European Commission survey on public investment management practices
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Glossary

Appraisal: involves preparing a feasibility study or the equivalent. A feasibility study should cover both technical and economic dimensions and be supported by a preliminary technical or engineering design for the project, including cost estimates and detailed forecasts of demand for the services provided by the asset to be created or improved.

Asset register: an official record of the property owned by the state and its institutions. These should be comprehensive and updated regularly at reasonable intervals. This is a useful way to monitor the financial and non-financial performance throughout their lifetime.

Budgetary funds: special purpose instruments used in some countries to maintain and facilitate long-term investments in key sectors of the economy (e.g. infrastructure, defence), managed outside the regular budget process. Funds have a long time-span (e.g. 14 years), include obligatory cost-benefit analysis and often involve strong private-public partnerships. They have their own management structure.

Capital costs or capital expenditure: expenditure incurred in the acquisition, creation or significant improvement of a fixed asset, both physical and intangible (e.g. building, machinery, R&D, computer software).

Central review or gatekeeping: a check on projects presented in budget requests to ensure compliance with requirements for project appraisal and selection, usually performed by the budget department.

Commitment appropriations: an initial multiannual commitment is made for the total cost of the approved project. This appropriation is reserved for one specific project and may not be used for other purposes. The unused balance of the multiannual appropriation, if any, is then carried forward to subsequent years so as to remain available when further contracts for the project are signed.

Costings: Estimates of cost of planned public investment projects/programmes, which may be included in the strategic planning documents as a key ingredient for assessing the fiscal sustainability of the plans.

Ex-post review: an assessment of the project implementation policies and procedures in order to inform the design of policy and the development of similar future projects and to strengthen accountability for project results.

Financial and fiscal risk of investment project - risks related to the creation and maintenance of assets / infrastructure that can materialize as large fiscal costs with significant macroeconomic impact.

Independent review: input of experts that are independent and have nothing to gain from the project going ahead. The review is usually conducted by the finance ministry, a planning ministry, or an independent agency and aims to counter overestimation of demand and underestimation of costs.

Long-term strategic investment planning: a systematic, coordinated and possibly comprehensive set of long-term actions surrounding the creation and maintenance of public assets (tangible and intangible), with clearly specified national objectives for these projects.

Maintenance funding: funds for maintenance and repairs that are essential, as the expected service life of the asset may be drastically shortened otherwise. These are recurrent costs and are classified as current expenditure. Maintenance costs are usually included in life cycle cost estimates of capital projects, together with initial capital costs, operating costs and the asset's residual value at the end of its life.

Measurable indicators for outputs/outcomes of investment projects: outputs are the direct results of the project required to achieve the project purpose. What will be delivered by the project upon completion should be determined ex-ante (i.e. outcome). This should include quantity and characteristics. Indicators of outcome measure whether, once the project is completed, the target beneficiaries or stakeholders have benefitted in any way.

Multi-annual capital expenditure ceilings: Limits of expenditure fixed by law or by agreement. Ceilings can be aggregated by sector, by ministry or programme. They are usually presented in the national medium-term fiscal or budgetary documents.

Multi-annual budgetary framework: fiscal arrangements that allow government to extend the horizon for fiscal policy making beyond the annual budgetary calendar. The budget presentation on the future expenditure implications of ongoing and new projects enables legislators and the public to be aware of the commitments entered into through previous and current expenditure decisions.

National strategy for public investment: guidance for public investment priorities derived from a national plan or other medium to long-term strategic documents covering the central government or including also sub-national government projects above a relevant size. It provides a vision for the country's development priorities and tends to be less developed than plans at the sectoral/sub-sectoral level.

Pre-appraisal: An ex-ante brief evaluation of the project with respect to a number of criteria, usually presented in the form of a concept note A comprehensive pre-appraisal process may involve the following criteria: checking the project rationale, verifying strategic relevance, costs and benefits assessments, ensuring that a full range of alternatives is considered, managing the project pipeline, checking sustainability, potential risks and constraints, flagging potential for adopting public-private-partnerships, and planning for appraisal. It provides an opportunity to identify and eliminate weak projects before they advance too far in the planning process or before they have gained too much political commitment.

Project adjustment: a procedure that allows action when there are deviations from initially agreed-on aspects of a project (e.g. exceeding budget or schedule). Fundamental adjustments to improve the chances of success are done.

Project selection: is the formal decision on a project's social viability and sustainability, and confirmation of its eligibility to be proposed for budget funding. Selection does not mean that funding is guaranteed as this can only happen through the budgetary process.

Public investment: broadly refers to fixed assets, not only tangible but also intangible assets such as R&D, software and large database. Tangible assets broadly refer to physical capital (e.g.

buildings, roads, machinery and equipment) while intangible assets refer to intellectual property products such as R&D, computer software and databases.

Sectoral plan for public investment: a document that gives guidance for public investment priorities for an individual specific sector (e.g. infrastructure, transport, industrial strategy) over the medium to long term.

Short-list of projects: a (reduced) list of projects that have been positively assessed and prioritized. Projects on the short-list are considered for funding.

Sub-sectoral plan for public investment: a document that gives guidance for public investment priorities for a specific sub-sector (e.g.: railway, roads, airports, water supply and sanitation) over the medium-to-long term.

Value for money: not paying more for a good or service than its quality would justify. In relation to public spending, it implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results).

References

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