration, filing, agreement, recording, notarization, certificate, license, approval, permit, authorization or exemption from, by or with any government authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period.

Availability: means the period when the facility (or the relevant part thereof) is able to provide the service as required under the project agreement.

Availability charge: means the fixed-charge element of a tariff, payable whether or not the product or service is provided, intended to cover debt service and equity return (not normally a separate element in service fees).

B

Balance of payments: means the double-entry book-keeping record of transactions between a country and its trading partners during a particular period of time showing payments coming into the country and payments going out of the country.

Balance sheet: means the accounting statement that displays the assets, liabilities and equity of a company.

Bankable project: refers to projects which are likely to be considered eligible for bank funding, having an acceptable allocation of risks, a competitive return on equity for the sponsors and which maintain required minimum debt cover ratios for the lenders.

Bankruptcy: means a proceeding by which the State takes possession of the property of a debtor by an officer appointed for the purpose and such property is realized and, subject to certain priorities, distributed rateably amongst the person to whom the debtor owes money or has incurred liabilities.

Benefit: means the gain, or positive advantage, arising from a situation or an action. It implies comparison between two specific situations and applies to a specific individual or decision-maker.

Direct benefits are the gains to the user of the improved infrastructure.

Indirect benefits are the knock-on effects of a project on the users of the other roads or transport facilities, on pedestrians, on residents, on the environment, on economic development, on the public administration etc.

Bid bond: means an obligation by a third party to guarantee that a party awarded a contract will accept the award and perform the contract. It is usually a financial guarantee given in support of the obligation of a bidder to sign a contract if he is successful in his bid. Also called bid security.

Bid price: means the price offered by a bidder.

Bidders: refers, in private infrastructure projects, to private entities which submit a proposal in response to a request formulated by a public authority for the purpose of carrying out an infrastructure project. Such bids or proposals must remain valid undertakings for a given period of time so as to allow the public authority to consider the merits of each proposal made by the various bidders and select the best one according to defined criteria. The words «tender» and «tenderers» are sometimes used instead of the words «bid» and «bidders».

Binding decision: refers to a decision made by an authority, administrative, judicial or arbitral, for the settlement of a dispute (judicial decision or arbitral award), or in response to a request or an application for a permission or a licence (administrative), which the parties to the dispute or the applicant must comply with. In certain cases a binding decision is full and final (such as an arbitral award); in other cases it may be subject to appeal (a judgement by a tribunal of first instance can be referred to a court of appeal, or a decision by an administrative authority may be subject to judicial review).

Bond: refers to a negotiable note or certificate which evidences indebtedness. It is a legal contract sold by one party, the issuer, to another, the investor, promising to repay the holder the face value of the bond plus interest at future dates. Bonds are also referred to as notes or debentures. The term note usually implies a shorter maturity than bond. Some bond issues are secured by a mortgage on a specific property, plant, or piece of equipment (also see Debenture.)

Breach of contract: refers to the failure by one party to comply with its contractual obligations. It is common practice for the parties to a project agreement to cover the risk of such a breach by the other party and seek guarantees to protect against losses arising from it. In the event of an alleged breach, the party invoking it must also be able to resort to a dispute resolution mechanism (such as arbitration for example) under the underlying contract and obtain compensation for the losses incurred.

Brownfield project: means a project involving refurbishment of an existing facility or building on a site where there previously were major infrastructures.

Build-operate-transfer (BOT) or Build-own-operate-transfer (BOOT): these expressions refer to projects where a contracting authority selects a concessionaire for the financing, construction, operation and maintenance of an infrastructure facility, and the said concessionaire is given the right and assumes the obligation to operate the infrastructure facility commercially at its own risks, by collecting fees and other charges from its users, for a given period of time at the end of which the facility is transferred to the contracting authority.

Build-transfer-operate (BTO): this expression is sometimes used to emphasize that the infrastructure facility becomes the property of the contracting authority immediately upon its completion, the concessionaire being awarded the right to operate the facility for a certain period.

Build-rent-operate-transfer (BROT) or Build-lease-operate-transfer (BLOT): these are variations of BOT or BTO projects where, in addition to the obligations and other terms usual to BOT projects, the concessionaire rents the physical assets on which the facility is located for the duration of the agreement.

Build-own-operate (BOO): this expression refers to projects where the concessionaire owns the facility permanently and is not under an obligation to transfer it back to the contracting authority.

C

Capacity building: refers to the process by which the ability of individuals, organizations or communities to meet their own needs is improved or increased. This includes confidence building, training, and the supply of materials and equipment.

Capital expenditures: means long-term expenditures for plant and equipment.

Capital structure: refers to the financing mix of a firm made up of equity and debt. The more debt in relation to equity, the more financial leverage or gearing the firm is said to have.

Carriageway, travelled way (USA): means that part of the road or highway constructed for use by vehicular traffic. Auxiliary traffic lanes, passing places, lay-byes and bus bays are included.

Cash flow: refers to the measure of a company's liquidity, consisting of net income plus non-cash expenditures (such as depreciation charges). In a credit analysis, cash flow is analyzed to assess the probability that debt commitments can be met without refinancing, that regular dividends will be maintained in the face of falling earnings, or that plant and equipment can be modernised replaced or expanded without increasing the equity or debt capital.

Central bank: refers to the official State-owned bank which controls the the issue and fluctuations of the State currency.

Collateral: means all real, personal and intangible property, assets, contracts, and all rights of the project company related to the project agreement in which a security interest is or is intended to be created under the project loan.

Commercial bank: refers to a bank that both accepts deposits and grants loans and, under certain stipulations in some countries such as the United States, pays interest on checking accounts.

Commercial risks: Relate to the possibility that the project cannot generate the expected revenue because of changes in market prices or demand for the goods or services. Such risks may impair the project company to service its debt and may even compromise the financial viability of the project. However these risks vary according to the sector and type of project. Whilst they are minimal where the project company has a monopoly over the service concerned, they may be considerable when projects depend on market based revenues or where there exist alternative facilities such as for toll roads, where commercial risk is strongly linked to the level of traffic from which project revenues are collected.

Concession: in countries where public services are government monopolies, the provision of public services by an entity other than a public authority requires an authorization by which the public authority grants («concedes») a private entity, the right and the obligation to provide a public service at its own risks, such entity being partly or fully responsible for carrying out investments needed to achieve objectives specified by the concession contract, and is granted the right to collect fees from the users of the service or the infrastructure, in the form of toll, fare or other charges for using the facility, in order to recoup its investment and make a profit

Concessionaire: refers to the private-sector party to a concession agreement.

Congestion pricing: refers to the policy of charging road users a fee that varies by time of day on a fixed schedule (value pricing) or with the level of traffic (dynamic pricing) on a congested roadway. Congestion pricing is designed to allocate roadway space, a scarce resource, in a more economically feasible manner.

Consortium: means a short-term arrangement in which several firms (from the same or different industry sectors or countries) pool their financial, technical and human resources to undertake a large project that benefits all members of the group.

Consumer price index (CPI): means the index measure of inflation equal to the sum prices of a number of assets purchased by consumers weighted by the proportion each represents in a typical consumer's budget.

Corporation: refers to an artificial person, as opposed to a natural person, which may be made up of at least one natural person, but most often several natural and possibly artificial persons, which constitute a body separate from that of its members, a body corporate with its own name and place of incorporation, otherwise referred to as a legal entity, entitled to exercise its own rights and capable of contracting obligations, of granting and taking property, of suing and being sued. The nature and extent of such rights and obligations may vary significantly as there is a wide variety of forms that can be used and depending whether it is public or private.

Cost-benefit analysis: consists of identifying and quantifying the costs and benefits of a project and, where possible, ascribing values to them. It is used particularly for non-marketable goods.

Cost of capital: refers to the rate a firm must pay to investors in order to induce them to invest in the firm by purchasing the firm's stock and/or bonds.

Cost overruns: means all project costs in excess of the costs planned.

Constitutional law: refers to the body of law that regulates the powers and duties of the various branches of governments, the executive, the legislative and the judiciary, and often states the duty of the State to ensure the provision of public services. Some countries list the infrastructure and service sectors that come under the responsibility of the State, while in others the task of identifying those sectors is delegated to the legislator. Under some national constitutions, the provision of certain public services is reserved exclusively to the State or to specially created public entities. Other constitutions, however, authorize the State to award concessions to private entities for the development and operation of infrastructure and the provision of public services. In some countries, there are limitations to the participation of foreigners in certain sectors or requirements that the State should participate in the capital of the companies providing public services.

Consumers' surplus: means the difference between the user's perceptive value (individual) for consumption good and what he actually pays i.e. the price of a marketable good.

Contingent liability: is a liability which may arise sometime in the future, or may never arise as is it dependent upon some factor, other than the passage of time, to arise or not to arise. Examples of this kind of liability arc potential legal rulings against the company. The notes to financial statements should include a description of contingent liabilities.

Contracting Authority: refers either to the State, or a subdivision thereof that grants the Concession to and enters into a concession agreement with the project company, also called the grantor.

Contractors: refer to the parties that may be engaged by the project company to construct or operate a project infrastructure. Contractors sometimes form part of the sponsor group.

Cordon pricing: means the charge paid by motorists who cross a cordon line or drive in a particular cordon area, usually a city center. Some cordon tolls only apply during peak periods of the weekdays.

Corporate finance: refers to a method of financing which is based upon a corporation balance sheet, and therefore constrained by its limits, as opposed to project finance which is sometimes described as «off-balance sheet» financing.

Covenant: is an undertaking by a party to a contract to perform certain acts or refrain from performing certain acts such as in a loan agreement to timely provide financial statements, or to refrain from incurring further indebtedness beyond an agreed level.

Credit Rating: means an assessment by an independent agency (e.g. Moody's, Standard & Poor's) expressing an opinion of the future ability, legal obligation, and willingness of a bond issuer or other obligor to make fill and timely payments on principal and interest due to investors. The opinion is based on a qualitative and quantitative analysis by the rating agency.

Critical Path Method (CPM) or critical path analysis is a mathematical based algorithm for scheduling a set of project activities which is used as a project management tool.

Cross-subsidy: refer to the use of profits from one activity to cover losses from another activity.

Currency Risk: means the risk related to either the fluctuation or the transferability of a given currency. the first component is the risk that currency fluctuations between the local currency in which the tolls or other revenues are to be received, and the currency in which the project loan is denominated will make it difficult for the project company to meet its debt service obligations. The second component is the risk that governmental actions in the host country will or would prevent or interfere with the project company's ability to transfer revenues from the project, whether in the form of profits or to service debt.

D

Decree: refers to a subsidiary act of legislation which may be adopted by the executive or the legislative branch of government.

Debenture: refers to an obligation secured by the general credit of the issuer rather than being backed by a specific lien on property.

Debt (liability): means an obligation to pay cash or other goods or to provide services to another.

Debt capacity: means the total amount of debt a company can prudently support, given its earnings expectations and equity base.

Debt Service: means for any period of determination, the sum of (a) all amounts payable by a borrower under a loan agreement in respect of the principal of the Loans during such period plus (b) all amounts payable in respect of interest on the loan for such period plus (c) all fees payable in connection with the loan documents for such period plus (d) all amounts, whether principal, interest or fees to creditors, arrangers or otherwise, payable during such period in respect of any other debt of the borrower.

Debt Service Coverage Ratio: refers to the amount of cash flow available to meet annual interest and principal payments on debt, including sinking fund payments.

Debt/capitalisation ratio: means the ratio of a firm's debt to its capitalisation. The higher this ratio, the greater the financial leverage and the risk.

Debt/equity ratio: means the ratio of a firm's debt to its equity. The higher this ratio, the greater the financial leverage of the firm.

Debtor: an individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds. Also called obligor.

Default: failure to comply with one's contractual obligations such as for example under a loan agreement, the failure to make timely payment of interest or principal on a debt or to otherwise comply with provisions of the loan agreement.

Depreciation: means the allocation of an asset's cost, for tax or accounting purposes, over its useful life. It roughly corresponds to normal wear and tear reduction in the value of the asset due to usage, passage of time, wear and tear, technological outdating or obsolescence, depletion or other such factors.

Derivatives: refers to financial arrangements whose returns are linked to, or derived from, some underlying stock, bond, commodity or other asset. They come in two basic types: options and 'forward-type' derivatives, which include forwards, futures and swaps.

Design-build-finance-operate (DBFO) is sometimes used to emphasize the concessionaire's additional responsibility for designing the facility and financing its construction.

Design life: means the period over which the infrastructure (usually road pavement or bridge) is considered to be able to fulfil its function.

Devaluation: means the decrease in value of one currency by the reduction of its equivalent value in other currencies. Devaluation can be the result of the supply and demand of that currency on the money market, but also the result of a formal governmental action.

Developing countries: refer to those countries with a lower standard of living with access to fewer goods and services than do most people in high-income countries, comprising low- and middle-income countries, as per classifications of World Bank.

Disbursement: is a term used in accounting and finance to indicate the actual paying out of cash.

Discounted cash flow: means the present value of a future cash flow discounted by a given discount factor on a compounded basis.

Discount rate: a percentage rate representing the rate at which the value of equivalent benefits and costs decrease in the future compared to the present. The rate can be based on the alternative economic return in other uses given up by committing resources to a particular project, or on the preference for consumption benefits today rather than later. The discount rate is used to determine the present value of future benefit and cost streams.

Dispute settlement: refers to the various methods by which parties to a contract wish to prevent their disagreements from becoming full fledged disputes and to settle such disputes when it has not been possible to avoid them. There is a large number of them but the most frequently used methods are early warning systems, partnering, negotiations direct or facilitated, conciliation and mediation, expert appraisal, mini trial, senior executive appraisal, dispute review boards, arbitration, and judicial proceedings. In some countries disputes arising from PPP projects are a matter for the exclusive competence of the judiciary or administrative courts, while in others parties have the choice between judicial proceedings and alternative dispute settlement methods, including arbitration.

Dividend: means the return on an investment in stock, usually in the form of cash or stock.

Divestiture: means the sale of an equity stake. In the context of PPPs it refers to the stakethat a private consortium buys in a state-owned enterprise which may be wholly or partially transferred to the private entity, .

Domestic bonds: means bonds issued by a borrower in its country's own domestic bond market.

EC Directives: refer to the European Community law that lay down certain objectives that must be achieved in every Member State. National authorities have to adapt their laws to meet these goals, but have some discretion to decide how to achieve the end result. Directives may concern one or more Member States, or all of them. Each directive specifies the date by which the national laws must be adapted - giving national authorities the room for manoeuvre within the deadlines necessary to take account of differing national situations. Directives are used to bring different national laws into line with each other, and are particularly common in matters affecting the operation of the single market.

E

Economic evaluation: means the cost-benefit analysis whose purpose is to help design and select projects that contribute to the welfare of a country. . Such evaluation compares the situation «with project» to that «without project» and yields various economic indices, such as, Net Present Value and Economic Internal Rate of Return.

Economic rate of return: refers to the internal rate of return indicator resulting from an economic analysis of a road project, whereby all monetary values are «economic» costs (also known as shadow prices), i.e. prices that reflect the real scarcity of resources and which exclude monetary transfers between various agents, such as, taxes and subsidies. In an economic analysis the situation «with project» is compared to the situation «without project».

Elasticity: is the ratio of the percent change in one variable to the percent change in another variable. For example, the price elasticity of demand represents the ratio of the change in quantity demanded to a variation in price.

Electronic toll collection: means the toll collection system applied automatically to vehicles identified by a tag, an on-board unit or the number plate.

Enforcement: refers to the procedure used to give effect to a binding decision under the law of the jurisdiction where the decision is to be given effect, which can either be local host country law, directly or after exequatur proceedings where arbitral award is concerned, or foreign law where a binding decision need to be given effect in a foreign jurisdiction.

Environmental Compliance: refers to the requirement, often found in Concession and Loan documents, which obligates a project company to comply with all national, regional and local environmental laws in the construction and operation of a project. Given that failure to comply with environmental standards is often an event that can give rise to a default and potential termination of a concession agreement and the forfeiture the project, lenders, often include provisions in the loan agreement specifying that failure to comply with environmental standards is also an event of default under the loan.

Equity: means the net worth of a company, i.e. its assets minus its liabilities. It is the stockholder's residual ownership position.

Eurobond: means any bond in any currency issued outside a borrower's domestic market and sold to international investors by a group of international banks. Eurobonds have no domestic market. A note or bond issued in Europe.

Eurobonds are bearer instruments.

Eurocurrency: refers to any currency - European or other - domiciled outside its country of origin.

European Community law or Community law: refers to the specific body of law which emanates from the European Union and underpins the main goal of the European Union which is the progressive integration of Member States' economies and the establishment of a single market based on the free movement of goods, persons, and services. To this end, its Member States cede part of their sovereignty under treaties which empower the EU institutions (Council of Ministers, European Commission, European Parliament) to adopt laws. These laws (Regulations, Directives and Decisions) take precedence over national law and are binding on national authorities. EU institutions also issue non-binding instruments, such as recommendations and opinions, as well as rules governing how the EU institutions and programs work.

European Court of Justice, the «ECJ»: The Court of Justice of the European Communities is the judicial institution of the European Union, (the»EU»). It is made up of three courts: the Court of Justice, the Court of First Instance and the Civil Service Tribunal. Their main task is to control the legality of Community measures and ensure the uniform application of Community law by Member States in transposing European law in their national legislation, as well as the uniform interpretation of European law by national courts. Through its case-law, the Court of Justice monitors and sanctions the obligation of Members States Governments and courts to apply Community law in full within their sphere of competence and to protect the rights conferred on citizens by that law (direct application of Community law), and to set aside any conflicting national provision, whether prior or subsequent to the Community provision (primacy of Community law over national law).

Exchange controls: refers to the restrictions that are applied by a country's monetary authority, or central bank, to limit the convertibility of the local currency into other specific foreign currencies.

Exchange rate: means the price at which one currency trades for another.

Export credit agencies (ECA) and investment insurance agencies: are institutions which act as finance companies for private domestic entities who conduct business outside of their own jurisdiction.

Export-Import Bank of the United States (Eximbank): means the wholly owned agency of the US government that aids in financing and facilitating US exports. The Eximbank supplements and encourages, but does not compete with, private capital. Its assistance falls into four categories: a medium-term guarantee program, a direct loan and financing guarantee program, a discount loan program and a cooperative financing facility program. The Eximbank guarantees commercial banks and reinsures the Foreign Credit Insurance Association against all political risks and substantial parts of commercial risks taken on both insurance programs and commercial bank guarantee programs.

Expropriation: refers to the right of the State to force the sale and purchase of private property against the will of its owner when such is required in the public interest. National legislations which recognize such a right as well as national and

international tribunals which enforce it have long established that such a right may not be exercised without adequate compensation paid to the owner.
Expropriation issues are particularly relevant in PPP projects in road infrastructure which require long stretches of land often privately owned. Short of an outright taking the full ownership of private property, the infringement of or the restriction to property rights has in certain circumstances been equated to expropriation without compensation, and sanctioned as such. Private investors in PPP projects have therefore sought to protect against such a risk by seeking guarantees to cover potential losses in such cases.

Extraordinary maintenance: includes all the operations required for restoring a road to its initial state, when damage has been caused either by unforeseeable factors and phenomena or by a lack of routine maintenance.

F

Federal Highway Administration (FHWA) is a part of the U.S. Department of Transportation, headquartered in Washington D.C. in the USA.

Financial analysis: consists in comparing revenue and expenses (investment, maintenance and operation costs) recorded by a project company and in working out the corresponding financial return ratios. Unlike the economic analysis, the financial analysis is only concerned with the cashflows of the implemented project.

Financial close: Stage in a financial agreement where conditions have been satisfied or waived, documents executed, and draw-downs become permissible.

Financial rate of return: refers to the internal rate of return indicator resulting from a financial analysis of a road project, whereby all monetary values reflect market costs including, taxes, subsidies, etc.

First year rate of return: means the ratio of the net benefits arising in the year of opening to the cost of project.

Fiscal policy: refers to the use by government of its tax resources and tax policy to influence the economy.

Fixed currency: means a currency whose official exchange value in terms of gold or other currencies is maintained by the central bank or monetary authority of the concerned country and does not vary. Most exchange rates are now floating rates.

Fixed rate loan: means a loan on which the interest rate paid by the borrower is fixed for the life of the loan.

Fixed rate of interest: an interest rate established at the time a loan is made or liability incurred and remains unchanged throughout the term of the loan or liability] Not sure I understand the difference with the previous definition.

Floating currency: means a currency whose rate of exchange is allowed to fluctuate according to the forces of supply and demand. All currencies are subject to some degree of central bank intervention to soften the effects of market forces.

Force Majeure: refers to any event which prevents, interrupts or delay a party to an agreement from performing its contractual obligations and may excuse that party from complying with such obligations to the extent that the occurrence of such event was not reasonably foreseeable nor within the control of the party invoking it, and could not be overcome by that party. In certain jurisdictions it is for the courts to appreciate whether the particular circumstances of facts constitute or not an event of force majeure as above defined. In other jurisdictions it is left to the parties to agree what constitutes an event of force majeure, and in such cases the contract would list a series of event which would do so, and could also expressly exclude events which would not constitute a force majeure. Force majeure would typically include such events as war whether declared or not, revolution, armed conflict, riot, insurrection, terrorism, sabotage, radiation or chemical contamination or other serious epidemics, explosion, flood, storm, tempest, earthquake or other similar natural event. Among the events that would often be excluded by the parties as not constituting an event of force majeure would be the strike by the employees of the project company or the contractor.

Foreign exchange risk: means the risk that a long or short position in a foreign currency will have to be closed out at a loss, due to an adverse movement in the relevant exchange rate. Such a long or short position may arise out of a financial or commercial transaction.

Forward contract: means a contract between two parties to exchange a currency at a set price on a future date. Such a contract differs from a futures contract in that most forward commitments are not actively traded or standardised and carry the risk of the creditworthiness of the other side of the transaction.

Forward rate: means the rate at which forward transactions in some specific maturity are being made; for example, the dollar price at which Euros can be bought for delivery three months hence.

Franchise: means the right to operate an existing public infrastructure and collect payments from users of the infrastructure. It differs from a concession because no investment is required by the private sector operator.

Fungibility: is the characteristic of a good or a commodity whose individual units are capable of mutual substitution. Fungibility is different from liquidity. A good is liquid and tradable if it can be easily exchanged for money or another different good. A good is fungible if one unit of the good is substantially equivalent to another unit of the same good of the same quality at the same time and place. Gold and money are good examples of fungible items.

Future value: means the value of an initial investment after a specified period of time at a certain rate of interest.

G

Generalized cost: a measure of the cost of the trips between zones based upon a combination of the distance between each zone pair and the time taken for the journey. Additionally, items such as tolls, parking charges and travel time may be included if appropriate.

Government action / support: refers to any measure taken by the government to enhance the attractiveness of private investment in infrastructure project in the host country. In a broad sense, any legislation enabling a government to award privately financed infrastructure projects may represent a substantial support to PPP projects. In a narrower sense this expression refers to special measures, in most cases of financial or economic nature that may be taken by a government to enhance the conditions of execution of a given project or to assist the project company in meeting some of the project risks, above and beyond the scope of the contractual arrangement agreed between the contracting authority and the project company to allocate such risks. These are typically part of a government program to attract private investment for infrastructure projects and include, inter alia, public loans and loan guarantees, equity participation, subsidies, sovereign guarantees (either to protect the project company from a breach of obligations assumed by the contracting authority under the project agreement e.g. off-take guarantees or supply guarantees, or to protect the project company from acts of other authorities that are detrimental to the rights of the project company, such guarantees being often referred as «political risk guarantees», e.g. foreign exchange guarantees or guarantees against expropriation without adequate compensation), tax and customs benefits, protection from competition, right to exploit ancillary revenue sources.

Grantor: Refer to Contracting Authority.

Greenfield project: refers to a project involving constructing a completely new facility on a site where there have previously been no major infrastructures to support the project.

Guarantee: is an accessory contract by which a person (promisor) undertakes to be answerable to the person to whom the promise is given (promisee) for the default of another person's contractual obligations to the promisee. In the context of PPPs it ensures that contract's conditions will be carried out and against any financial or other problems that may arise (e.g. by ensuring the repair or replacement of defective goods and services related to the contract).

H

Hard currency: means a currency considered by the market to be likely to maintain its value against other currencies over a period of time and not likely to be eroded by inflation. Hard currencies are usually freely convertible.

Highway Development and Management-4 (HDM4) refers to version 4 of the model for pavement lifecycle costing and economic evaluation of road construction and maintenance projects and programs. It was developed to meet the needs of highway authorities, particularly in developing countries, and is widely used by international financial institutions, notably the World Bank.

Hedge: refers to a method whereby currency exposure (the risk of possible loss due to currency fluctuations) or commodity exposure is covered or offset for a fixed period of time by taking a position in futures equal and opposite to an existing or anticipated cash or commodity position, or by shorting a security similar to one in which a long position has been established.

Highway agency: means a government agency that manages, maintains and improves a country's motorways and trunk roads. It operates a variety of information services, liaises with other government agencies as well as provides staff to deal with incidents on their roads.

High occupancy vehicle (HOV) lane: means a motorway lane reserved for the exclusive use by motor vehicles carrying a sufficient number of passengers to qualify to use it (car pooling).

Host Country: refers to the country in which a project is to be located. It is the government of the host country that grants the concession.

I

International Financial Institutions (IFI) refers to institutions that range from development banks, such as the International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development and the Asian Development Bank (ADB), to monetary authorities, such as the International Monetary Fund (IMF).

Impact study: means the study of the influence of a project on the environment..

Income statement: means the report of a company's revenues, associated expenses and resulting income for a period of time: the profit and loss statement.

Independent Engineer: refers to a third-party responsible for reviewing the project works and project costs with respect to whether or not the construction has been completed in accordance with the standards set forth in the project documents. Independent Engineers typically provide a certificate attesting to whether the project has achieved a given milestone which is the «trigger» for a disbursement. This certificate is generally included with the disbursement request.

Infrastructure funds: mean specialised funds established by private investment banks which provide funding for infrastructure projects under PPP arrangements.

Intelligent Transportation System refers to efforts to add information and communications technology to transport infrastructure and vehicles in an effort to manage factors that typically are at odds with each other, such as vehicles, loads, and routes to improve safety and reduce vehicle wear, transportation times and fuel consumption.

Interest rate swap: An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flows. In an interest rate swap, each party agrees to pay either a fixed or floating rate denominated in a particular currency to the other party. The fixed or floating rate is multiplied by a notional principal amount (say, USD 1 million).

Internal rate of return: means the value of the discount rate at which the net present value is equal to zero.

International law: may refer either to «Public international law» which is the law governing the relations between States and, in some specific circumstances, the relations between States and foreign investors, under so-called «State contracts», or to «Private international law» which governs or defines the law applicable to the relations between private parties of different nationalities or subject to the law of different jurisdictions.

Investment bank: refer to a financial institution engaged in the issue of new securities and private placements including management and underwriting of issues as well as securities trading and distribution. The main function of an investment bank is to locate and collect funds for clients so they can finance new investment projects. Investment banks engage in buying and selling securities, such as stocks, bonds and mortgages. Investment banks also act as intermediaries between the corporation, who requires funds for such improvements as new equipment, new buildings, or plant expansions; and the investor, who wishes to invest his savings. Investment banks may promote a new industry, handle the finances of a corporation for expansion purposes, or act as brokers with other investment banking firms in the flotation of stocks and bonds.

Internal Revenue Code (of 1986, as amended) is the main body of domestic statutory tax law of the United States organized topically, including laws covering the income tax, payroll taxes, gift taxes, estate taxes and statutory excise taxes. (It is published as title 26 of the United States Code –USC-, and is also known as the internal revenue title).

International Standard organization (ISO): refers to the network of national standard institutes of 157 countries (one member per country) with a central secretariat in Geneva (Switzerland). ISO is a non-governmental organization that forms a bridge between the public and private sectors.

ISPA program is one of the three pre-accession instruments of the European Union along with PHARE and SAPARD programmes. ISPA was established as part of Agenda 2000 of EU and aims at supporting the preparation of the candidate-countries for accession in the Union, in the area of Environment and Transport. Programming on ISPA is performed on the basis of the Accession Partnership and two national strategic documents: ISPA Sector Strategy for Environment and ISPA Sector Strategy for Transport. Under ISPA, more than one billion Euro are annually granted to all candidate-countries participating in the program.

J

Joint Venture: refers to an agreement between two or more parties for the purpose of carrying out a specific PPP project together in sharing the risks and the rewards of such a project. Such an agreement may, but not necessarily, be embodied into a separate legal entity created by the joint venture partners to facilitate the execution of the project and allocate the responsibilities between them for the performance of the project agreement, and specifically their rights and obligations vis a vis each other. However the rights and obligations of the joint venture partners vis a vis the contracting authority under the project agreement would generally be joint and several which means that the default of one partner would have to be made good by the other members of the joint venture.

L

Legislative act or legislation: refers in a domestic context to an act of Parliament, which depending on countries, political systems and circumstances may take various names, such as law, statute, and ordinance. In

European Community law, legislation encompasses Regulations, Directives and Decisions.
Legislation frequently plays a central role in promoting private investment in public infrastructure projects. The law typically embodies a political commitment, provides specific legal rights and may represent an important guarantee of stability of the legal and regulatory regime. In most countries, the implementation of privately financed infrastructure projects was in fact preceded by legislative measures setting forth the general rules under which those projects were awarded and executed. Many countries have used legislation to establish the general principles for the organization of infrastructure sectors and the basic policy, institutional and regulatory framework. However, the law may not be the best instrument to set detailed technical and financial requirements. Many countries have preferred to enact subordinate or subsidiary legislation setting forth more detailed rules to implement the general provisions of domestic laws on privately financed infrastructure projects because they are found to be easier to adapt to a change of circumstances.

Level of service: with respect to highway infrastructure, means a qualitative measure describing the operational conditions within a traffic stream and their perception by the road users. Such conditions refer to factors such as speed and travel time, freedom to manoeuvre, traffic interruptions, comfort and convenience, and safety. Six levels are defined according to the Highway Capacity Manual method, A to F, with level of service A representing the best operating conditions (free flow) and level of service F the worst (forced or breakdown flow).

Leverage: refers to the use of debt to enable a project to be funded with less equity than would be required if the project was funded only with equity (the proportion of a project's financing that is funded by debt also called gearing).

Liability: refers to the duty or responsibility of a person to act or to pay a sum of money as a result of an obligation arising under a contract or at law.

Libor: means the London Interbank offered Rate of interest on Eurodollar deposits traded between banks. There is a different Libor rate for each deposit maturity. Different banks may quote slightly different Libor rates because they use different reference banks.

Limited partnership: means a partnership consisting of one or more general partners, jointly and severally responsible as ordinary partners, by whom a business is conducted; and one or more limited partners, contributing in cash payments a specific sum as capital and who are not liable jointly and severally with the general partner(s).

Liquid asset: refers to an asset that can be converted easily and rapidly into cash without a substantial loss of value.

Liquidity: is the ability to convert assets into cash, or a measure of how easily assets can be converted into cash.

Loan: refers to that portion of a project financing that comes in the form of debt secured by the collateral.

Low income countries: refer to those countries, as classified by the World Bank, with a gross national income (GNI) per capita in 2007 of less than 935 USD . In 2007 there were a total of 49 low-income countries.

M

Maintenance management system: refer to the process of co-ordinating and controlling a set of activities in order to maintain roads so as to make the best possible use of resources available.

Market value: means the price at which an item can be sold on the market.

Mediation: refers to one of the alternative disputes resolution methods in which a person assists the parties in an independent and impartial manner in their attempt to reach an amicable settlement of their dispute. While the expressions mediation and conciliation are frequently used as synonyms, in some legal systems mediation goes further by allowing the mediator to suggest terms to the parties for the resolution of their dispute.

Mezzanine financing: refers to a subordinated debt or preferred equity instrument that represents a claim on a company's assets which is senior only to that of a company's common shareholders. Mezzanine financings can be structured either as debt (typically an unsecured and subordinated note) or preferred stock.

Middle income countries: refer to those countries, as classified by the World Bank, with a gross national income (GNI) per capita in 2007 of 936 – 3,705 USD for lower middle-income countries and a GNI per capita in the range of 3,706 – 11,455 USD for upper middle-income countries. In 2007 there were a total of 54 lower middle-income and 41 upper middle-income countries.

Money market: means the market for shorter-term securities, generally those with one year or less remaining to maturity, handled by such financial institutions as commercial banks, savings banks, trust companies, insurance companies, stockbrokerage firms, investment banks, investors, or mortgage banks. On the money market, short-term debt instruments (such as bills, commercial paper and bankers' acceptances) are issued and traded.

Motorway: means a road with separate carriageways, with access only at a limited number of places, grade-separated interchanges, and some categories of vehicles prohibited.

Multicurrency bonds: refer to bonds payable in more than one currency at the discretion of the investor.

Multinational lending agencies: refer to a number of trade support organizations are jointly owned by a group of countries and are designed to promote international and regional economic cooperation. In particular, these lending agencies have such goals as aiding the development of productive facilities and furthering social and economic growth in member countries. These include the following major multinational agencies:

Asian Development Bank;

Inter-American Development Bank;

International Bank for Reconstruction and Development (The World Bank); and

International Finance Corporation (IFC).

European Bank for Reconstruction and Development (the EBRD)

African Development Bank

N

Net income: is equal to the income that a firm has after subtracting costs and expenses from the total revenue.

Net present value (NPV): means the difference between the present value of the benefits and the present value of the costs of a project (including capital investment, maintenance and any other costs).

NIBOR: means the New York Interbank Rate, which a few bankers promote as a term equivalent to Libor.

Nominal rate: In finance and economics nominal interest rate refers to the rate of interest before adjustment for inflation (in contrast with the real interest rate); or, for interest rates «as stated» without adjustment for the full effect of compounding (also referred to as the nominal annual rate). An interest rate is called nominal if the frequency of compounding (e.g. a month) is not identical to the basic time unit (normally a year).

Non-commercial risk: refer to such risks as casualty risk (extraordinary events outside the parties'control), political risk such as expropriation a, currency or convertibility restrictions, construction and operation risks such as technology or performance risks. A non-commercial risk can usually be covered by insurance.

Non-convertible currency: refer to those currencies whose circulation is restricted by the local authorities and where the exchange rate is artificially set by those authorities.

Non-recourse debt: means debt without recourse to or guarantee from the sponsor of a project. In such a case, lenders look to the project revenues or other interested parties for the repayment of their loan.

O

Obligor: an individual or company that owes debt to another individual or company (the creditor), as a result of borrowing or issuing bonds. Also called debtor.

Operating cost of vehicles: mean expenditures of running and maintaining vehicles. The driver's wages and vehicle depreciation may also be included. The «generalized cost» may include other items (time, etc.).

Operating lease: means a conditional sale lease in which the lessee guarantees that the lessor will realise a minimum value from the sale of the asset at the end of the lease. If the equipment is not sold for the agreed residual value, the lessee pays the difference to the lessor. If the equipment is sold for more than the agreed residual value, the lessor pays the excess to the lessee. The lease is called an open-end lease because the lessee does not know the extent of its liability to the lessor until the equipment has been sold at the end of the lease. The lessee's liability is open-ended. The term open-end lease is commonly used in automobile leasing. Individual liability under open-end leases is limited by consumer protection laws.

Opportunity cost: means the cost of pursuing one course of action measured in terms of the forgone return offered by the most-attractive alternative investment.

Opportunity cost of capital: means the benefits foregone, at the margin, by using a unit of capital in a particular project or use. The benefits foregone might be assessed by looking at particular alternative uses of the capital, or by reference to the general returns achievable in the economy general returns achievable in the economy.

Option: means a contract in which the writer of the option grants the buyer of the option the right, but not the obligation, to purchase from or sell to the writer something at a specified price within a specified period of time (or at a specified date). The writer, also referred to as the seller, grants this right to the buyer in exchange for a certain sum of money, which is called the option price or option premium. The price at which the asset may be bought or sold is called the strike or exercise price. The date after which an option is void is called the expiration date.

P

Partnership: means a contract between two or more persons to place their money, efforts, labor and skill in lawful commerce or business with the understanding that there shall be a proportional sharing of profits and losses between them.

Pavement: means the imported road structure from foundation layer to wearing course. Pavements may be either bituminous or concrete.

Payback period: means the amount of time required to recover the initial investment in a project.

Performance Based Contract (PBC) is a type of contract in which payments for the management and maintenance of road assets are explicitly linked to the contractor successfully meeting or exceeding certain clearly defined minimum performance indicators. PBC is sometimes referred to as output-based or outcome-based contract.

Periodic maintenance: consists of predictable repairs, more costly and of a less frequent nature than routine maintenance, which are designed to avoid road deterioration (such as resurfacing, asphalt concrete overlay, etc.).

Poverty Reduction Strategy (PRS): refers to a national strategy drawn up by governments of low-income countries that identifies key public action policies, reforms, programs, targets and monitoring indicators, aiming at optimising the allocations of public funding to be spent in the reduction of poverty. The Poverty Reduction Strategy Paper (PRSP) approach began in 1999 as part of the HIPC initiative of the World Bank and the IMF.

PPI database: means the project database managed by the World Bank and PPIAF which tracks in infrastructure projects in developing countries with at lease 25% private participation.

Present value: means the current equivalent value of cash available immediately for payment or a stream of payments to be received at various times in the future. The present value will vary with the discount interest factor applied to future payments. The current value of a given future cash flow stream, discounted at a given rate.

Private Financing Initiative (PFI) is the term used in the UK for governmnt policy of promoting private sector participation in public infrastructure projects

Private Sector Participation (PSP) In theory, PSP covers a slightly wider range of options than PPPs, for involving the private sector, including BOO and divestiture. However, in practice, PSP is often used synonymously with PPP.

Privatisation: means the full transfer of public infrastructure to the private sector, as compared to PPPs where ownership generally remains in the public sector.

Procurement: refers to the process applied by an authority for the purpose of purchasing works, goods or services.

Program Evaluation and Review Technique (PERT) is a visual tool that project managers use to schedule, organize and coordinate activities of a project.

Project: refers to the implementation and/or operation of a given infrastructure, which comprises some or all of the following tasks: design, financing, construction, rehabilitation, upgrade, operation and maintenance.

Project Completion: in the construction context means the accomplishment of both technical completion and financial completion

Project Cost: means the totality of expenditure implied by the implementation of a given project. If expenditure is spread over time, it must normally be discounted, which is indicated by using the term «discounted cost». Costs are usually discounted to year zero (the year before expenditure starts). Expenditure added together without taking account of the date is «undiscounted costs». Later road maintenance and operation costs required by investment may, after discounting, be added to the cost. This will then be known as overall economic cost.

Project documents: means, collectively, (a) the Concession Agreement, including the bid documents incorporated therein; (b) the Construction Contract; (c) all material subcontracts entered into by the concessionaire for the operation and maintenance of the Project, including, without limitation, related toll facilities; (d) all necessary authorizations, permits and licenses, including, without limitation, environmental permits pertaining to the project; and (e) any amendments or supplements thereto and any similar agreement entered into by the concessionaire from time to time.

Project finance: refer to a financing modality where the lenders look to the project's cash flows to repay the debt and to the project's assets for security. It is also known as structured financing because it requires structuring the debt and equity such that the project's cash flows are adequate to service the debt, and non recourse or limited recourse financing because the lenders cannot turn to the project sponsors balance sheet or assts as a guarantee for their loan.

Public-Private Infrastructure Advisory Facility (PPIAF) is a body of bilateral and multilateral development agencies and international financial institutions built on the World Bank Group's Infrastructure Action Program aiming at helping developing countries to achieve sustainable development through public-private partnerships in infrastructure.

Public-Private Partnership (PPP) describes a private sector business venture which provides a public service, traditionally provided by government, which is funded and operated through a partnership of government and one or more private sector companies. PPPs in infrastructure such as transportation can increase efficiency, broaden access, and improve quality of services. Various models exist for PPPs in infrastructure, and from Build-Own-Operate-Transfer (BOOT) transactions to management contracts, the options for private sector participation are many and can be tailored to best suit the needs of governments, the public and investors. PPP contracts can be complex. When well designed, such contracts allocate risks to the party best able to manage or mitigate them.

Public funding: refers to the assistance funded by a State or another regional or local public authority which constitutes one of the Government action/ support (see above definition) methods when given to a PPP project.

Public procurement rules: refers to the rules applicable to public authorities in their procurement function. Such rules cover the selection of the best offer in the public interest and must therefore ensure the transparency of the procurement process and the non discrimination between the providers of works, goods and services.

R

Rating: is an evaluation given by rating service agencies such as Moody's or Standard & Poor's, as to a company securities' credit worthiness.

Rating agency: are institutions that study the financial status of a company and then assign a quality rating to securities issued by that company. For example, Standard & Poor's and Moody's are leading rating agencies that rate project finance debt.

Real rate. The real interest rate is approximately the nominal interest rate minus the inflation rate. Since the inflation rate over the course of a loan is not known initially, volatility in inflation represents a risk to both the lender and the borrower.

Refinancing: means repaying existing debt and entering into a new loan, typically to meet some corporate objective such as the lengthening of maturity or lowering the interest rate.

Refurbish-operate-transfer (ROT) or Modernize-operate-transfer (MOT): in some projects, existing infrastructure facilities are turned over to private entities to be modernized or refurbished, operated and maintained, permanently or for a given period of time.

Regulations (in EC Law): a regulation is a legislative act of the European Union which becomes immediately enforceable as law in all member states simultaneously. Regulations can be distinguished from Directives which, at least in principle, need to be transposed into national law.

Regulatory agency: refers to the public authority that is entrusted with the power to issue and enforce rules and regulations governing the operation of an infrastructure. The regulatory agency may be established by statute with the specific purpose of regulating one particular infrastructure sector, but it may also have jurisdiction across several sectors, such as in respect of competition for example.

Regulatory framework: refers to the range of institutional mechanisms governing the organization and operation of infrastructure sectors. While there are countries that entrust regulatory functions to organs of the Government (for example, the concerned ministries or departments), other countries have preferred to establish autonomous regulatory agencies, separate from the Government. In a third category, certain countries have elected not to set up a regulator, independent or not, but have opted to subject their infrastructure sectors to detailed contractual provisions between the contracting authority and the public service provider without the intervention of a third party, government department or independent agency. Lately some emerging countries opening up to regulation have opted for a combination of the above solutions.

Rehabilitation (of existing pavement): refer to work undertaken to restore serviceability and to extend the service life of an existing infrastructure facility.

Rent holiday: means a period of time in which a lessee is not required to pay rents. Typically in such cases the rents are capitalised into the remaining lease payments.

Request for proposals (RFP) refers to an invitation for suppliers of infrastructure and/or related services, to submit a proposal to construct a specific project and/or provide specific public services. The RFP process brings structure to the procurement decision and allows the risks and benefits to be identified clearly upfront and proposes their allocation between the parties. The RFP can be very specific especially for major highways but for other types of infrastructure can leave all or most of the proposal response to the suppliers' discretion. The vital aspect of the RFP is that it should be based on a thorough feasibility study most of which will be included in the technical background (within the RFP) to the project. The RFP usually also includes a draft concession contract which bidders are expected to follow.

Required rate of return: means the minimum future receipts an investor will accept in choosing an investment.

Return on assets (ROA): means the net profits after taxes divided by assets. This ratio helps a firm determine how effectively it generates profits from available assets.

Return on equity (ROE): means the net profits after taxes divided by stockholders' equity.

Return on investment (ROI): means the net profits after taxes divided by the investment.

Revenue bond: refer to long-term borrowing used to fund specific projects, for example a municipal bond issued by the state or local government and secured by revenues from tolls, user charges or rents derived from the facility financed. Municipal revenue bonds are not backed by the tax base or other assets of the municipality.

Right-of-way: with respect to the land required for a project, means the area that has been purchased and reserved for construction purposes which includes the road as such, but also areas which are deemed necessary to ensure the proper functioning of and access to and egress from the road, as well as the public services associated with it.

Risks or project risks: refer to those circumstances which in the assessment of the parties, may have a negative effect on the benefit they expect to achieve with the project. Among the main categories of risks, one may distinguish: (i) events that are outside the control of the parties (typically force majeure event), (ii) adverse acts of government (typically political risks), (iii) construction and operation risks (typically completion risks, costs overrun risks, and performance risks), (iv) commercial risks (typically changes in market prices or demand for the goods or services), (v) exchange rate and other financial risks.

Risk adjusted discount rate: means a discount rate which includes a premium for risk.

Risk allocation: means the process of attributing or transferring risk between the public and the private parties within a PPP contract, generally to the party best able to manage or support it.

Risk aversion: means an unwillingness to either bear any risk or to bear risk without compensation of some form

Risk-free interest rate: means the interest rate prevailing on a default-free bond in the absence of inflation.

Risk premium: means an additional required rate of return that must be paid to investors who invest in risky investments to compensate for the risk.

Road Fund: means a holding of dedicated revenues collected as road user charges (e.g. a levy included in the price of fuel). Usually the funds are used to finance road maintenance and rehabilitation works.

Routine maintenance: consists of many different tasks which are frequently necessary to maintain the road in good condition (such as repairing potholes, cleaning drainage systems, sealing cracks, cutting vegetation, etc.).

S

Secondary developments: refers to services not strictly required by the operation of the infrastructure, but which help to improve users' comfort, such as phone facilities, facilities for procuring fuel and sundry purchases, catering facilities, breakdown services, rest facilities and the provision of information, and procure additional revenues to the Operator

Secondary market: means the trading that begins after the initial distribution of bonds or securities. New issue houses usually make a market in bonds or securities which they have co-managed. Other institutions, such as banks, investment banks and securities trading firms generally act as market makers in a wide range of issues and instruments by quoting two-way prices and being prepared to deal at those prices.

Security agreement: means an agreement in which title to property of a borrower is held as collateral under a financing agreement, usually by a trustee, as security for the performance of the borrower obligations under the financing agreement.

Semi-convertible currency: refer to a currency that can only be bought or sold through a central bank at specific fixed rates of exchange. Included are many developing countries where transactions are limited to documented commercial deals.
Senior debt: means all debts, both short and long-term, which is not subordinated to any other liability. This debt includes obligations to banks (revolving credit lines or term loans), to insurance companies and to other financial institutions. Rentals under leases are senior debt

Sensitivity analysis: means the analysis of the impact on an economic plan or forecast of a change in one of the input variables.

Shadow toll: means toll based on usage of the facility but payable by the Public Authority, rather than the road users.

Shareholder or stockholder is a person, physical or legal (including a corporation) that legally owns one or more shares of stock in a joint stock company.

Shareholders' equity: means the book value of the net assets (total assets less total liabilities) is called shareholders' equity, or net worth. Accounts which comprise net worth include preferred stock, common stock, paid-in capital and earned surplus (retained earnings). Deferred accounts and reserve accounts such as reserve for pensions, while generally not thought of as true liabilities, are not considered equity.

Short selling: describes a practice whereby a market participant assumes a short position by selling a commodity or security he does not own.

Short-term debt: means an obligation maturing in less than one year.

Social value: replaces individual values by integrating together the satisfactions and dissatisfactions felt by people other than the users, as well as the correction factors that the decision making authority applies to individual values so as to express its own system of values. The term «collective value» can also be used.

Sovereign risk: the special risk, if any, that attaches to an investment or loan because the borrower's country of residence differs from that of the investor's. Also referred to as country risk.

Sponsor: means the entity that owns, at least initially, the project company, and undertake the securing of the concession and initial structuring of the project. A sponsor may also undertake additional obligations, such as guarantees related to the financing of the project. Sponsors can be either private foreign or domestic corporate entities, or some organ of a regional or national government charged with the maintenance and/or development of toll roads.

Special purpose vehicle (SPV): means a body corporate (usually a limited company of some type or, sometimes, a limited partnership) created specifically to implement a PPP project, primarily to isolate financial risk, usually bankruptcy but sometimes a specific taxation or regulatory risk.

Subordinated debt: all debt (both short and long-term) which, by agreement, is subordinated to senior debt. It does not include reserve accounts or deferred credits.

Subsidy: refer to a form of financial assistance or support from government paid to a business or economic sector used to support businesses that might otherwise fail, or to encourage activities that would otherwise not take place. See the definition of government action/ support.

Swap agreements: refers to contracts whereby two parties agree to exchange periodic payments. The dollar amount of the payments exchanged is based on a notional principal amount. There are five main types of swap agreements: currency swaps, interest rate swaps, credit default swaps, commodity swaps and equity swaps.

Syndicated credit facility: means an agreement in which a number of banks undertake to provide a loan or other support facility to a customer on a pro rata basis under identical terms and conditions evidenced by a single credit agreement. These facilities are generally floating rate in nature, with or without amortization and the pricing will normally consist of a fixed spread over a short-term base rate (which base rate is adjusted periodically during the life of the loan), with commitment fees, agency fees, management fees, offsetting balances, security, etc., often included as well. Tenors may range from 1-12 years.

Syndicated loan: means a commercial banking transaction in which two or more banks participate in making a loan to a firm or a project company. Interest is typically paid on a floating rate basis linked to short-term interest rates in a particular currency.

T

Termination Compensation: refers to those amounts that a Concession Agreement specifies as due when a concession is terminated prematurely.

Toll: means the price paid for access to a highway facility.

Toll road corporations: means either public, private or semi-public organizations set up to develop and operate a regional or national road network.

Toll ways: refer to a road, bridge or tunnel where motorists are charged a fee to use the facility according to a fixed schedule. Also referred to as turnpikes (USA).

Tradeoffs: mean alternative key objectives in a decision, design, or project and their associated benefits and opportunity costs, all of which cannot be attained together. Tradeoffs play a particularly important part in negotiations where the positions of the opposing parties can be quantified.

Traffic forecast: means the expected future traffic flows and patterns resulting from calculations based on past and current traffic figures as well as macro economic data.

Traffic management: means the work aimed at making the best possible use of existing road space.

Transparency: A transparent legal framework is characterized by clear and readily accessible rules and by efficient procedures for their application. Transparent laws and administrative procedures enable potential investors to estimate the costs and risks of their investment and thus to offer their most advantageous terms. Transparent laws and administrative procedures may also foster openness through provisions requiring the publication of administrative decisions, including, when appropriate, an obligation to state the grounds on which they are based and to disclose other information of public relevance. They also help to guard against arbitrary or improper actions or decisions by the contracting authority or its officials and thus help to promote confidence in a country's infrastructure development program. Transparency of laws and administrative procedures is of particular importance where foreign investment is sought, since foreign companies may be unfamiliar with the country's practices for the award of infrastructure projects.

Treasury bill: refer to a non-interest-bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Trustee: means a person, bank or private individual which administers the provisions of a trust agreement. In financing transactions these provisions may relate to a loan.

U

Underwriter: means a financial firm engaged in the business of underwriting securities issues. Underwriting is one function of an investment banker, which purchases new issues from the issuer and sells them to investors.

Unsecured loan: means a loan made on the general credit of a borrower. The lender relies upon the borrower's balance sheet and the capability of the borrower's management to manage its assets and produce cash flows sufficient to repay the debt, but without any assets being pledged as security for the repayment of such debt.

Unsolicited proposals: Most projects are solicited i.e. the government has a program and invites (solicits) bids to implement each project. However, contracting authorities are sometimes approached directly by private companies who submit (uninvited) proposals for the development of projects through a much different, and often not transparent, selection procedure. Unsolicited proposals may often result from the identification by the private sector of an infrastructure need and opportunity that may be met by a privately financed project. Such projects may also involve innovative proposals for infrastructure management and offer the potential for transfer of new technology to the host country. However, often the private sector approaches the authorities with inadequate pre planning and such projects often end up taking a long time to implement, with unforeseen and major fiscal and political liabilities for governments. They may also often divert public sector financial and human resources from priority projects.

V

Value: maximum price that would be paid to obtain a good. It is generally a function of the quantity of this good already possessed or already consumed.

Venture capital: means the risk capital in the form of equity investments or equity related debt securities extended to start-up or small going concerns.

Variable message sign (VMS): refer to a road sign for the purpose of displaying one of a number of messages that may be changed or switched as required.

Vehicle Operating Costs (VOCs): means one of two types of VOCs. (i) VOCs for modelling and forecasting which refer to transport costs that vary with vehicle usage and affect travel and route decision making. These costs include fuel, tires, maintenance, repairs, and mileage-dependent depreciation. (ii) The other type of VOCs include both usage dependant costs and time dependent costs i.e. the latter are not dependent on usage (often called vehicle ownership costs) which include insurance costs, time-dependent depreciation, financing, and storage. A project that alters vehicle speeds, vehicle miles traveled, roadway surfaces, or roadway geometry may affect travelers' vehicle operating costs and should thus be evaluated in a cost benefit analysis (CBA).

Viability Gap Fund (VGF): In order to promote a PPP program, a government may decide to subsidise economically viable PPP projects that will not be financially viable if they are constrain to charge affordable user tariffs or unitary payments. The government will make such PPP projects financially viable by dedicating a portion of its fiscal budget to fund the gap between the expected project revenues and the level of revenues that would make the project financially viable. A Viability Gap Fund is set up by governments to provide such dedicated project funding.

Vignette: refer to a method of road financing by the licensing of motorway access for some or all vehicle categories. It has been achieved by introducing a lump sum access charge for using motorways. A windshield sticker called «vignette» is used in Switzerland, Austria, the Czech Republic and the Slovak Republic while another document called «Eurovignette» is mandatory to be carried on board by all heavy goods vehicles above 12 tons using motorways in Germany, Netherlands, Belgium, Luxembourg, Denmark and Sweden.

W

Warrant: refer to an instrument allowing the holder to purchase a given security at a given price for either a set period or for perpetuity.

Warrant bonds: give its holder the right to buy something in the future, usually a share or a bond.

Weighted Average Cost of Capital (WACC): means the average weighted rate that a company pays for its capital, comprising debt and equity. WACC is the minimum return (or target) that a company must earn on its capital to satisfy its creditors, owners, and other providers of capital. WACC is often used by private companies as a reference for the assessment of investment opportunities. SPVs established for PPP projects will have their own WACC based on their specific financial structure.

Whole life evaluation: means the process of evaluation over the useful life of an infrastructure and over which time the economic benefits may be estimated.

Willingness to pay: means the willingness of road users to pay the tolls or other usage fees required by the concessionaire.

Working capital replenishment: means an undertaking by an industrial company sponsor and/or parent to make liquid funds available to a special purpose subsidiary or company to enable such a company to keep its working capital at levels sufficient to service debt and meet operating expenses.

Y

Yield: means the rate of return on a loan, expressed as a percent and annualised.

Yield curve: means the relationship between yield and current maturity, depicted in graphic form as a yield curve. This curve plots yield on the vertical axis and maturity on the horizontal axis. A normal yield curve slopes upward from left to right, from short maturities to long maturities.

Z

Zero-coupon bonds: means a bond which does not pay interest. The security is sold at a discount and its yield interest rate is determined by a rise in value per unit of time.

Zero-coupon convertible: means a zero coupon bond with option to convert to common stock or other security