UKRAINE

INTRODUCTION TO THE PUBLIC-PRIVATE PARTNERSHIP MANUAL

WORLD BANK GROUP

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from the British people

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1 Legal framework of PPPs/concessions in Ukraine

Ukraine's Public-Private Partnership (PPP) legislation (comprised of the PPP Law of 2010, redacted in 2019, and the Law on Concession from 2019) establishes the legislative and institutional framework for improving public service delivery in infrastructure through private sector participation based on the principles of publicity, transparency, proportionality, equity, and nondiscrimination. The PPP Manual complements Ukraine's PPP legislation and aims to provide practical guidance on selecting, preparing, tendering, and implementing strategically important, affordable, and financially sound PPP projects in line with Ukraine's PPP legislation and good international practice.

The PPP Law defines PPPs as "a cooperation between the state of Ukraine, the Autonomous Republic of Crimea, territorial communities represented by the relevant state bodies that in accordance with the Law of Ukraine 'On Management of State Property' manage state property, local governments, the National Academy of Sciences of Ukraine, national industry academies of sciences (state partners) and legal entities, except for state and communal enterprises, institutions, organizations (private partners), which is carried out on the basis of an agreement in the manner prescribed by this Law and other legislative acts and meets the characteristics of public-private partnership."[1]

Under Ukrainian legislation, PPPs are characterized as follows:[2]

I. PPPs create and/or construct (through new construction, reconstruction, restoration, overhaul, or technical re-equipping) an object of public-private partnership and/or management (use, operation, maintenance) of such object.
II. The PPP is a contractual partnership lasting from 5 to 50 years.
III. The PPP process transfers part of the risks of creating or constructing the partnership object to the private partner.
IV. The PPP includes private investment in the object.

Concession is one form of PPP. In accordance with the Law on Concession (LoC), this form applies in cases where the state partner (grantor) transfers to the private partner (concessionaire) most of the operational risks, including demand risk and/or supply risk.[3]

It is important to emphasize that the difference between concession and non-concession PPPs lies in the method by which the private partner recoups the investments, that is, concessions base the payment mechanism primarily on user charges, while non-concession PPPs base the payment mechanism on

1. Art. 1 of the Law of Ukraine on Public-Private Partnership (2018).
2. Art. 1 (3) of the Law of Ukraine on Public-Private Partnership (2018).
3. A concession is a form of public-private partnership that provides for transfer from the grantor to the concessionaire the right to create and/or build (new construction, reconstruction, restoration, overhaul and technical re-equipment) and/or manage (use, operation, maintenance) the subject of the concession and/or provide socially significant services in the manner and under the conditions specified in the concession agreement; it also provides for transfer to the concessionaire of most of the operational risk, including demand risk and/or supply risk (Article 1 of the Law on Concession).

payments from the public partner. Under the PPP Law, concession and non-concession PPPs are initiated following the same process.

2 Institutional framework of PPPs/concessions in Ukraine

2.1. Defining the public partner in PPPs and concessions

Various entities can act as public partners in PPPs and concessions. The determination is made based on the ownership and management of the asset that will be an object of the PPP or concession.

If the object of the PPP or concession is owned by the state, the public partner can be the state body that manages the appropriate state-owned assets.[4] If no state bodies are responsible for managing the appropriate state-owned assets,[5] the Cabinet of Ministers of Ukraine (CMU) or the body authorized by CMU acts as a public partner. In case of concessions, the public partner can also be a state enterprise, institution, organization, or business association 100 percent of shares of which belong to the state or to the company (by decision of the CMU only).

If the object of concession is the property of companies 100 percent of the shares of which belong to the state or to a company, 100 percent of the shares of which belong to the state, which is transferred to the concession together with the state-owned assets, the grantor (i.e., a public partner in a concession project) can be a company that is the owner of the property transferred to the concession together with the state-owned assets, or a company that owns 100 percent of the shares certifying the corporate rights of the company to such property (only by a decision of the state authority responsible for the management of corporate rights in respect of such a company).

If the object of the PPP or concession is an asset of the Autonomous Republic of Crimea, the public partner (grantor) can be the Rada of the Autonomous Republic of Crimea (for non-concession PPPs) or the Council of Ministers of the Autonomous Republic of Crimea (for concessions and by a decision of the Rada of the Autonomous Republic of Crimea).

If the object of concession is a property of companies, 100 percent of shares of which belong to the Autonomous Republic of Crimea or another company (transferred in concession together with assets owned by the Autonomous Republic of Crimea), the grantor can be a company that owns property transferred to the concession, together with assets of the Autonomous Republic of Crimea, or a company that owns 100 percent of shares certifying the corporate rights of the company to such property (by a decision of a body of the Autonomous Republic of Crimea responsible for the management of corporate rights in respect of such a company).

If the object of PPP or concession is a municipal (communal) asset, the public partner (grantor) can be a local government entity (such as city council, for non-concession PPPs) or an executive body of local

4. In accordance with the Law of Ukraine on Management of State Property.
5. In accordance with the Law of Ukraine on Management of State Property.

government (in the case of a concession), based on the decision of the representative body of local government (city council).

If the object of concession is the property of state business companies, 100 percent of the shares of which belong to the territorial community or to the company, 100 percent of the shares of which belong to the territorial community, transferred to the concession together with communal assets, the grantor is a company that is the owner of the property transferred to the concession together with the communal assets or which owns 100 percent of the shares certifying the corporate rights of the company to such property (based on a decision of the local government body responsible for the management of corporate rights in respect of such a company).

Several state authorities and/or local government bodies, the National Academy of Sciences of Ukraine, and branch academies of sciences may simultaneously act as a public partner (grantor) in a PPP (concession) agreement. The rights and obligations of these persons regarding their joint participation in the PPP (concession) agreement are determined by the agreement concluded between them. Such an agreement must be concluded before the approval of the tender documentation and may contain information on their rights and obligations in the PPP (concession) agreement, including the distribution of rights to the PPP (concession) assets after the commissioning PPP (concession) agreement and other conditions.

If the object of PPP or concession is an asset that belongs to the Academy of Sciences or national branch academies of sciences, the public partner (grantor) can be the National Academy of Sciences of Ukraine or national branch academies of sciences, respectively. (In the case of a concession, this would require a decision by the Cabinet of Ministers of Ukraine.)

2.2. PPP process in Ukraine

The Government of Ukraine, through the MDETA, guides and standardizes the process of project preparation and implementation with a transparent form of checks and balances, in line with processes in most peer countries. This is done to reinforce the use of PPPs into the public investment management framework itself.

PPP process includes four key phases, summarized below.

Phase 1: Concept note development and evaluation

The first phase concerns the identification and preliminary assessment of a project, including its suitability for PPP implementation and its readiness to proceed to the Phase 2. Phase 1 results in preapproval of a project (approval of the concept note) as a suitable and eligible candidate for PPP implementation. In this phase, the project receives its first approval, based on the procedure established by the legislation (see Table 1), and all relevant aspects of the project are pre-assessed in broad terms to the extent information allows. If the project is found to be worth further development, the concept note initiator can proceed to the Phase 2. Phase 1 is only applicable to solicited proposals (meaning that the concept notes are initiated by a public entity). According to the PPP Law, the private proponent is not required to submit the concept note and may immediately proceed with undertaking and submitting the PPP proposal, consisting of the Feasibility Study, to relevant body,[6] provided that other conditions required by the PPP law are met.

Phase 2: Feasibility study appraisal

Following the approval of the concept note developed in the Phase 1, the project proceeds to Phase 2, in which the initiator of the PPP concept note prepares a PPP proposal consisting of a feasibility study and then submits it to the analysis of efficiency body responsible for PPP implementation. (Please see Figure 1, showing which public entities can serve as an analysis of efficiency body.) Based on the efficiency analysis, the responsible body then prepares a conclusion describing the feasibility or nonfeasibility of the PPP method and submits it, together with the feasibility study, to the Ministry for Development of Economy, Trade, and Agriculture (MDETA) for approval. As part of its approval process, MDETA sends the received documents to the Ministry of Finance (MoF) for evaluation and approval regarding fiscal obligations and affordability and to other relevant institutions for their opinion and recommendations. The decision body[7] can adopt a decision on PPP implementation only if the conclusion is positive and the proposal has been adopted by MDETA. The public partner can proceed to a tender preparation only if the decision on PPP implementation is positive.

In the case of the unsolicited proposals (USPs), the private proponent initiates the PPP process by preparing and submitting a PPP proposal, consisting of a feasibility study, to the body responsible for analyzing efficiency. Based on the results of that analysis, the body draws a conclusion on the feasibility or nonfeasibility of the PPP implementation method. The decision body[8] can form a decision on PPP implementation only if the analysis on feasibility is positive and has been adopted by MDETA. The public partner can proceed to a tender preparation only if the decision on PPP implementation is positive.

All projects in all infrastructure sectors, regardless of the method of initiation (private proponent or public authority), should follow the same preparation, appraisal, and structuring processes. All projects should meet the same feasibility tests and associated assessments, such as technical, commercial, and socio-economic feasibility; environmental assessment; value for money (VfM); and fiscal impact/affordability.

Phase 3: Tender preparation and procurement

In this phase the project completes all detailed structuring and development processes, and the public authority forms a tendering commission that selects an appropriate tender method, including development of tender rules and specifications, a draft contract for the project, and assessment scoring and award criteria. Solicitation for the project is overseen by the Tender Commission, subject to the process referenced in the LoC for a concession-based PPP or in resolution 384 of the Cabinet of Ministers of Ukraine for a non-concession PPP. Based on the Tendering Commission's review of the bids received, a

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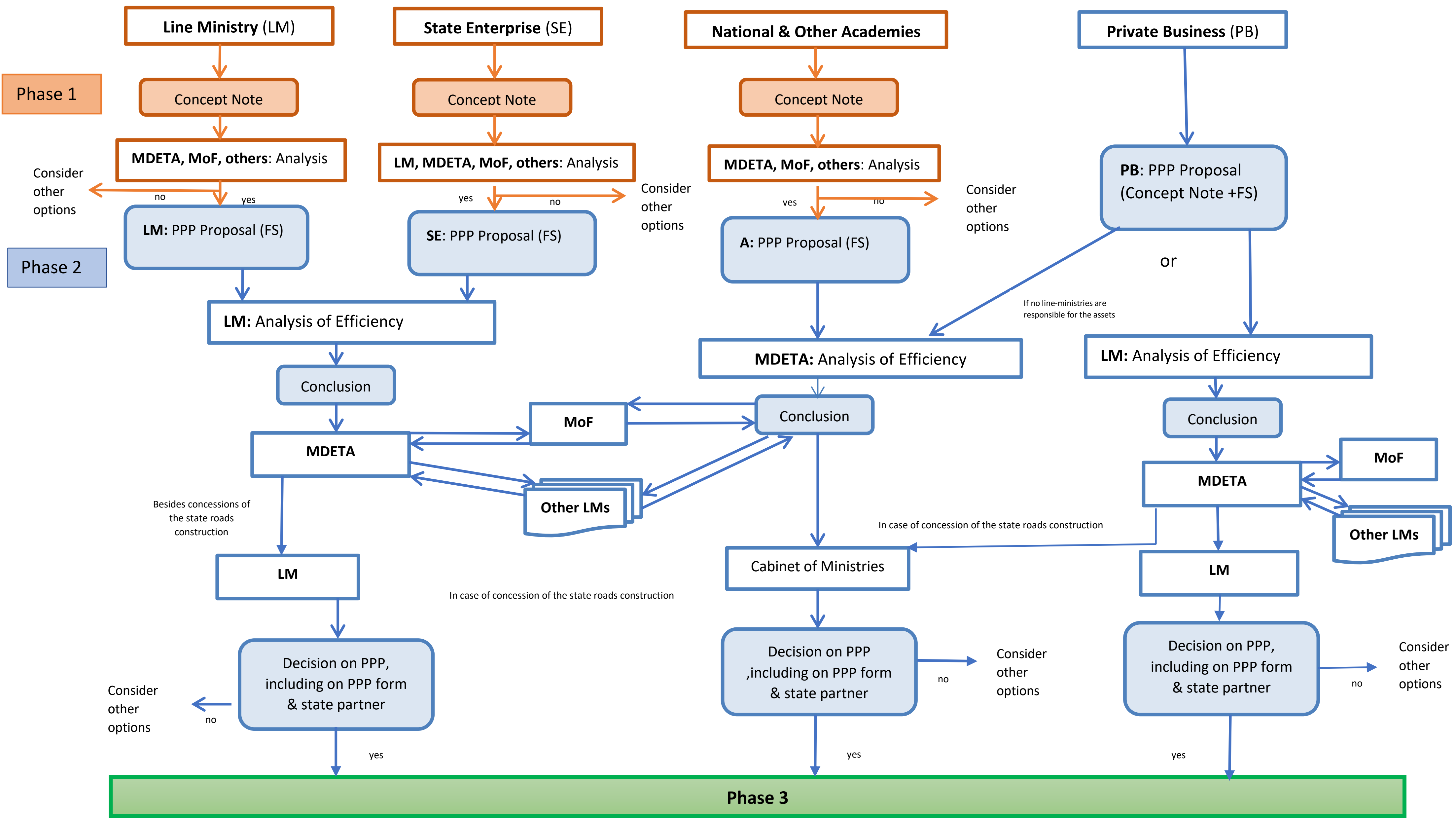
6. The decision body is the same body responsible for the efficiency analysis (the assessment mandatory following the feasibility studies). Please see the Figure 1 for more details on the role of the efficiency analysis for unsolicited proposals.
7. See Figure 1. The decision body for state property is typically the line ministry that manages the asset; the Cabinet of Ministers for state road construction concessions; or for municipal property, the local self-government executive body.
8. See Figure 1.

report is prepared. The report is reviewed and approved by the responsible public authority. If accepted, the award is made, as approved by the public partner. The project can also be terminated at this point if termination is deemed appropriate. If the project moves forward, the public partner negotiates the final deal with the awarded bidder and accepts the final contract, which is then signed by the head of the public partner. At the next stage of approval the head of the public partner signs off on the package before its release. The public partner is required to send the PPP/concession agreement to the MDETA along with some basic register data.

Phase 4: Contract management

This phase encompasses the stages of project implementation: construction, commissioning, operation, and handover. The public partner (grantor), through its project management unit, manages the contract and monitors the performance of the private partner (concessionaire). Managing a PPP (concession) contract involves obtaining the services specified in the output specifications and ensuring ongoing affordability, VfM, and appropriate management of risk transfer. PPP (concession) contract management enables the public partner (grantor) to exercise its rights and meet its obligations to ensure the objectives required under the PPP (concession) contract are met.

Figure 1. Initiating a PPP process for state assets (Phases 1-2)



FS – Feasibility Study, MDETA (Ministry for Development of Economy, Trade and Agriculture), MoF (Ministry of Finance)

Figure 2. Initiating a PPP process for municipal assets (Phases 1-2)

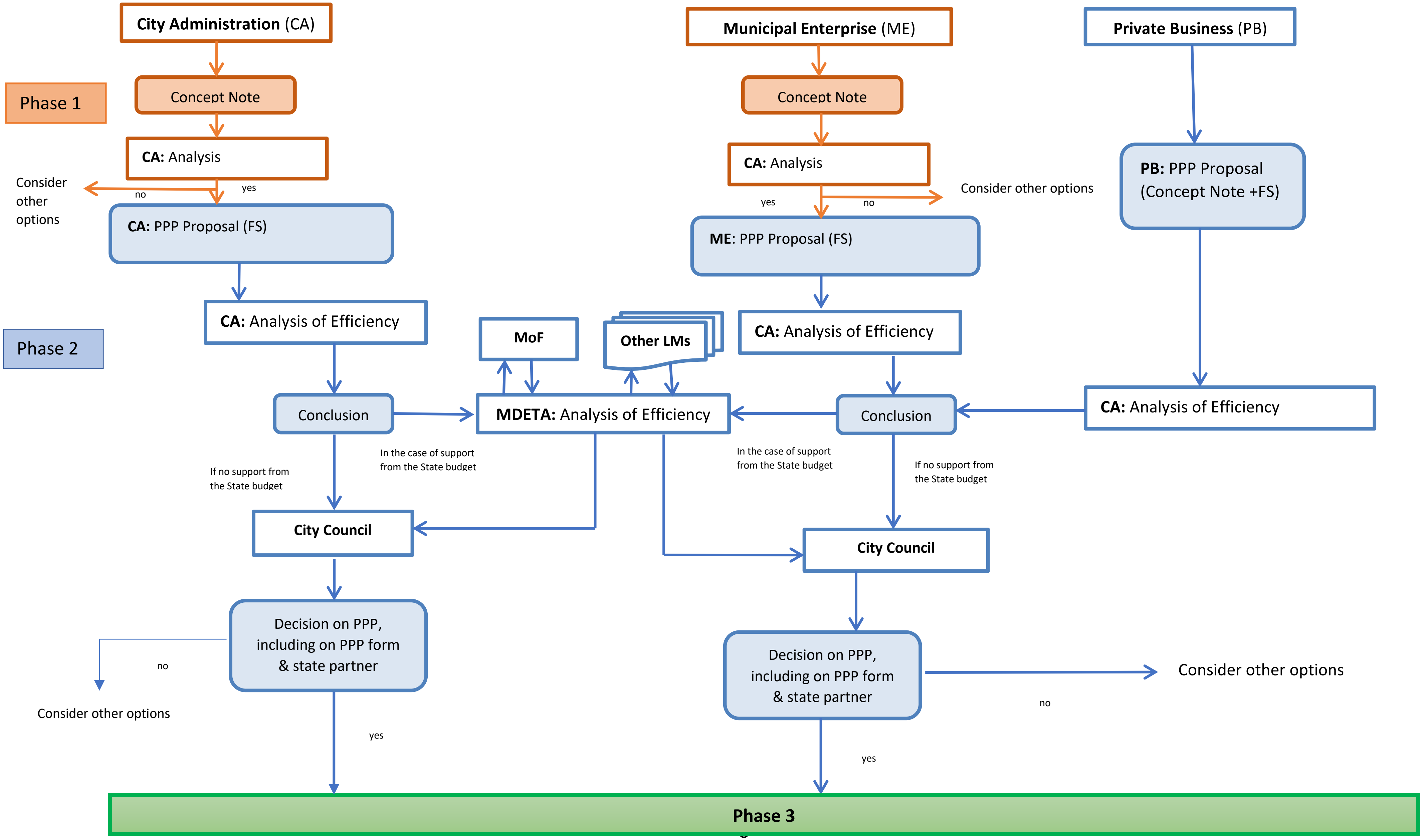


Figure 3. Tender preparation and procurement (Phase 3)

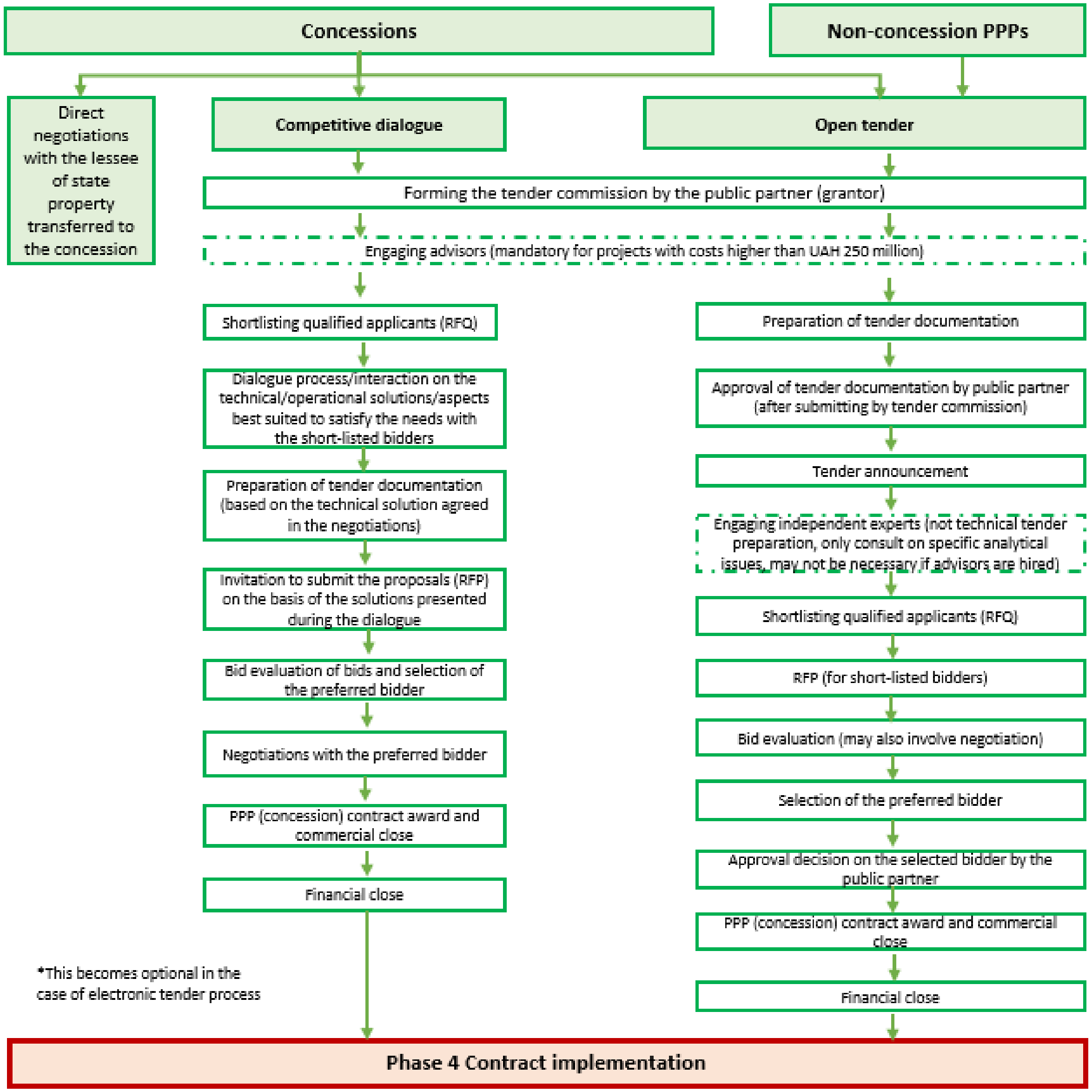


Figure 4. Contract management (Phase 4)

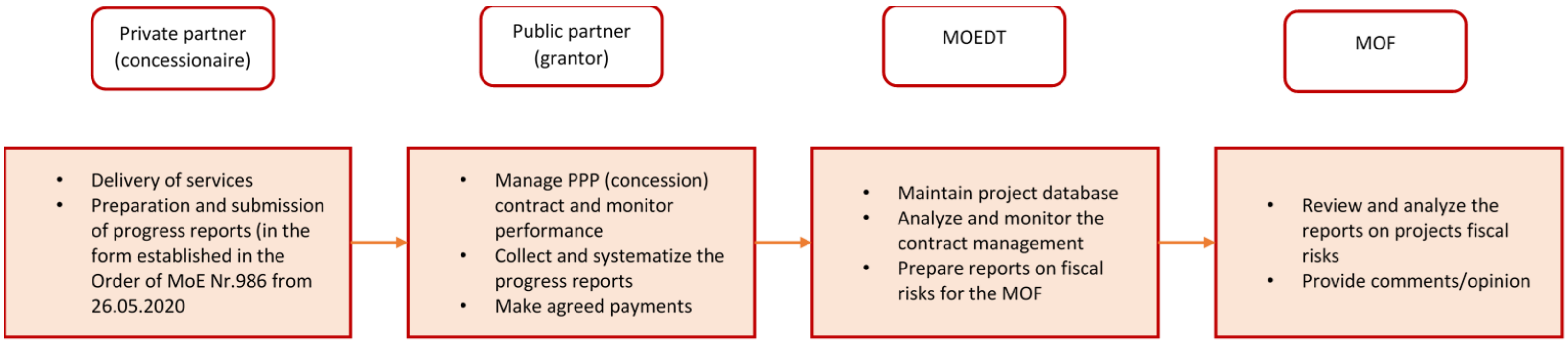


Table 1. Roles and responsibilities in a PPP process involving a state asset

Stage of project development	Key stakeholders						Comments	
	Initiator of PPP proposal							
	Solicited (public authority)	Unsolicited (private business)	Reviewing body	Analysis of Efficiency body	Decision body	Public partner	MDETA	MoF
Phase 1: Concept note development and evaluation	• Prepares the concept note and conducts preliminary analysis (prescreening) • Hires advisors for concept note preparation		Prioritizes proposals at the prescreening phase • Reviews the concept note • Decides on FS preparation			Could be an Initiator of PPP proposal or a part of the reviewing authority (if not the initiator)	Part of the reviewing authority (participation in the reviewing process)	Part of the reviewing authority (participation in the reviewing process)

Stage of project development	Initiator of PPP proposal: Solicited (public authority)	Initiator of PPP proposal: Unsolicited (private business)	Reviewing body	Analysis of Efficiency body	Decision body	Public partner	MDETA	MoF
	process (as needed)							
Phase 2: Feasibility study appraisal	• Hires advisors • Prepares the FS • Submits the FS to the AoE body	• Hires advisors • Prepares the FS • Submits the FS to the AoE body	Does not participate	• Analyzes efficiency of PPP implementation method • Prepares the conclusion on efficiency	• Decides (approval or rejection) on PPP implementation • Publishes the conclusion on its official site	In most cases, it is the AoE body[9] and/or the decision body[10]	• Issues the final decision (approval or rejection) of the conclusion • Publishes the conclusion on the official site	Issues the opinion (approval or rejection) on the conclusion based on evaluation of the fiscal impact and aggregate exposure

9. For example, in the case of a concession in accordance with a decision of CMU, the state enterprise can be the public partner.
10. For example, in the case of a concession for the state roads, CMU is the decision body.

Stage of project development	Key stakeholders						Comments	
	Initiator of PPP proposal		Reviewing body	Analysis of Efficiency body	Decision body	Public partner	MDETA	MoF
	Solicited (public authority)	Unsolicited (private business)						
Phase 3: Tender preparation and procurement	Takes part in the tender commission	Takes part in the tender (has preferences)		Can be a public partner	Can be a public partner	• Organizing the preparation and conduct of the tender for the selection of a private partner (concessionaire) • Negotiates the future contract conditions • Signs PPP contract	• Takes part in the tender commission • Monitors the tender process • Registers (collects) PPP contracts	Takes part in the tender commissi on
Phase 4: Contract management						• Monitors contract implementation • Reports to MDETA on an annual basis	• Monitors contract implementation , including the fiscal risks evaluation • Reports to MoF on an annual basis • Publishes the results of monitoring on the official site	Monitors contract implemen tation regarding fiscal risks

Table 2. Roles and responsibilities in a PPP process involving communal assets

Stage of project development	Key stakeholders						Comments	
	Initiator of PPP proposal		**Reviewing body**	**AoE body**	**Decision Body**	**Public partner**	**MDETA**	**MoF**
	Solicited (public authority)	**Unsolicited (private business)**						
Phase 1: Concept note development and evaluation	• Prepares the concept note and conducts the preliminary analysis • Hires advisors (if needed)		• Reviews the concept note • Prioritizes the project • Makes a decision on feasibility study preparation			Could be an initiator of PPP proposal or a part of the reviewing authority		
Phase 2: Feasibility study appraisal	• Hires advisors • Prepares the FS • Submits the FS to the AoE body	• Hires advisors • Prepares the FS • Submits the FS to the AoE body		• Analyzes the efficiency of PPP implementation • Prepares conclusion on expediency or inexpediency of PPP implementation	• Decides on PPP implementation (or nonimplementation) • Publishes conclusion on its official site	In most cases, the AoE body and/or the decision body[11]	***Applicable only for projects with government support at the expense of the state budget:*** • Approves / does not approve conclusion on the results efficiency analysis • Publishes conclusion on the official site	***Applicable only for projects with government support at the expense of the state budget:*** Assesses the fiscal consequences of PPP implementation and the feasibility and possibility of providing state support
Phase 3: Tender preparation and procurement	Takes part in the tender commission	Takes part in tender (has preferences)				• Organizes and conducts the tender process	Does not participate (except when necessary to approve the CMU decision on	Does not participate (except when necessary to approve the CMU decision on

11. The decision body is the city (town, village, etc.) council.

Stage of project development	Key stakeholders						Comments	
	Initiator of PPP proposal		Reviewing body	AoE body	Decision Body	Public partner	MDETA	MoF
	Solicited (public authority)	Unsolicited (private business)						
						• Negotiates future contract conditions • Signs PPP contract	providing government support)	providing government support)
Phase 4: Contract management			Does not participate	Does not participate	Does not participate	• Monitors contract implementati on • Reports to MDETA on an annual basis	• Monitors contract implementation, including the fiscal risks evaluation • Reports to MoF on an annual basis • Publishes the results of monitoring on the official site	Monitors the contract implementation regarding the fiscal risks

Table 3. Institutional responsibilities

Phase	Activity	Responsibility/Conducted by
1	**Initiating the concept note development**[12]	• State authorities • Local government authorities • Enterprises, institutions, organizations, companies, 100 percent of the shares of which are owned by the Autonomous Republic of Crimea • State enterprises, institutions, organizations, companies, 100 percent of shares of which are owned by the state (SOEs) • Municipal enterprises, institutions, organizations, companies, 100 percent of shares of which are owned by territorial community (MOEs) • The National Academy of Sciences of Ukraine • Branch academies of sciences
	Concept note evaluation[13]	***For state assets:*** • The Initiator of PPP proposal preparation, taking into account positions of the Ministry of Economy, the Ministry of Finance, and the central executive body that according to the law carries out functions to manage the corresponding state assets (in case such body is not the initiator of PPP proposal preparation) ***For communal assets:*** • The initiator of PPP proposal preparation and the executive committee of the village, settlement, city council or executive staff of the district, regional council (if such body is not the Initiator of PPP proposal preparation) ***For assets of the Autonomous Republic of Crimea:*** • The initiator of PPP proposal preparation and the executive body of the Autonomous Republic of Crimea, which in accordance with the law performs functions to manage relevant assets (if such body is not the Initiator of PPP proposal preparation). Representatives of the balance holder (if available) may be involved in the analysis of the concept note to express a position on the project proposed.
2	**Development of feasibility study**	• Entities that can be private partners (concessioners) • Same as in 1.1.
2	**Analysis of Efficiency**[14]	***For state property assets:*** • The central or local state executive body, which in accordance with the law performs functions to manage relevant state assets

12. In accordance with Ukrainian legislation (Article 10 of the PPP Law and Article 4 of the Law on Concession).
13. In accordance with Ukrainian legislation (p. 6 of the procedure for conducting an analysis of the effectiveness of public-private partnerships, adopted by the Decree of the Cabinet of Ministries of Ukraine of April 11, 2011, No. 384, “Some issues of Organization of Public-Private Partnership.”
14. In accordance with the Article 11 of the PPP Law.

<table>
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• The central state executive body, which ensures the formation and implementation of public policy in the field of public-private partnership (MDETA), in the case a body to perform functions to manage the relevant state assets is not defined by the law

For communal property assets:

• The executive body of local self-government, authorized by the relevant village, settlement, city, district, or regional council
• The executive committee of the village, settlement, city council or the executive staff of the district, regional council, if no other body is designated by the relevant village, settlement, city, district, or regional council

For assets of the Autonomous Republic of Crimea:

• The body authorized by the Council of Ministers of the Autonomous Republic of Crimea, or
• The Council of Ministers of the Autonomous Republic of Crimea

If several public partners are involved in a public-private partnership, they jointly analyze the effectiveness of the PPP.
</td></tr>
<tr><td>2</td><td>Decisions on implementation of PPP or inexpediency of its implementation, tender organizing, and approval of results[15]</td><td>

For state property assets:

• The central body of executive state body, which in accordance with the law performs the functions of managing the relevant state assets
• The Cabinet of Ministers of Ukraine, if the body performing the functions of managing the relevant state assets is not determined in accordance with the law for the construction and further operation of public roads of state importance in the form of a concession (Article 40 of the Law on Concession)

For communal assets:

• Local self-government body in accordance with the powers under the Law of Ukraine on Local Self-Government

For assets of the Autonomous Republic of Crimea:

• Body authorized by the Council of Ministers of the Autonomous Republic of Crimea, or
• The Council of Ministers of the Autonomous Republic of Crimea

Additionally, in accordance with the Law of Concession, the decision on the expediency or inexpediency of the concession is made:

For property of companies, 100 percent of shares of which belong to the state, the Autonomous Republic of Crimea, territorial community, or to company, 100 percent of shares of which belong to the state, which is transferred to concession together with state or communal assets:

• The relevant public authorities or local authorities carrying out corporate rights management functions in respect of such companies (Article 5 of the Law on Concession)
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15. In accordance with Article 13 of the PPP Law.

3 About the Manual

3.1. Objectives

The PPP Manual specifies the tasks involved in PPP project preparation, structure, tendering, and contract management in Ukraine. A good project preparation framework can help minimize downside impacts from the project such as:

- Failure to select the right solution to meet a need or to develop a sense of the project's suitability as a public investment
- Unsuitability of a planned project for PPP
- Project inadequate for either public investment or a PPP (e.g., it lacks adequate broad risk analysis, technical difficulties were overlooked, environmental challenges emerge, concerns over affordability arise, or the project proves commercially unfeasible)
- Poorly designed tender (e.g., it allows unworkable bidders or fails to select the best value proposal)

3.2. Target audience

The PPP Manual is addressed to the public entities developing concept notes and feasibility studies; future private partners initiating PPP proposals; authorities responsible for analysis of efficiency, review, approvals and recommendations, including MDETA and MoF; public partners (grantors) implementing the PPP/concession contracts and monitoring performance; and transaction advisors and PPP consultants supporting the public partner or private business in developing PPP projects.

3.3. Structure of the PPP Manual

The PPP Manual is structured as four main documents, each of which corresponds to a phase in the PPP cycle from identification to contract management. Each phase is divided into set of activities or steps describing the objectives, process, and outcomes. Some tasks may be relatively independent in terms of sequence; their development may occur in parallel or overlap or significant feedback and circularities may occur. Other tasks depend on a prior step. For this reason, this Manual arranges the tasks as a list rather than presenting them as steps. Each separate phase manual is complemented by templates and/or checklists (where appropriate and applicable), such as a cost-benefit analysis (CBA) or value for money assessment framework. The contents of the PPP Manual incorporate good international practices for project preparation and management and the experiences of selected countries with mature PPP programs. The PPP Manual is applicable for national and subnational PPP/concession projects.

- **Phase 1: Concept note development and evaluation (prefeasibility)**

This phase covers project development from project solution identification to preassessment (both as a public investment/project decision and as a potential PPP project), including the management plan design for all the preparation work through to contract tender (including defining the project preparation governance and programming the needed consultations with the relevant stakeholders).

Through the work developed during this phase, the reviewing authority determines whether the project is feasible and presents an appropriate solution and whether PPP delivery is a suitable response and appears to be fiscally responsible. If the reviewing authority does not find the project suitable, it must be reconsidered, including potentially changing the preferred project option identified from among the others suggested at the commencement of Phase 1.

- **Phase 2: Feasibility study appraisal**

Phase 2 develops further technical definitions of the project and fully appraises the project and the plan for PPP delivery from all the relevant perspectives: economic, legal, technical, environmental, financial/commercial, VFM, and affordability/fiscal impact. During this phase, the initiator of the PPP proposal will further prepare the project and the contract, including:

- An initial definition of the contractual risk allocation and financial terms;
- Further definition of the technical scope, design, and requirements, including the first definition of the outputs or service requirements; and
- Definition of the tender process and tender strategy.

The project will be appraised and approved by MDETA and others (MoF and line ministries, if necessary) on the basis of the PPP proposal, at this stage consisting of the feasibility study and results of the efficiency of PPP implementation assessment. Following this evaluation, a decision whether to procure the project as a PPP will be made. If the project is positively appraised as a good technical solution but PPP delivery is not approved as the best way to procure it, the project may be redefined or adjusted and then reassessed, reconducted under conventional procurement processes, or abandoned or deprioritized. This work includes sounding the market to ensure the project's acceptability and its proper promotion.

- **Phase 3: Tender management / transaction execution**

During this phase, the project is being prepared for launch, all tender documents are being finalized, and any needed approvals are being sought. This phase governs the process of selecting the private partner, starting with the official launch of the tender and finishing with the contract signature after conditions precedent have been met and checked. The tender process will correspond to the type of process selected and the specifics defined in the tender documents in terms of qualifications evaluation, potential bidder communication and interaction, proposal evaluation, bidder selection, contract award, and contract signing. This part of the Manual will provide practical guidance on managing certain critical aspects and stages of these processes. The appropriate framework for contract management and monitoring and the needed evaluation tools should be carefully considered. The final outcome is the contract signature and commencement of the operational life of the contract.

- **Phase 4: Contract management**

This Manual addresses active performance monitoring by the PPP public management unit of the public partner (grantor) of private partner (concessioner) and project management during the construction and operating phases of a PPP project. Phase 4 of the Manual provides practical guidance on the tasks the public partner (grantor) must perform to manage the construction and operation phases of the PPP/concession contract. Throughout, the Manual is complemented by useful tools and resources for successful project implementation.

4. Glossary

Term	Definition
affordability	The ability of a project to be realistically accommodated within the inter-temporal budget constraints of the government.
analysis of efficiency	The procedure of evaluation and approval of PPP proposals under the PPP Law and CMU Decree No. 384, dated April 11, 2011.
applicant	A private sector participant in the tender process before being selected for a Request for Proposal (RFP).
appraisal	A series of feasibility exercises that inform a decision to approve, cancel, or revisit a project, usually undertaken before the tender of the contract.
availability payments	Payments to a private party made over the lifetime of a contract in return for the private party making the project infrastructure available and providing for appropriate services. The payment is subject to deductions that depend on the effective level of availability as defined in the contract, based on the level of performance. It is a common form of payment in government-pays PPPs. According to the legislation of Ukraine (Law of Ukraine on PPP), stipulated by the contract concluded under the PPP framework, payments in favor of a private partner are paid after acceptance of the PPP facility in operation, the size of which depends on the achievement by the private partner of performance indicators defined by the contract concluded under the PPP framework.
bankability	A project's ability to be accepted by lenders as an investment under a project finance scheme or the ability of the project to raise a significant amount of funding by means of long-term loans under project finance, based on the creditworthiness of the project in terms of sufficiency and reliability of future cash-flows.
base case	The financial description of the project in terms of costs, revenues, and resulting conclusions. It combines the sensitivity variables to consider the most likely scenario.
bid bond	A written guarantee provided by the private party to the procuring authority. The bid bond is intended to ensure that, if selected, the bidder will proceed with the contract. The bid bond is generally returned to the successful bidder when the relevant contract becomes effective or at financial close.
bidder	In a broad sense, the company or a group of companies, such as a consortium, that submits a bid in response to a RFP. A bidder could be a single party or a consortium of parties, each responsible for a specific

Term	Definition
	element, such as constructing the infrastructure, supplying the equipment, or operating the business. In strict terms, *bidder* indicates only the company or companies that commit to form the project company or private partner (also known as the SPV), with other members of the bidding consortium acting potentially as "nominated contractors."
business case	The document that articulates the rationale for undertaking an investment.
calibration	The process to refine and assign final numbers and values to the various parts of the payment mechanism.
capital expenditure (CAPEX)	Capital expenditure (CAPEX): The initial construction costs of the infrastructure plus any expenditure on the constructed PPP assets that is not an operating expense (OPEX).
capital grants or grant financing	Grant payments or capital subsidies paid by the government to directly finance a portion of the project costs. Also termed *co-financing*.
co-financing	Co-financing means, in the PPP context, public sector financing of a portion of a project's capital expenditures (CAPEX). When the finance is public in the strict sense (finance funded by budgetary resources, usually considered grant payments or grant financing, rather than finance provided by public financial agencies or public banks), it may be referred to as *pure co-financing*.
commercial banks	Privately owned banks that supply loans, known as debt, to a special purpose vehicle (SPV), enabling it to finance project activities.
commercial close	The point at which all the significant commercial issues between the public partner (grantor) and the consortium have been agreed. The PPP (concession) contract (or PPP project agreement) will normally be signed at commercial close. Sometimes, even if the PPP (concession) contract has been signed, the majority of its provisions will not become effective until financial close has been reached.
commercial feasibility	Analysis conducted to check whether the project will effectively attract quality bidders, investors, and lenders, as well as to highlight the main conditions that must be met to do so. It also includes *financial feasibility.*

Term	Definition
compensation events	Risk events for which the private partner (concessionaire) is entitled to receive financial compensation if the event occurs and to the extent that the private partner (concessionaire) is impacted financially. Compensation may only be partial, in which case the event may be referred as a *shared risk*.
competitive dialogue process	A particular type of tender process that includes a specific phase, named the *dialogue phase*, in which the contract and Request for Proposal (RFP) are discussed between the authority and the candidates (on a one-on-one basis) or prospective bidders (previously preselected or shortlisted on the basis of a Request for Qualifications (RFQ)). The purpose is to refine the contract and RFP before the bid is requested (or the final bid when previous bids have been called during the dialogue, usually on a nonbinding basis). According to the Ukraine Law on Concession (Article 18(1)), competitive dialogue is a type of concession tender and can be used if the grantor cannot clearly define the technical, qualitative characteristics of the project carried out as concession, or if the technical, financial, and legal solutions that can be offered by potential tenderers are unknown. Dialogue helps to reach the best decision through negotiations with the tenderers (in cases of implementation of innovative projects, large complex infrastructure projects, etc.).
concessionaire	A private partner in the concession contract. According to the Ukraine Law on Concession, a legal entity resident in Ukraine that, in accordance with the law, received an asset in concession and is a party to the concession contract.
conditions precedent	Conditions to be fulfilled by the project company before drawing on the debt or before the project contracts become effective.
consortium	A group of companies that has joined together to bid for a project. It is common for companies to form consortia to bid for PPP (concession) projects, as this enables them to bring together all of the capabilities required for the project (for example, construction, infrastructure operation, and financing capabilities).
contingent liabilities	Obligations/liabilities triggered by a discrete but uncertain future event.
contract breach	A failure to observe a provision of the contract. It may lead to penalties and also to events of default or contract default. It is also known as a *breach of contract*.
contract default	A breach of contract that relates to an obligation considered essential in the contract (including persistent breaches), which will entitle the public partner

Term	Definition
	(concessionaire) to terminate the contract. To be considered a default, a breach must usually be a material breach of the respective obligation. It is also known as an *event of default*.
contract execution	Signing of the contract. See ***commercial close*****.**
contract management	The process of managing and administering the PPP contract from the time it has been agreed at contract signature through to the end of the contract term.
contract signature	See ***commercial close*****.**
cost-benefit analysis (CBA)	A type of analysis used to compare two or more options for a project or a decision based on economic flows duly adjusted, following some patterns. The CBA is primarily used to assess the socioeconomic feasibility or value of the selected project or project under assessment (regardless of the method of procurement).
cost-effectiveness analysis (CEA)	CEA relates the cost of an alternative to a measure of project objectives or to its key outcomes or benefits. For example, it could be dollars per time saved on various public transportation systems.
credit enhancement	Instruments structured mainly to provide higher-level protection to lenders, thus increasing the credit rating of the debt. When provided by the public sector, credit enhancements are a form of public finance (in revolving mode) that may not necessarily provide soft terms and decrease the average cost of capital of the project directly; instead, they enable the lenders to charge lower rates of interest due to the increased credit rating. Credit enhancements can also be provided by multilateral development banks (MDBs), export credit agencies (ECAs), and private sector monoline institutions.
debt service coverage ratio (DSCR)	The ratio that measures the ability of the project company to meet the debt service payment of each year. This is calculated by dividing the projected operating cash flow before debt service by the debt service of the respective year.
design requirements	The requirements for the design of the facility as set out in the output specifications, the design documentation bid by the private party (and included in the project agreement as at contractual close), and the other design requirements set out in the project agreement.
direct agreement	An agreement between the public partner, private partner, and lender (lenders) that determines the procedure and conditions of the private partner's replacement and may provide for the parties' obligations related to replacement of the private partner, fulfillment of financial obligations of the private partner to the lender (lenders), and other provisions aimed at

Term	Definition
	preventing the termination of the contract concluded under the PPP framework.
direct liabilities	Payment commitments that will be incurred regardless of the occurrence of an uncertain future event.
discount rate	The rate used to calculate the present value of future cash flows (or economic cashflows in economic analysis).
early termination	When a contract is terminated before its natural term or expiration.
economic infrastructure	Infrastructure that makes business activity possible, such as communication, transportation, and distribution networks such as water, waste, and energy supply systems.
economic internal rate of return (IRR)	The project's internal rate of return (IRR) after taking into account externalities (such as economic, social, and environmental costs and benefits) not included in financial IRR calculation and other adjustments to correct market imperfections.
Environmental Impact Assessment (EIA)	The formal process used to predict the environmental consequences, positive or negative, of a project. The preliminary assessment is usually carried out by a public agency or authority and may result in requested or necessary changes in the project's design and construction. The comprehensive EIA is carried out by the private partner.
equity	The portion of the share capital and other investment subordinated to senior debt provided by members of the special purpose vehicle (SPV).
equity internal rate of return (IRR)	The internal rate of return (IRR) on the equity paid in by the investors, which is derived from distributions (mainly dividends, capital shares amortization, repayment of junior debt, and interest on junior debt).
evaluation criteria	The criteria against which proposals are evaluated so as to select the preferred bidder. Broadly speaking, there are two main types evaluation criteria: • Processes based only on price, where the technical factors are assessed on a pass/fail basis. This may be referred to as an *auction* (although auction is more appropriate for asset monetization PPPs) and as a *Least Cost Selection*. • Processes based on price in combination with other qualitative factors, basically related to the quality of the technical offer (approach to construction and project design, and approach to operations and maintenance). This may be referred to as *quality- and cost-based selection (QCBS),* or more frequently as *Most Economically Advantageous Tender (MEAT).*
event of default	See ***contract default*.**
ex-post evaluation	An evaluation conducted after a certain period has passed since the completion of the project, with emphasis on the effectiveness and sustainability of the project.

Term	Definition
financial agreement	The set of documents under which a loan is provided for the development of the PPP facility. Related terms include *loan documents/agreement, finance agreement,* and *debt agreements.*
financial close	The point at which all project documentation is signed, all preconditions attached to the project's financing have been met, and the project funding becomes available.
financial feasibility	Please see ***commercial feasibility*.**
financial model	A digital spreadsheet computer file that incorporates, for the duration of the contract, all the investments, revenues, costs, and taxes as well as several analytical parameters and the relative inflation. The tool also incorporates the free cash flow of both the project company and the equity investor.
financial structure (from the public perspective)	According to the PPP Certification Guide,[16] the term financial structure (from the public perspective), refers to the definition of the means of compensation to be granted to the private partner in the contract and its conditions (tenor, timing, indexation, and potential adjustments/deductions), including grants (to co-finance the capital expenditures, or CAPEX), service payments, subsidies, rights to collect user payments, and any potential public party participation in the provision of financing (guarantees and other credit enhancement measures, equity, or debt contributions). The financial structure may also be regarded as the resulting profile of government payments in terms of net present value (NPV) and yearly public expenditure, or the profile of payments to be received from the private partner (in over-feasible projects).
financing	The source of money required up front to meet the costs of constructing the infrastructure. Financing is typically sourced by the government through surpluses or government borrowing (traditional infrastructure procurement) or by the private sector raising debt and equity finance (PPPs).
fiscal feasibility	Please see ***affordability*.**
fiscal risk	The risk that the fiscal outcome for government (that is, the government's financial position) will be different from that expected.
force majeure	External, unpredictable events beyond the control of either party that are construed or defined by a law, policy, or the contract. The precise scope of this term varies by jurisdiction, but it typically includes *Acts of God* (natural disasters). It also often includes certain man-made events, such as war and terrorist activities.
functional design	A design prepared to indicate the functional requirements of a project, rather than providing actual inputs and works specifications.
funding	The source of money required to meet payment obligations. In a PPP context, it refers to the source of money over the long term to pay the PPP private

16. https://ppp-certification.com/ppp-certification-guide/about-ppp-guide.

Term	Definition
	partner for the investments and operating and maintenance costs of the project. Funding is typically sourced from taxes (in government-pays PPPs) or from user charges (in user-pays PPPs).
government	Refers to all levels of government and their respective line agencies and/or ministries.
government-pays PPP (non-concessional PPP)	A PPP in which the majority of the revenue of the private partner is in the form of budgetary payments, usually linked to performance or use.
grant financing	The provision of direct payments from the government so as to finance a portion of the capital expenditures (CAPEX) from the budget. These payments are usually made during construction (monthly or quarterly as work is progressing or on the basis of specific milestones) or at the end of the construction period.
grantor	Public partner in a concession project.
greenfield projects	Projects related to completely new infrastructure or to significant new structures or very significant upgrades of existing infrastructures.
hand-back	The transfer of the project assets, and responsibility for those assets, to the government upon the termination or expiry of the PPP contract. May also be referred to as *handover.*
investment decision	The decision as to whether a proposal represents a good project. The question to be answered is whether the government is willing and able to provide the required funding (after accounting for any user fees, such as road tolls), regardless of how the project is procured.
key performance indicators (KPI)	The financial or nonfinancial indicators used to measure the progress or success of the private party during the operating term on critical factors relevant to the project, which will normally vary depending on the contracted services and other attributes of the project. KPIs are often included in the contractual arrangement because they may serve as the basis for certain payments to the private party.
lender	An institution, mainly banks and institutional investors, that provides lending to the project through project bonds. According to the Ukrainian Law on PPP, any financial institution or international financial organization that has provided or intends to provide debt financing or has issued a guarantee to a private partner to fulfill its obligations under a contract concluded under the PPP framework .
line agency (or line ministry)	Government ministries or departments responsible for policy development, planning, and delivery of specific services. Common examples include the Ministry of Infrastructure and the Ministry of Health.
liquidated damages (LDs)	The agreed level of loss when the private party commits a contract breach. See also ***penalties*****.**
multicriteria analysis (MCA)	A form of analysis used to compare options; MCA explicitly considers multiple criteria with cost or price as one of the main criteria.
net present value (NPV)	The discounted value of an investment's cash inflows (or economic inflows in economic analysis) minus the discounted value of its cash (or economic costs

Term	Definition
	in economic analysis) outflows. To be sufficiently profitable, an investment should have a net present value greater than zero.
nominee contractor	A specialist contractor forming part of and enhancing the credibility of a consortium, because of its specialist skills and expertise, but who will not become an equity investor in the special purpose vehicle (SPV).
open tender	A bidding process open to any interested bidder as long as they meet the qualification criteria.
operations or operating phase	The period from the end of commissioning to the end of the term of the PPP contract during which the private partner is responsible for the maintenance, and in many cases the operation, of the infrastructure.
OPEX	*OPEX,* short for *operating expenses,* indicates the costs for operating the infrastructure asset after construction delivery.
opportunity cost	The benefit one could have obtained by making an alternative choice.
optimism bias	A bias that causes a person or institution to believe he, she, or it is less at risk of experiencing a negative event compared to others. For example, a government may have an optimism bias toward a traffic demand forecast that may be unrealistic.
output specifications	The service requirements under a PPP that are defined on the basis of results rather than means.
payment ceiling	The maximum (or minimum) value of the price offer to be allowed in the RFP for a proposal to be regarded as valid.
payment deductions	Deductions from the payments in a government-pays PPP; also referred to as *payment adjustments* or *payment abatements*. These are the immediate route for financially penalizing underperformance in government-pays PPPs.
payment mechanism	The mechanism in the project contract that sets out the payment arrangements under a PPP contract between the public and private sector in government-pays PPPs. This normally includes detailed processes concerning the timing of payments and the methodology for varying payments over time, such as keeping in line with inflation.
penalties	Payments to be borne by the private party if there is a breach of contract. They may also be referred to as *direct* or *explicit penalties*, so as to differentiate them from *payment deductions.*
penalty system	The scheme that defines categories of breaches and levels of penalties described in the contract.
performance bond	See ***performance guarantee.***
performance guarantee	A written guarantee issued by a third-party guarantor (usually a bank or an insurance company) and that is then submitted to the public partner. It is intended to ensure that the private partner and/or the contractor will perform all obligations as stated in their contracts.
performance indicators	Quantitative and qualitative indicators on the reliability and accessibility of the PPP facility, which must be achieved by the project carrying out the terms of PPP, taking into account its purpose and objectives.
performance monitoring system	A system typically comprising a set of indicators and procedures agreed upon in the project agreement, primarily for the purpose of determining whether

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	the private party is delivering the contracted services according to the service specifications.
performance points	A system that assigns points to each contract breach to track and record the breaches — and therefore performance — especially in order to control the risk the private partner will enter into a persistent breach situation.
performance requirements	Performance requirements may be considered a part of the broader concept of *technical requirements* or *technical specifications*. In general terms, this refers to the specifications in the contract regarding what is requested of the private partner in terms quality and/or quantity. Performance requirements may also be named ***output specifications*** depending on the context (see definition), or *service requirements*, and may also be referred to under the broader concept of *operation and maintenance requirements*. The technical requirements related to construction may also be named *construction requirements* or *technical prescriptions for construction*.
permits	Planning or other permissions required to construct and operate the facility.
persistent breach	Consistent failure by the private partner to observe the provisions of the project contract. Persistent breach (as defined in the contract in terms of the number of breaches, the accumulation of penalties, or the accumulation of performance points) may result in early termination of the contract.
PPP agreement	See ***PPP contract*.**
PPP contract *(broad definition)*	A long-term contract between a public party and a private party for the development and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility throughout the life of the contract. Remuneration is significantly linked to performance, and/or the demand or use of the asset or service. According to the legislation of Ukraine, a long-term agreement between a public and a private partner, according to which the private partner is granted the right to create and/or build (new construction, reconstruction, restoration, overhaul and technical re-equipment), and/or manage (use, operation, maintenance) a PPP project, and the provision of public services using the PPP facility.
PPP contract structure *or* **contract structure**	The set of key commercial terms of the PPP contract, fundamentally those related to financial terms or "financial structure of the PPP contract" (how the private partner will be paid), and risk allocation terms, or "risk structure of the PPP contract" (how risks are allocated to each party to the contract).
PPP process *or* **PPP cycle**	The steps that PPP projects proceed through in order for the project to be delivered. Steps include identifying the project, appraising the PPP, structuring the PPP and designing the contract, managing the tender and award processes, and managing the contract.
PPP project structure *or* **project structure**	The PPP project structure refers to the architecture of contractual relationships and cash-flows that govern the development and life of the project. It includes the PPP contract structure and the structure of the private contracts (also referred to as the *downstream contract structure*) that

Term	Definition
	document and allocate the responsibilities, obligations, risks, and rewards inherent to the PPP contract. *PPP project structuring* refers to the process of developing the PPP contract structure and the structure of the tender process.
PPP proposal	Feasibility study and the conclusion on efficiency (does not include the concept note).
PPP review	An assessment to determine whether a project appears to be sound as a PPP and can proceed to the next stage of appraisal.
prefeasibility study	An assessment of the basic parameters of a PPP project used to decide whether to go forward with more in-depth and expensive studies, such as feasibility studies and transaction development.
preferred bidder	The bidder identified at the end of the tender evaluation process as being the government's preferred partner to enter into (or enter into final negotiations for) a PPP (concession) contract. The preferred bidder is awarded the contract and called to contract signature.
prequalification	The act of testing prospective applicants to determine whether they meet the pass/fail qualification criteria in advance of issuing the Request for Proposals.
private finance	Any financing provided by the private sector that is at risk, that is, dependent on the financial performance of the project.
private partner	The counterparty of the public partner in the PPP contract; a private entity that has been granted the contract to construct and operate a government (municipal) asset and that is usually created under the form of a special purpose vehicle or SPV (see ***special purpose vehicle***). It may also refer to the shareholder members of the SPV; however, these are more accurately defined as *equity investors* or *shareholders*.
private party	An alternative common name to mean *private partner*. *Private party or parties* may also refer to the private agents that participate in the project (including sponsors, contractors, lenders, and investors).
procurement decision	The decision as to the best way of buying the project. Does the PPP procurement offer better value for money than the best practicable public sector delivery model?
procuring authority	The unit (body) within a government (municipality) that is tendering and contracting the project; the public counterpart in the PPP contract. It also includes *public party*, *public partner*, *public authority*.
Project Information Memorandum (PIM)	A document that sets out details of the project, including the anticipated key contracts and projected revenues, presented by the sponsor to the lenders in the context of fundraising negotiations. It may also refer to the project outline provided by the authority to prospective applicants and financiers during the testing and marketing of the project before tender launch.
project outline	The definition of the project at a basic level from a technical perspective.
project preparation	Activities handled by the government to mitigate project risks and advance matters that are the responsibility of the government before the contract is tendered.
public finance	A term that is used to mean either: • finance provided by the government; or

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	• finance that is recognized on the government balance sheet for accounting purposes (regardless of who actually provides the finance).
public partner	See ***procuring authority***. A party to the PPP agreement that represents the interests the state or municipality. In concessions, the term *grantor* is used.
Public Sector Comparator (PSC)	The cost estimate (adjusted for risk), from the public perspective, of a project delivered under a conventional procurement method. The PSC acts as a benchmark against which to compare the projection of cost estimates for the authority under the PPP option; this is done to determine if the PPP option offers value for money (VfM).
public services	Services aimed at ensuring public interests and needs provided to an unlimited number of users (consumers) and/or provision of which should be undertaken by public authorities, municipalities, state-owned or municipal enterprises, institutions, organizations, or companies 50 percent or more of shares of which belong to the state, territorial community, or the Autonomous Republic of Crimea.
rectification period	The time assigned to the private partner to rectify a certain default that interferes with the availability of the asset to users. This period is set in the contract by the public partner.
reference design	A technical blueprint of a design that is intended for others to copy. Third parties may be entitled to enhance or modify the design as required.
refinancing	A change in the financial structure and/or financial conditions by renegotiating the existing debt or raising new funds to substitute for the current fund providers. Some contracts provide for the refinancing gains to be shared with the public partner.
relief events	Risk events for which the contract provides relief from obligations. If the event occurs and affects the ability of the private partner to perform or meet any obligation, the potential breach of contract will not be regarded as a breach. Therefore, penalties or potential reasons to consider the partner in default will not be counted.
Request for Proposal (RFP)	The set of documents issued by the procuring authority inviting proposals from bidders for the project.
Request for Qualifications (RFQ)	The set of documents issued by the procuring authority that constitute the basis of the qualification and potentially the preselection of candidates (the short list).
retained risk	The value of those risks or parts of a risk that the government bears under a PPP project.
right of way	A right to a corridor of land typically required in linear infrastructure projects, such as roads or pipelines.
risk	An uncertain event which, if it occurs, may cause actual project outcomes to differ from expected outcomes.

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risk allocation	The allocation of the consequences of each risk to one of the parties in the contract, or an agreement to deal with the risk through a specified mechanism that may involve sharing the risk.
risk assessment	The evaluation of the likelihood that identified risks will materialize and the magnitude of their consequences if they do materialize.
risk premium	An additional required rate of return that must be paid to investors who participate in risky investments to compensate for the risk.
risk structuring	Defining the optimal risk allocation for the contract so as to decide which risks will finally be assigned to the private partner and to what extent, as well as which risks will be retained or shared by the public partner and to what extent.
shadow tolls (***shadow fares*** or ***shadow tariffs***)	*Shadow tolls* (also known as *shadow fares* or *shadow tariffs*) are tolls, fares, or tariffs paid by the government rather than the user. Shadow tolls are one of the two main types of payment mechanisms.
shareholders	The equity investors holding shares in the special purpose vehicle (SPV). An investor may invest in other instruments but will commonly also invest in equity shares.
short-listed applicant	Parties invited to submit a proposal in response to a Request for Proposal (RFP) for a project in which the government only allows a limited number of prequalified applicants to proceed to the RFP phase. Short-listed applicants become bidders in the tender process.
social infrastructure	Infrastructure that accommodates social services: hospitals, schools and universities, prisons, housing, courts, and so on.
soft conditions	Conditions more favorable than current market conditions.
soft loans	A soft loan is provided by the public authority. It is usually a subordinated loan, but senior to equity, including subordinated debt provided by the equity investors. It is also common that the soft loan is in the form of a participative loan, that is, the government (municipality) receives part of the upside of the project in exchange for the below-the-market conditions. Remuneration and rights to receive distributions must be clearly described in the contract.
soft services	Services associated with the facilities management of a project (including items such as cleaning, catering, and pest control), which normally include a high labor component and are not intrinsically associated with the capital assets.
special purpose vehicle (SPV)	An entity created to undertake a single task or project in order to protect the shareholders with limited liability, often used for limited or nonrecourse financing. In establishing a project consortium, the sponsor or sponsors typically establish a private partner in the form of a special purpose vehicle (SPV), which contracts with the government. The SPV is an entity created to act as the legal manifestation of a project consortium and has no historical financial or operating record that the government can assess. An SPV or *special purpose entity (SPE)* is a legal entity with no activity other than those connected with the project. Other terms include *private partner* or *project company.*

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sponsor	The private company or companies that assume a leading role in preparing and submitting the bid, usually during the life of the contract, until it potentially exits by selling its equity interest.
standard contracts	Standard contracts represent the precise wording for certain contract provisions or contract clauses that public agencies are required to use (or at least to document, with any deviations justified).
standstill period	A period in which a process is put on hold to allow another party or parties to take action. In the PPP context, it typically refers to either: • a mandatory period required between the award of a contract and the signing that contract to allow for any challenge to the award decision; • a contractually agreed period of time in which one party must refrain from taking specified forms of action.
step-in	The government's (or the lender's) option to assume the contractual responsibilities of a project party by managing their contract when that party is not meeting those obligations.
subordinated debt	Debt that, by agreement or legal structure, is subordinated to other (senior) debt, allowing those (senior) lenders to have priority in access to amounts paid to the lenders by the borrower from time to time and to borrower assets or revenues in the event of default. This priority may be binding on liquidators or administrators of the borrower.
technical requirements	The technical details about the project that allow a precise definition of the design of the infrastructure and the characteristics of the service to be implemented and that address how performance and service delivery will be effected. Clearly defined technical requirements are essential for the assessment and allocation of costs for the commercial feasibility analysis of the project.
tender process	The process by which bids are invited from interested parties to carry out the project. A tender process uses competitive pressure among bidders to obtain the best price and terms.
term	The duration of the PPP (concession) contract, or the period until the final repayment date of the debt.
termination for convenience	Termination by the government (municipality) in the absence of default or other triggers for termination. The government (municipality) will always reserve the right to terminate the contract early on the basis of public interest. Also known as *unilateral termination*.
termination payment	A payment made by the government (municipality) under the PPP contract following termination of the project agreement. It is also known as *termination compensation*.
third-party revenues	The ability of the project company to generate revenues other than those from users or the public authority.
transferred risk	The value of those risks (from the government's perspective) that are likely to be allocated to the private party under a PPP project.
two-stage tender	A tender process in which the government initially issues a Request for Qualifications (RFQ) and then (after assessing the qualifications of potential

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	applicants) only issues the Request for Proposal (RFP) to prequalified (or in some processes short-listed) bidders.
unilateral termination	See ***termination for convenience*.**
unsolicited proposal (USP)	A PPP project proposal initiated and carried out by a private proponent (for projects not part of a government master or sector list).
user charges	Payments made by users of the infrastructure, such as tolls in a toll road project.
user-pays PPP (concession)	A PPP project in which the revenues for the private partner are based on user-payments (for example, tolls for a road).
value for money (VfM)	Broadly speaking, to obtain or receive value for money means that the money spent is worthy, that is, the value of the product or service received equals or exceeds the amount spent. The decision to spend (or, in this context, invest) is a wise decision as it creates net value for the payer. The concept of value for money is often used in any investment decision to be taken by the government to mean that the investment creates net value to society (or to the taxpayer), and it is tested by cost-benefit techniques (especially cost-benefit analysis (CBA)). However, in the context of PPPs, value for money is used in a more specific sense; see ***value for money (in the PPP context)*** below.
value for money (in the PPP context)	The benefits relative to the costs of procuring a project using a PPP compared to other procurement options. Commonly referred by its abbreviation VfM. A positive VfM result or the VfM expected from the PPP option is the result of the combination of private sector efficiency and innovation, risk transfer, whole-life cost, and the service provided by the facility.
viability gap funding (VGF)	A scheme wherein projects with low financial viability are given grants (or other financial support from the government) up to a stipulated percentage of the project cost, making them financially viable as PPPs. The bidder who bids for a project with the least amount of financial support from the government is generally awarded the project.
weighted average capital cost (WACC)	WACC is the average cost of all the private financing resources of the project. It is a weighted average of the cost of the equity resources and the cost of debt.
willingness to pay	The willingness and ability of a concession's users to pay the tolls or other use fees required by the concessionaire.