Public Private Partnership Authority

Prime Minister's Office

GLOSSARY BOOK

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PPP Glossary - 2023

Public Private Partnership Authority
Prime Minister's Office

Chief Advisor

Dr. Md. Mushfiqur Rahman
Chief Executive Officer (Secretary)
PPP Authority, Prime Minister's Office

Editorial Sub- Committee

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(Additional Secretary)
PPP Authority, Prime Minister's Office

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Director General, Programming & Investment Promotion
(Additional Secretary)
PPP Authority, Prime Minister's Office

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(Engineering/Multi Sectoral Expert Support and Legal)
(Joint Secretary)
PPP Authority, Prime Minister's Office

A. M. Al-Amin
PPP Specialist
PPP Authority, Prime Minister's Office

Md. Emtiazul Hassan Mazumder
PPP Specialist
PPP Authority, Prime Minister's Office

Md. Palash Miah
Media Consultant
PPP Authority, Prime Minister's Office

Mirazul Hasan Chowdhury
Junior Consultant
PPP Authority, Prime Minister's Office

Design

Debashish Roy
Junior Web Specialist
PPP Authority, Prime Minister's Office

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PPP Authority is working under Prime Minister's Office of Bangladesh to facilitate and oversee PPP program in the country. PPP is a different and complex mechanism to implement infrastructure service projects compared to traditional procurement method. It involves a number of jargons and phrases that bears specific meaning and significant importance.

To ensure consistency in the approach to PPP project development and implementation and to assist all stakeholders, government officers, private partners, investors, lenders, contractors and consultants to have a common meaning, definition and understanding, PPP Authority is issuing this PPP Glossary Booklet for the first time.

The booklet incorporates a number of industry jargons and terminology being used throughout the PPP project lifecycle in day-to-day use. I hope that the booklet will assist all to use PPP related terminologies for common understanding without confusion.

I thank everyone for their support and contribution in publishing the PPP Glossary Booklet. We invite reader's valuable suggestion in enriching this document further.

Dr. Md. Mushfiqur Rahman

Chief Executive Officer (Secretary)

PPP Authority

Annuity	Repayment of debt where the sum of principal and interest is equal for each period; also used for availability payments.
Applicable Laws	The laws and legal frameworks that apply to a given PPP contract and project. The applicable laws may depend on the country and jurisdiction in which the project is located, the law of the PPP contract, or some other consideration.
Applicable Line Ministry	The Ministry of the People's Republic of Bangladesh which is mandated under the Rules of Business for the delivery of goods and services on a PPP basis.
Arbitration	A form of alternative, non-judicial dispute resolution, where the parties select an impartial third party/panel subject to a written agreement.
Arrangement Fee	The fee paid to an arranger of financing for its work in relation to a transaction.
Assignment	A legal term describing the act of transferring the rights, but not obligations, of a party under an agreement to another party.
Availability Payment	Payment made over the lifetime of a PPP contract in return for the Project Company making the infrastructure available and in compliance with agreed performance standards.
BAFO	Best And Final Offer. The private party presents the best terms they are willing to offer.
Bankability	The abi ity of a project to generate sufficient cash flows, bearing in mind the risks associated with the project, to repay its financing. A project or contract is said to be "bankable" if it comprises a level of risk allocation which would be generally acceptable to lenders.
Base Case	The lenders' projections of project cash ow at or shortly before the stage of Financial Closure.

BIFFL	Bangladesh Infrastructure Finance Fund Limited
Bid Bond	A bond of a fixed amount, usually one percent to three percent. of the tender contract price, deposited by bidders with the tendering authority at the time of submission of their tenders as a form of guarantee that the bidder will enter into a contract and achieve financial close in conformity with the tender. The bid bond is generally returned to the successful bidder on effectiveness of the relevant contract or on financial close. Also known as a tender bond.
Bidder	Someone who responds to a request for Expression of Interest or an invitation to submit a bid in response to a Project Brief or RFP A bidder could be a single party or a consortium of parties, each responsible for a specific element, such as constructing the infrastructure, supplying the equipment, or operating the business. Government normally contracts with only one lead party (bidder) who is responsible for the provision of all contracted services on behalf of the consortium.
Brown-field project	From a technical/engineering perspective: investments in a project on a site that has previously been used for industrial purposes or has been the site of significant buildings. From an investor perspective: project investment in an infrastructure asset that was existing before the time of procurement, or that was previously a greenfield project but is in operation at the time the investment is made.
Build-Lease-Operate-Transfer (BLOT)	A private entity receives a franchise to finance, design, build and operate a leased facility (and to charge user fees) for the lease period, against payment of a rent.
Build-Operate-Transfer (BOT)	The private sector designs, finances and constructs a new facility under a long-term Concession contract, and operates the facility during the term of the Concession after which ownership is transferred back to the public sector if not already transferred upon

	completion of the facility. In fact, such a form covers BOOT and BLOT with the sole difference being the ownership of the facility.
Build-Own-Operate (BOO)	The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.
Build-Own-Operate-Transfer (BOOT)	A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector
Bullet or Balloon Payment	A bullet repayment is a lump sum payment, typically very large, for the entire loan amount. It's typically paid at maturity.
Buy-Build-Operate (BBO)	Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.
Capex	Capital Expenditure; usually it refers to the initial costs of constructing the facility
Capital Appreciation	The increase in the value of an asset over time.
Capital Cost	Costs of financing construction and equipment. Capital costs are usually fixed, one-off expenses.
Capital Grant	Funded support from Government to off-set construction costs and thereby reduce the amount of private finance needed for a project. See also Government support and viability gap fund.
Capital Productivity Index	The present value of cash but excluding the initial capital cost divided by that initial capital cost.
Carbon Credits	A credit or permit arising from a greenhouse gas emissions reduction scheme, such as emissions trading.

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Claim	An assertion, by one of the parties to a PPP contract, of a right to compensation and/or time relief from the other party, in accordance with the terms of the PPP contract.
Claw Back	The ability (e.g., on the part of the grantor) to recover prior project cash ow that may have been distributed/paid away, e.g., as dividends to the sponsors.
Commercial operate date / Commercial Operations / COD	The date on which the construction phase of the project is successfully completed (typically determined by some form of independent certification and/or testing regime); the scheduled COD represents a target date for such successful completion with failures to achieve that date having commercial consequences (typically delay liquidated damages and/or termination).
Compulsory Acquisition	The process whereby The Government does not give the local land owners a choice to sell their land, but rather uses its legislative powers to compel them to sell for a predetermined price.
Concession Agreement/ Contract	An agreement or contract made between a host government and a project company or sponsor to permit the construction, development, and operation of a particular project, through which the government is delegating its monopoly or other unique rights.
Concession Period	The duration over which the private sector will operate the service/asset. The asset is handed back to the government authority in a pre-agreed condition at the concession handover/reversion date.
Concessionaire	The private partner awarded the tender for the implementation of the PPP Project
Conditions Precedent	A set of conditions that must be fulfilled before a contract or parts of it become effective.
Consortium	A group of entities coming together to submit an Application, Proposal or Bid (as applicable) and including a Lead Member and up to 4 (four) Non-Lead Members, unless any exemption is provided by the PPP Authority on a case-to-case basis.

Consortium Member	A member of a Consortium (including both Lead Member and Non-Lead Members)
Construction Contract	An agreement entered into between a principal and a contractor for construction works. In the context of a PPP, the agreement will typically be entered into between the Project Company and the construction contractor for the design and construction of the PPP project assets. Also often commonly known as a 'Design & Build (D&B) contract', 'Design and Construction (D&C) contract', or 'Engineering-Procurement-Construction (EPC) contract'.
Construction Contractor	The party that is responsible for the construction works under a construction contract. In the context of a PPP, it is typically the party that is responsible for the design and construction of the PPP project assets. Often also referred to as a "Design and Construction (D&C) Contractor" or "Engineering-Procurement-Construction (EPC) Contractor".
Construction Phase	The period from financial close to the completion of testing and commissioning during which the construction works are completed. On brown-field projects, this includes work such as rehabilitation to existing assets and so may run concurrently with the operations phase.
Construction Risk	Risk associated with the physical construction phase of project development.
Contingent Liability	A liability that has not yet materialized, but which may materialize in the future.
Contract Management Manual	A knowledge management tool for succession planning and transfer of knowledge through the team. It may also provide a guide which highlights the most immediate and critical actions that must be taken by the contract manager when administering the contract.
Contracting Authority	A line ministry /division/ directorate/ corporation/ statutory organization/ local government/ any similar organization under the line ministry

	/division/ the PPP Authority in the event that the PPP Authority is given the duty to carry out the functions from the time of taking up/initiating a PPP Project up until the execution of the PPP Contract and which proposes to enter into a PPP Contract or other contractual agreement with the Preferred Bidder and/or the Project Company.
Corrigenda / Corrigendum	A document issued prior to the due date by the Contracting Authority to correct any errors which will form an integral part of the RFQ, RFP or IFB (as applicable)
Cost-Benefit Analysis	The ratio of the NPV of the benefits of a project to the NPV of its costs (from the public-sector point of view)
Cost-Effectiveness Analysis	A comparison of the costs of different solutions to procurement of a project
Cure Period	A period of time allowed for a party to remedy a default under a contract. For example, the Project Company may have cure periods under a PPP contract to remedy its default under that contract, and the construction contractor may have cure periods under a construction contract to remedy its default under that contract.
Currency Risk	The cross-currency and foreign exchange availability risks.
Currency Conversion Swap Fee	A premium that is paid by the borrower to settle a swap, in which the parties sell currencies to each other subject to an agreement to repurchase the same currency in the same amount, at the same exchange rate, and on a fixed date in the future.
Debt: Equity Ratio	Ratio of debt to equity. This will range from 90:10 to 60:40 depending on the risks the project is facing

Demand risk	The risk that actual demand (that is, usage or patronage of an infrastructure project) does not meet the demand forecast at financial close.
Design-Build (DB)	The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price, turnkey basis, so the risk of cost overruns is transferred to the private sector. (Many do not consider DB's to be within the spectrum of PPPs and consider such contracts as public works contracts.)
Design-Build-Finance-Operate (DBFO)	The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.
Development Costs	The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.
Development Costs	The percentage rate used to reduce a future cash ow to a current value (used for calculating NPV).
Discounted Cash Flow (DCF)	A calculation of the current value (NPV) of a future cash flow
Dispute	A formal disagreement between the parties to a PPP contract, which is subject to the dispute resolution provisions of that contract.
Double Taxation Agreements (DTA)	Bilateral treaties between countries providing for the taxation of various forms of income when earned in one country by residents of the counterpart state.
DSRA / Debt Service Reserve Account	This type of bank account is usually required by lending banks in the context of project finance transactions. The primary purpose of the Debt Service

	Reserve Account (DSRA) is to protect a lender against unexpected volatility or interruption in the cash ow available to service the debt. These funds, essentially put aside for a rainy day, are usually established at the end of a construction period once the loan becomes repayable. The DSRA is usually funded to be either six months or even one year of principal and interest payments.
Due Diligence	Review and evaluation of Project Contracts and their related risks, carried out by Implementing Agency and the lenders.
Economic Infrastructure	Public infrastructure required for day-to-day economic activity, e.g., transportation and utilities.
Emergency Step-In	The right of the Contracting Authority to take over operation of the Facility for reasons of safety, public security, etc.
Engineering, Procurement and Construction Contract (EPC Contract)	A fixed-price, date-certain, turnkey contract. Usually, it involves design and engineering, equipment procurement or manufacture, and construction and erection of process or other plant. Till the time PPPs appeared on the scene, this was the most common mode of procurement in Governments.
Environmental Impact Assessment (EIA)	The formal process used to predict the environmental consequences, positive or negative, of a project. This is usually carried out by an agency or authority other than B34the Procuring Authority, and may result in conditions being requested or necessary to meet in the design and construction of the project.
Environmental & Social Impact Assessment (ESIA)	A study of the effect of the project's construction and operation on the natural and human environment.
Environmental Risks	Risks relating to the environmental effect of the construction or operation of the Facility.

EPC – Engineering, Procurement, Construction	A contract requiring a contractor to complete the design, engineering, procurement, construction, and start-up of a project or facility by a certain date, for a fixed price and at certain performance specifications.
Equator Principles	A risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.
Equity	The portion of the financing provided in the form of share capital or other debt that is subordinated to the senior debt provided by the lenders of the Project Company.
Equity Investors	Investors who finance the equity portion of a Project Company's financing, typically as share capital or subordinated debt.
ERR	Economic Rate of Return, a method for the public sector to measure the net benefits of a project.
Escrow Account	A bank account created specifically for a project. All of the incomes and expenses related to the project are to be routed through the Escrow Account. Usually, it is under the joint control of two parties.
Exchange-Rate Risks	Macroeconomic risks related to changes in currency exchange rates. This is applicable only when the project loans, costs or charges are denominated in a foreign currency, either wholly or partially.
Expression of Interest (EoI)	The first stage of the two-stage bidding process (Request for Qualification or RFQ), wherein Technical and Financial Qualification documents are invited. Based on the criteria specified in the RFQ documents, potential bidders are short-listed for the next stage, i.e., inviting financial offers.
Expropriation	Where the government takes privately owned property and declares it for public use.

Externalities	Economic, social, environmental or other effects of a project, the benefit or cost of which cannot be charged to users of the facility
Facility	The public infrastructure provided under the PPP Contract
Feed-in tariff	A policy mechanism designed to accelerate investment in renewable energy technologies by offering long-term purchase agreements for the sale of renewable energy electricity.
Finance Lease	A lease in which economic ownership of the asset passes to the lessee, on whose balance sheet it is therefore treated as a loan; if a PPP is classified as a finance lease then the capex element of the Service Fees will be deemed to be public-sector debt
Financial Closure	The stage when the Concessionaire ties up with the banks/financial institutions for the funds required for the project, and conditions precedent to initial drawing of the debt have been fulfilled
Financial Model	Used in project finance transactions to assess the economic feasibility of the project and whether or not it will be capable of producing enough cash to cover all operating costs and debt-servicing expenses for the duration of the concession agreement. The financial model can be used for multiple reasons: a) to assist with structuring a project finance deal, b) to determine the maximum amount of debt the Project Company is able to take on, c) to calculate the annual debt service coverage ratio which will highlight the riskiness of the project d) to determine the level of interest to be paid on the debt etc.
Financing agreement	The documents, which provide the project financing and sponsor support for the project as defined by the project contracts.

Financing Risk	The risk of not being able to obtain the necessary funding of a project from the banking and capital markets. Whilst this is formally a risk for the project sponsors, it is also a major risk for the host government in delivering the project, and explains why financial close is such a major milestone.
FIRR	Financial rate of return, the cash- ow benefit of a project from the point of view of the public-sector (as opposed to its economic benefit), or an investor in the project
Floating Interest Rate	An interest rate revised at regular intervals to the current market rate
FM contractor	A company contracted to carry out hard Facility Management or soft Facility Management services using the completed asset. Largely synonymous with an Operation and Maintenance Contractor.
Force Majeure	The phrase force majeure typically refers to events that are outside of the control of the parties, could not have been anticipated and make it impossible for a party to comply with the PPP contract. Force majeure provisions are common in PPPs and what constitutes a force majeure event may be set out in the relevant PPP contract.
Force Majeure Insurance	Insurance against third-party Force Majeure events affecting the Construction Subcontractor
Gearing Ratio	The gearing ratio measures the proportion of a company's borrower funds to its equity. The ratio indicates the financial risk to which a business is subjected, since excessive debt can lead to financial difficulties. A high gearing ratio represents a high proportion of debt to equity, this is indicative of a great deal of leverage, where a company is using debt to pay for its continuing operations. In a business downturn, such companies may have trouble meeting their debt repayment schedules, and could risk bankruptcy.

	The situation is especially dangerous when a company has engaged in debt arrangements with variable interest rates, where a sudden increase in rates could cause serious interest payment problems. A low gearing ratio represents a low proportion of debt to equity, this may be indicative of conservative financial management, but may also mean that a company is located in a highly cyclical industry, and so cannot afford to become overextended in the face of an inevitable downturn in sales and profits.
Government Pays (Offtake)	Represents the payment made by the government contracting agency to the concessionaire (established by the private sector developer) for the infrastructure assets provided and services delivered through a PPP project. These payments could be • Usage-based—for example, shadow tolls or output-based subsidies; • Based on availability—that is, conditional on the availability of an asset or service to the specified quality; and • Up-front subsidies based on achieving certain agreed milestones.
Government-pays PPP	Broadly refers to a PPP in which the revenue of the Project Company is in the form of budgetary payments made by the Procuring Authority, usually linked to performance or use.
Grace period	The period after an obligation is due for performance during which such obligation may still be performed without declaring an event of default and/or termination.
Greenfield projects	From an engineering point of view, these are projects to be developed on sites that have not had previous industrial use or significant buildings. From an investor perspective, they are project investments that relate to a PPP that has recently been awarded or is under construction, and where there are significant new structures or very significant upgrades of existing infrastructures.

Gross Capital Formation	Formerly known as Gross Domestic Investment. It consists of outlays on additions to fixed assets of the economy (roads, railways, schools, drains, hospitals, commercial buildings, etc.), plus net changes in the level of inventories. Inventories are stocks of goods held by firms to meet temporary or unexpected Fluctuations in production or sales, and "work in progress."
Hard Infrastructure	Infrastructure such as buildings and other such physical facilities.
IDCOL	Infrastructure Development Company
IFB	Invitation for Bid. Issued by the Contracting Authority to request information from prospective bidders participating in the bidding process for a PPP Project, and it refers to the document which contains the detailed information and instructions required to submit a Bid. This is applicable only in case of a single stage bidding process.
Incentive	Any general or special benefit or subsidy provided or declared by the Government, from time to time, in order to encourage private investment in PPP projects, and shall also include any financial and policy benefits.
Independent certifier	An independent third-party normally appointed by both the Project Company and the Procuring Authority, whose remit is to certify that the construction works comply with the specifications and standards set out in the PPP contract.
Independent Consultant	A consultant appointed for supervision and monitoring quality of the project (different from TA). Usually, Independent Consultant is appointed after the project has been awarded and the Concession Agreement has been signed. The Independent Consultant ensures that the project work goes as per schedule and as per the quality criteria specified in the agreement.

Independent Engineer	The engineering representative of the public partner, private partner, lender, or financier of a large capital PPP project.
In Action Risks	Risks related to the changes in the rate of price in ation which will affect the Project Company's capex or opex.
Infrastructure Gap	The difference between existing infrastructure and the infrastructure needed to promote economic development of a region.
In-Principle Approval	The initial approval provided by the CCEA to select a Project for development on a PPP basis.
Institutional Investors	An institutional investor is an entity which pools money to purchase securities, real property and other investment assets or loans for their respective investment portfolios. Institutional investors include banks, insurance companies, pension funds, hedge funds, investment advisers, endowments, and mutual funds.
Intercreditor Agreement	An agreement by and between the project lenders who are providing the financing to the project company. It governs the common terms and relationships among the lenders in respect of the borrower's obligations.
Interested Investors	Individuals or entities who have previously registered their interest with the PPP Authority for being informed about upcoming PPP Projects.
Interest-Rate Risks	Risks resulting from changes in interest rates which affect the Project Company's capex or opex
Interest-Rate Swap	A hedging contract to convert a oating interest rate into a fixed-rate
Interface agreement	A contract between the construction sub-contractor and the FM contractor / O&M Contractor. The interface agreement regulates who bears

	the cost of, for example, a defect in the completed asset caused by the construction sub-contractor, which delays the FM contractor's / O&M Contractor's performance.
IRR	Internal Rate of Return, the rate of return on an investment calculated from its future cash flows
Islamic Finance	Alongside the conventional system, the Islamic financial market has emerged as an increasingly relevant method for financing PPPs. The two key features of Islamic finance that bring better stability are: transactions are asset-backed or asset-based (as trading of debt is prohibited); and they are based on risk-sharing principles.
Joint Development Agreement (JDA)	A JDA is an agreement between two or more parties seeking to collaborate to develop and regulate their investment in a special purpose vehicle (SPV), until all of the parties finalize the underlying equity agreements between themselves and/or find third party equity investors. This phase typically covers the period from project inception until financial close.
Lead Manager(s)	Bank(s) arranging and underwriting the Project Company's debt.
Lead Member	With respect to a Consortium a "Lead Member" is who a) has entered into an agreement with the remaining Consortium Members to have at least 26% equity shareholding in the Project Company; b) is or will be the largest shareholder in the Project Company; and c) is authorized by all other Consortium Members to be responsible for the bidding process on behalf of the Consortium.
Lenders	Institutions that provide lending or debt capital to the project: mainly banks through loans and institutional investors through project bonds.

Letter of Acceptance (LoA)	The contract award letter issued to the selected bidder after evaluating all valid bids received.
Letters of Support (LoS)	Sets out a framework for the resolution or mitigation of specifically identified political risk events with specific exclusions including, for example, (i) Political risks that materialize as a result of conduct or omission on the part of the project company and (ii) Insurable risks.
Life-cycle cost	This is the total cost of providing the asset and services to the end of the contract term. It includes capital costs, finance, running costs, staff costs and the total cost of maintenance, taking into account the value of any asset at the end of the contract term.
Liquidated Damages / LDs	A specified monetary amount paid for a specific contractual breach that aims to compensate the injured party for the loss it suffers for such breach.
Longstop date	A date which is tied to a prescribed time period after a scheduled completion date by when all obligations must have been fulfilled otherwise a right of termination will typically arise. Also referred to as a sunset date.
Macroeconomic Risks	Risks related to in ation, interest rates, or currency exchange rates having an effect on the Project Company's capex or opex.
Mezzanine debt	The middle layer of capital that falls between secured senior debt and equity.
MMRA / Major Maintenance Reserve Account	During the operational phase of a project, pital investment is required to ensure that the project is able to continue operating as planned. The Major Maintenance Reserve Account (MMRA) is a specific bank account

	that is designed to accumulate funds over time to ensure that the funds are there when they are needed, if not a little before. An MMRA is typically required by lenders where the maintenance cycle of the project is such that there are large maintenance costs relative to the cash flow which will be incurred during the operational life of the project.
MMRA / Major Maintenance Reserve Agreement	An agreement entered into between a consultant or independent contractor and a company to provide management, consulting or other services for a fee. A management services agreement helps the company to reduce its operational costs and to increase its efficiency.
Negative Grant / Premium	The amount offered by the Concessionaire to the Contracting Authority under a PPP Project, if the project is profitable. This is an important bidding parameter, if applicable.
Net present Value	The discounted value of an investment’s cash in ows minus the discounted value of its cash out ows. To be adequately profitable, an investment should have a net present value greater than zero. Often also referred to by its acronym, NPV.
Non-default termination	The situation in which the contract can be terminated by an event that is not brought about by either party breaching their contractual duties (e.g., termination for extended force majeure or termination by agreement).
Non-Lead Member	A Consortium Member who has entered into an agreement with the remaining Consortium Members to subscribe to at least 10% of the equity in the Project Company.
Non-recourse project finance for PPPs	Under non-recourse project finance, lenders can be paid only from the project company's revenues without demanding compensation from the equity investors. That is, the project company's obligations are ring fenced from those of the equity investors, and debt is secured on the cash flows of the project.

Novate / Novation	Replacing one of the parties to an agreement with another party who consequently takes on the rights and obligations of the party who is no longer bound by the contract (in contrast to an assignment whereby, typically, only rights can be transferred).
Offtake Agreement	Establishes a contractual relationship between the project company and an identified Off-taker for the purchase and sale of all, or substantially all of the project output over an agreed period of time.
Operation License	A private operator receives a license or rights to operate a public service, usually for a specified term.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events during the operational phase of a project.
O&M Agreement	An agreement entered into between a principal and a contractor for operations and maintenance (O&M) works. In the context of a PPP, an agreement entered into between the Project Company and the operations and maintenance contractor for the operations and maintenance (O&M) of the PPP project assets. It also includes a "maintenance contract" and a "facilities management contract".
Operations contractor	The party that is responsible for the operations and maintenance works under an operations contract. In the context of a PPP, it is typically the party that is responsible for the operations and maintenance of the PPP project assets, as well as for providing all of the material, labour, equipment (such as engineering vehicles and tools), and services necessary for the operations and maintenance of the project.
Operations Phase	The period from the end of testing and commissioning to the end of the term of the PPP contract, during which the Project Company is responsible for the maintenance, and in many cases the operation, of the infrastructure. It is also referred to as the maintenance phase when there are no operations

	involved, or the operations and maintenance phase where both are required.
Opex	Operating costs. (Operational expenses)
Output specifications	The design and construction and service requirements under a PPP that are typically defined on the basis of outputs rather than inputs or prescriptive activities.
Owners' representative	A third-party individual or company that is hired by the Procuring Authority to represent its interest as the owner on site, either in the construction phase, operations phase, or both. For example, during construction owner's representative performs on-site inspections, facilitates communication between the Procuring Authority and Project Company and verifies compliance with the output specifications and general standards.
Partial Risk Guarantees (PRGs)	Cover private lenders, or investors through shareholder loans, against the risk of a government (or government-owned entity) failing to perform its contractual obligations with respect to a PPP project
Penalties	Payments by the Project Company for failure to meet service requirements under a Concession.
Political risk	The general term used to describe risks arising from factors that are determined or in uenced by governments. External risks, such as currency convertibility, war, sanctions, etc., may be avoided, hedged, or insured against, and are significantly mitigated by membership of the EU and EMU. Internal risks, such as taxation, terrorism, in ation, and strikes, are usually unavoidable and uninsurable, and particularly affect PPPs.
Political Risk Insurance (PRI)	Insu rance products that provide protection in the event of the project company suffering losses resulting fom gove rnment action (or inaction), or the materializati on of a political risk that negatively affects project asset s, operations and/or cash flows.

Power Purchase Contract	A contract between a power producer and a buyer to manage energy produced for the spot market by an energy producer.
Public- Private Partnership (PPP)	Contractual arrangement between public (national, state, provincial, or local) and private entities through which the skills, assets, and/or financial resources of each of the public and private sectors are allocated in a complementary manner, thereby sharing the risks and rewards, to seek to provide optimal service delivery and good value to citizens. In a PPP, the public sector retains the ultimate responsibility for service delivery, although the private sector provides the service for an extended time. Within the Asian Development Bank operations, all contracts such as performance-based contracts (management and service contracts), lease–operate–transfer, build–own–operate–transfer, design–build–finance–operate, variants, and concessions are considered as various forms of PPP. Excluded are: • contracts involving turnkey design and construction as part of public procurement (engineering, procurement, and construction contracts); • simple service contracts that are not linked to performance standards (those that are more aligned with outsourcing to private contractor staff to operate public assets); • construction contracts with extended warranties and/or maintenance provisions of, for example, up to 5 years post completion (wherein performance risk-sharing is minimal as the assets are new and need only basic maintenance); and • all privatization and divestures.
PPPA	Public Private Partnership Authority

PPP Contract	A long-term contract between a Procuring Authority (government or other public agency), and a Project Company (private partner or commercial partner) for the development and/or management of a public asset or service, where the Project Company bears significant risk and management responsibility throughout the life of the contract, and where remuneration is significantly linked to performance and/or the demand or use of the asset or service. It covers both greenfield and brownfield projects. This definition is deliberately broad. It includes projects where demand risk is passed entirely on to the private partner (also known as 'user-pay' projects or concessions), and projects that are based on availability payments by government irrespective of demand (availability-based projects). It also includes, for example, power purchase agreements where a government entity is the purchaser of the power.
PPP Unit	The Finance Division of the Ministry of Finance has established a PPP Unit, the MOF PPP Unit. The MOF PPP Unit has responsibility for overseeing the fiscal viability of PPP projects and sanctioning support funding for their development and financing.
Private Organization	Any natural person or any local or foreign company, association, legal entity, group of individuals, consortium, foundation or trust
Private Partner	A party to the PPP contract other than the contracting authority, also includes the project company or its equity provider
Private Sector	The economic entities which are not controlled by the state, i.e., a variety of entities such as private firms and companies, corporations, private banks, non-governmental organizations, etc.
Privatization	Complete transfer of public infrastructure to the private sector, as compared to PPPs, where it remains in the public sector.

Project Assessment Committee or PAC	The committee established by the PPP Authority to review and approve the studies and documents developed during the development phase
Project Delivery Team	A team of one or more members who together are responsible for the development and delivery of the PPP Project and is led by the Project Director.
Project Director	The nominated individual who is the head of the Project Delivery Team and is responsible for the development and delivery of the PPP Project.
Project Preliminary Information Memorandum (PIM)	The information memorandum on the project which is used as a basis for obtaining financing bids from prospective partners. Usually, this is for circulation only between the Sponsoring Authority's PPP team.
Procuring Authority	The unit/body/department within a government that is tendering and contracting the project; the public counterpart in the PPP contract. This is usually the same unit or body that promotes the project (the public promoter), for example, the ministry or department of transportation, the ministry of finance, and so on. It also includes "Contracting Authority" "Public Party", "Public Partner", "Public Authority", and "Grantor."
Project	Any such action or program or a combination of both by means of which the following plans or activities are undertaken, such as:- (a) construction or operation of any new infrastructure or a plan to do both (b) plan to reconstruct any existing infrastructure; (c) plan to carry out the activities specified in sub-sections (a) and (b); or (d) delivery of all those goods or services which are not related to any infrastructure facility
Project Documents	A suite of documents which are vital to the design, construction, ongoing operation, maintenance and service of the project after it has been built.

Project Finance	A method of raising long term debt financing for major projects through 'financial engineering', based on lending against the cash flow generated by the project alone; it depends on a detailed evaluation of a project's construction, operating and revenue risks, and their allocation between investors, lenders and other parties through contractual and other arrangements.
Public Goods	Any kind of goods which is directly or indirectly produced, generated, or provided using any public sector infrastructure for the general public
Public Guarantee	A government commitment of funds/actions under certain conditions, based on project documents. Also called sovereign guarantee.
Public Procurement	The process of competitive bidding for a contract with the public sector.
Public Sector Comparator (PSC)	The risk-adjusted, estimated full life cycle cost of a project if it was carried out by conventional in-house means. It is expressed in terms of net present value.
Public Service	Any service which is directly or indirectly produced, generated, or provided using any public sector infrastructure for the general public
Rating Agency	A company providing an independent view on the creditworthiness of the Project Company.
Reconstruction	Includes re-building, rehabilitation, modernization, renovation, expansion, enhancement, alteration or operation of any existing infrastructure.
Refinancing	The process by which the previously-determined terms and conditions of financing are later changed through negotiations with the senior lenders, to create refinancing benefits for the shareholders and public sector authority, e.g. improved interest rates or longer maturity or repayment terms.
Refinancing Gain	The benefit of a refinancing of the Project Company's debt.

Refinancing	A restructuring of the Project Company's debt because of the financial difficulty being faced by the project.
Right of Way	A right to a corridor of land typically required in linear infrastructure projects, such as roads or transmission lines.
Risk	An event which can change the expected cash flow forecast for a project.
Risk Allocation	The allocation of the consequences of each risk to one of the parties in the contract, or agreeing to deal with the risk through a specified mechanism which may involve sharing the risk.
Risk Assessment	The determination of the likelihood of identified risks materializing and the magnitude of their consequences if they do materialize.
Risk Identification	The process of identifying all the risks relevant to the project.
Risk Management	The identification, assessment, allocation, mitigation and monitoring of risks associated with a project. The aim is to reduce their variability and impact.
Risk matrix	This usually takes the form of a table identifying the risks involved in a project, indicating the provisional risk allocation for each risk and any mitigation of that risk, such as insurance.
Risk Mitigation	The attempt to reduce the likelihood of the risk occurring and the degree of its consequences for the risk-taker.
Risk Premium	The amount required to compensate an investor for assuming a particular risk attached to an investment proposal.
Roll-Over Risk	The risk that an interest-rate swap contract may not be amended on acceptable terms if the amount of debt or repayment schedule changes.

Secondary Investors	Investors who invest in the Project Company after Financial Close (usually in the early years of the operation phase), purchasing their shares from the primary investors.
Senior Debt	The major funding component of the funds required for construction etc. Provided by banks or bonds, it has priority of repayment over other funding sources.
Senior Lenders	Lenders whose debt service comes before debt service on mezzanine or subordinated debt or Distributions.
Sensitivities	Variations on the Base Case assuming a worse than expected outcome for the project.
Shadow Tolls	Tolls based on usage of the Facility, which are payable not by the users but by the Contracting Authority.
Share Purchase Agreement (SPA)	An agreement between a seller (shareholder), and buyer (investor) relating to the sale and purchase of the seller's shares in a company.
Share Subscription Agreement (SSA)	An agreement between a company and an equity sponsor in which an equity investor agrees to purchase equity in the company, and the company agrees to allot such equity to the sponsor.
Single Stage Bidding	Adopted for small projects, wherein the Technical/Financial capability documents and financial proposals are invited from bidders at the same time.
Site Risks	Risks related to the acquisition or condition of the project site.
Social Infrastructure	Public infrastructure required to sustain society, such as schools, hospitals and prisons.
Soft Infrastructure	Provision of public services such as street cleaning or social services.
Sovereign Risk	The risk that a government will be unable to meet its external commitments. By definition, all

	governments are able to meet their obligations expressed in their own currency, so government bonds issued in their own currency are deemed to be risk-free for economic actors in that currency.
Special Purpose Vehicle (SPV)	A corporate entity established specifically for the purpose of pursuing a specific project, which is prohibited from undertaking any activity beyond the project in question. Also called the project company.
Sponsor	A party wishing to develop and finance (with own equity or subordinated debt and other project finance) a project. Shareholders of project companies are known as sponsors.
Stabilization	Contractual clauses that entrench certain legal provisions, enabling foreign investors to protect themselves from changes in the law and a certain degree of political risk.
Step-in	The governments or the lender's option to assume the contractual responsibilities of the Project Company through managing their contract in cases when the Project Company is not meeting its obligations under such a contract.
Subcontract	A contract between the Project Company and a third party, providing for performance of part of the Project Company's obligations under the PPP Contract.
Subcontractor	The party signing a Subcontract with the Project Company.
Subordinated Debt	Debt provided by investors whose debt service is paid after amounts due to Senior Lenders but before payment of dividends. Also known as "Junior Debt".
Subrogation	Right of an insurer or guarantor to take over an asset on which an insurance claim or guarantee has been paid.
Sub-Sovereign Risk	Risk specific to a Public Authority other than the central government.

Substantial completion	The stage at which construction is sufficiently progressed, in accordance with the PPP contract, such that the project facilities can be utilized for their intended use and operations can begin. Substantial completion is typically certified by both the Contracting Authority and Project Company and the independent certifier (if appointed) once the compliance with contractually defined conditions can be verified.
Substitution	The right for the lenders, under Direct Agreement with the Public Authority, to substitute a new entity to take over the Project Company's rights and obligations under the PPP Contract.
Sunk costs	Costs, usually fixed, to be incurred at the beginning of a project (also known as “up-front costs”).
Syndication	The process of inviting other banks to participate in a financing by the underwriters of the financing.
Tariff	Payments under a contract, consisting of either an Availability Charge or a Usage Charge or both.
Technical Support Agreement	This agreement is typically entered into where the O&M contractor is working alongside a consultant providing technical support services.
Termination costs	The fee charged to a party to the contract when it wants to break the contract.
Termination trigger	An event that allows for an innocent party to terminate a contract in the event that the other party to the contract breaches its obligations.
Testing and commissioning	The process of testing that occurs to signify the completion of the construction of a project to ensure that the Project Company has met all of the preconditions necessary for the project to commence operations, as well as demonstrated that the infrastructure can deliver the services in accordance with the output specifications.

Transaction Advisor (TA)	The consultant for the project, offering financial, marketing and legal advice. Usually, TA offers service up to the stage of Financial Closure.
Transferable Risk	The risks that are likely to be allocated to the private party under a PPP arrangement.
Unavailability	A period when the Facility is not Available.
User-pays PPP	Broadly refers to a PPP project in which the revenues for the Project Company are based on user-payments e.g., tolls for a road.
Willingness to Pay	The willingness and ability of users of a Concession to pay the tolls or other usage fees required by the Concessionaire.
Windfall Gains	Politically-sensitive profits made by investors in PPPs from high returns on investment, debt refinancing or sale of their investment.
Working Capital	The amount of funding required for operating and financing costs incurred before receipt of revenues.

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Public Private Partnership Authority

Prime Minister's Office

Plot: E- 13 B Agargaon, Shere Bangla Nagar, Dhaka-1207, Bangladesh
Phone: +88 02 55007421, Email: info@pppo.gov.bd, Website: www.pppa.gov.bd