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World Trends

Glossary of Aid Terms

20/20 An Initiative proposed at the Copenhagen Social Summit (WSSD) for bilateral agreements between donor and recipient governments, whereby donors would agree to allocate 20% of their ODA to Basic Social Services (BSS) if recipients agreed to allocate 20% of public expenditure to enable universal access to BSS.

ACP African, Caribbean and Pacific States (see Lomé Convention).

ADB Asian Development Bank

AECI Spanish Agency for International Cooperation

AfDB African Development Bank

Aid see ODA Official Development Assistance

AIDS Acquired Immune Deficiency Syndrome

APEC Asia-Pacific Economic Cooperation, or APEC, is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region.

African Union (AU) Formed following the September 1999 Sirte Declaration by African Heads of State and Government, the AU succeeds the Organisation of African Unity (OAU) as the premier vehicle for accelerating integration in Africa, ensuring an appropriate role for Africa in the global economy, while addressing multifaceted world trade. It also proudly represents the most economically dynamic region in the world having generated nearly 70% of global economic growth in its first ten years.

APEC’s 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People’s Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Vietnam.

Purpose and Goals: APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community.

ASEAN Association of South East Asian Nations

Associated Financing is the combination of Official Development Assistance, whether grants or loans, with any other funding to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as Tied Aid Credits.

Asian Development Bank

AIDS Acquired Immune Deficiency Syndrome

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social, economic and political problems compounded by certain negative aspects of globalization. See [http://www.africa-union.org](http://www.africa-union.org)

**Bilateral Aid** is provided to developing countries and countries on Part II of the DAC List on a country-to-country basis, and to institutions, normally in Britain, working in fields related to these countries.

**Bilateral portfolio investment** includes bank lending, and the purchase of shares, bonds and real estate.

**Bond Lending** refers to net completed international bonds issued by countries on the DAC List of Aid Recipients.

**BoP** Balance of payments

**BSS** Basic Social Services (Basic Education, basic health and nutrition, safe water and sanitation) defined for the purposes of the 20/20 Initiative

**Budgetary Aid** is general financial assistance given in certain cases to dependent territories to cover a recurrent budget deficit.

**CAP** The Consolidated Appeal Process for complex humanitarian emergencies managed by UNOCHA

**CAP** Common Agricultural Policy (EU)

**CDF** Comprehensive Development Framework used by The World Bank

**CEC** Commission of the European Community

**CEE/CA** Countries of Central and Eastern Europe and Central Asia

**CIS** Commonwealth of Independent States

**Commitment** a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organization. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements.

**Concessionality Level** is a measure of the ‘softness’ of a credit reflecting the benefit to the borrower compared to a loan at market rate (cf Grant Element).

**Constant Prices** Prices adjusted to take inflation and exchange rates into account and so make a ‘like with like’ comparison over time.

**Cotonou Partnership Agreement** Signed in Cotonou, Benin, on 23 June 2000, the agreement replaces the Lomé Convention, as the framework for trade and cooperation between the EU and its Member States and African, Caribbean and Pacific (ACP) States. For more information, go to: [http://europa.eu.int/comm/development/body/cotonou/index_en.htm](http://europa.eu.int/comm/development/body/cotonou/index_en.htm)

**Current (cash) prices** are prices not adjusted for inflation.

**DAC** The Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) is a forum for consultation among 21 donor countries, together with the European Commission, on how to increase the level and effectiveness of aid flows to all
The Reality of Aid 2006

Glossary of Aid Terms

aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and USA. DAC sets the definitions and criteria for aid statistics internationally.

Debt Relief may take the form of cancellation, rescheduling, refinancing or re-organization of debt.

a. Debt cancellation is relief from the burden of repaying both the principal and interest on past loans.

b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or re-arranged.

c. Debt refinancing is a form of relief in which a new loan or grant is arranged to enable the debtor country to meet the service payments on an earlier loan.

d. Official bilateral debts are re-organized in the Paris club of official bilateral creditors. The Paris Club has devised the following arrangements for reducing and rescheduling the debt of the poorest, most indebted countries.

Trinidad Terms agreed upon by the Paris Club in 1990 superseded Toronto Terms and provided up to 50% debt relief.

Naples Terms agreed upon by the Paris Club in 1994 superseded Trinidad Terms and provide up to 67% debt relief. They also introduced the option of a one-off reduction of 67% in the stock of official bilateral debt owed by the poorest, most indebted countries with an established track record of economic reform and debt servicing.

Enhanced Naples Terms Under the Heavily-Indebted Poor Countries (HIPC) debt initiative, Paris Club members have agreed to increase the amount of debt relief to eligible countries to up to 80%.

Developing Country The DAC has a list of developing countries eligible to receive ODA. In 1996 a number of countries, including Israel, ceased to be eligible for ODA. A second group of countries, “Countries and Territories in Transition” including Central and Eastern Europe are eligible for “Official Aid” not to be confused with “Official Development Assistance”. OA has the same terms and conditions as ODA, but it does not count towards the 0.7% target, because it is not going to developing countries.
Developing Countries: Developing countries are all countries and territories in Africa; in America (except the United States, Canada, Bahamas, Bermuda, Cayman Islands and Falkland Islands); in Asia (except Japan, Brunei, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates); in the Pacific (except Australia and New Zealand); and Albania, Armenia, Azerbaijan, Georgia, Gibraltar, Malta, Moldova, Turkey and the states of ex-Yugoslavia in Europe.

DFID: Department for International Development (UK)

Disbursement: Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programs, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded gross (the total amount disbursed over a given accounting period) or net (less any repayments of loan principal during the same period).

EBRD: European Bank for Reconstruction and Development

EC: European Community

ECHO: European Community Humanitarian Office

ECOSOC: Economic and Social Council (UN)

ECOWAS: Economic Community of West African States, described at: http://www.ecowas.int/

EDF: European Development Fund see Lomé Convention and Cotonou Partnership Agreement.

EFA: Education for All

EIB: European Investment Bank

EMU: Economic and Monetary Union

ESAF (E/Sal/F): Enhanced Structural Adjustment (Loan)/Facility

Export Credits: are loans for the purpose of trade extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

FAO: Food and Agricultural Organisation (UN)

G24: Group of 24 developed nations meeting to coordinate assistance to Central and Eastern Europe

GATT: General Agreement on Tariffs and Trade

GDP: Gross Domestic Product

GEF: Global Environment Facility

Gini coefficient: is an indicator of income distribution, where 0 represents perfect equality and 1 perfect inequality.

GNI: Gross National Income. Most OECD countries have introduced a new system of national accounts which has replaced Gross National Product (GNP) with GNI. As GNI has generally been higher than GNP, ODA/GNI ratios are slightly lower than previously reported ODA/GNP ratios.

GNP: Gross National Product

Grant element: reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC
statistics. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100 per cent for a grant; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the **grant equivalent** of that loan (cf *concessionality level*) (Note: the grant element concept is not applied to the market-based non-concessional operations of the multilateral development banks.)

**GSP** General System of Preferences  
**HIC** High Income Countries those with an annual per capita income of more than US$ 9385 in 1995.  
**HIPC** Highly Indebted Poor Country (Debt Initiative)  
**HIV** Human Immunodeficiency Virus  
**IADB** InterAmerican Development Bank  
**IASC** Inter-Agency Standing Committee (Committee responsible to ECOSOC for overseeing humanitarian affairs, the work of OCHA and the CAP).  
**IDA** International Development Association (World Bank)  
**IDPs** Internationally displaced persons  
**IDT** International Development Targets (for 2015) as outlined in the DAC document “Shaping the 21st Century” also known as International Development Goals  
**IFAD** International Fund for Agricultural Development  
**IFC** International Finance Corporation  
**IFIs** International Financial Institutions  
**IMF** International Monetary Fund  
**Internal Bank Lending** is net lending to countries on the List of Aid Recipients by commercial banks in the Bank of International Settlements reporting area, i.e. most OECD countries and most offshore financial centers (Bahamas, Bahrain, Cayman Islands, Hong Kong, Netherlands Antilles and Singapore), net of lending to banks in the same offshore financial centres. Loans from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under *other private or bond lending*.  
**IsDB** Islamic Development Bank  
**JANIC** Japanese NGO Centre for International Cooperation  
**JICA** Japan International Cooperation Agency  
**LIC** Low Income Countries are those with an annual per capita income of less than US$765 in 1995  
**LDC (or sometimes LLDC)** Least Developed Country — 48 poor and vulnerable countries are so defined by the United Nations, with an annual per capita income of less than US$765 in 1995  
**LMIC** Lower Middle Income Countries are those with an annual per capita income of between US$766 and US$3035 in 1995  
**Lomé Convention** Multi annual framework agreement covering development cooperation between the EU members and African, Caribbean and Pacific (ACP) States. Funding for Lomé came from the EDF. Lomé has now been replaced by the Cotonou Partnership Agreement.  
**MADCT** More Advanced Developing Countries and Territories, comprising those that have been transferred to Part II of the DAC List of Aid Recipients.  
**MDGs** or Millennium Development Goals are
the international goals for poverty reduction and development agreed upon by the United Nations in the year 2000. These include the IDTs.

**Multilateral Agencies are** international institutions with governmental membership, which conduct all or a significant part of their activities in favor of development and aid recipient countries. They include multilateral development banks (e.g. The World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Union and Arab agencies). A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are recorded on a deposit basis, i.e. in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, i.e. at the date and in the amount of each drawing made by the agency on letters or other instruments.

**Multilateral aid** is Aid channelled through international bodies for use in or on behalf of aid recipient countries. Aid channelled through multilateral agencies is regarded as bilateral where the donor controls the use and destination of the funds.

**Multilateral portfolio investment** covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

**NEPAD** New Partnership for Africa's Development. For information, go to http://www.nepad.org/ and see also African Union.

**NGDO** Non Governmental Development Organisation

**NGO (PVO)** Non-Governmental Organizations (Private Voluntary Organizations) also referred to as Voluntary Agencies. They are private non-profit-making bodies that are active in development work.

**NIC** Newly industrialised countries

**NIPs** National Indicative Programmes (EU)

**NPV** Net Present Value

**OA Official Assistance (Aid)** is government assistance with the same terms and conditions as ODA, but which goes to Countries and Territories in Transition which include former aid recipients and Central and Eastern European Countries and the Newly Independent States. It does not count towards the 0.7% target.

**OAU** Organisation of African Unity, now the African Union.

**OCHA** (See UNOCHA)

**ODA** Official Development Assistance (often referred to as ‘aid’) of which at least 25% must be a grant. The promotion of economic development or welfare must be the main objective. It must go to a developing country as defined by the DAC

**ODF** Official Development Finance is used in measuring the inflow of resources to recipient countries; includes [a] bilateral ODA, [b] grants and concessional and non-concessional development lending
by multilateral financial institutions, and [c] Other Official Flows that are considered developmental (including refinancing loans) which have too low a grant element to qualify as ODA.

**OECD** Organisation for Economic Cooperation and Development (see DAC)

**OHCHR** Office of the UN High Commissioner for Human Rights

**OOF** Other Official Flows defined as flows to aid recipient countries by the official sector that do not satisfy both the criteria necessary for ODA or OA.

**PARIS21** Partnership in Statistics for Development capacity programme for statistical development

**Partially Untied Aid** is **Official Development Assistance** (or Official Aid) for which the associated goods and services must be procured in the donor country or a restricted group of other countries, which must, however, include substantially all recipient countries. Partially untied aid is subject to the same disciplines as **Tied Aid** and **Associated Financing**.

**PRGF** the Poverty Reduction and Growth Facility, which replaces the ESAF and is the name given to IMF Loan Facilities to developing countries. (See also **PRSP**).

**Private Flows** are long-term (more than one year) capital transactions by OECD residents (as defined for balance of payment purposes) with aid recipient countries, or through multilateral agencies for the benefit of such countries. They include all forms of investment, including international bank lending and Export Credits where the original maturity exceeds one year. Private flows are reported to DAC separately for Direct Investment, Export Credits and International Bank Lending, Bond Lending and Other Private (lending).

**Programme Aid** is financial assistance specifically to fund (i) a range of general imports, or (ii) an integrated program of support for a particular sector, or (iii) discrete elements of a recipient’s budgetary expenditure. In each case, support is provided as part of a World Bank/IMF coordinated structural adjustment program.

**PRSP** Poverty Reduction Strategy Papers

**Real Terms** A figure adjusted to take account of exchange rates and inflation, allowing a ‘real’ comparison over time see Constant Prices

**Recipient Countries and Territories** is the current DAC list of Aid Recipients see LDC, LIC, LMIC, UMIC, HIC.

**Soft Loan** A loan of which the terms are more favorable to the borrower than those currently attached to commercial market terms. It is described as concessional and the degree of concessionality is expressed as its grant element.

**SPA** Special Programme of Assistance for Africa (World Bank)

**SSA** Sub-Saharan Africa

**SWA (SWAp)** Sector Wide Approach

**TA or TC** Technical Assistance/Cooperation includes both [a] grants to nationals of aid recipient countries receiving education or training at home or abroad, and [b] payments to consultants, advisers, and similar personnel as well as teachers and...
administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and program expenditures, and is omitted from technical cooperation in statistics of aggregate flows.

**Tied Aid** is Aid given on the condition that it can only be spent on goods and services from the donor country. Tied aid credits are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their development relevance designed to try to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value.

**TNC** Transnational Corporation
**UMIC** Upper Middle Income Countries those with an annual per capita income of between US$3036 and US$9385 in 1995
**UN** United Nations
**UNAIDS** Joint United Nations Programme on HIV/AIDS
**UNCHS** United Nations Centre for Human Settlements, Habitat
**UNCTAD** United Nations Conference on Trade and Development
**UNDCF** United Nations Capital Development Fund
**UNDAC** United Nations Disaster Assessment and Coordination
**UNDAF** United Nations Development Assistance Framework
**UNDCP** United Nations Drugs Control Programmes
**UNDP** United Nations Development Programme
**UNEP** United Nations Environment Programme
**UNESCO** United Nations Educational, Scientific and Cultural Organisation
**UNFPA** United Nations Fund for Population Activities
**UNHCR** Office of the United Nations High Commissioner for Refugees
**UNICEF** United Nations Children’s Fund
**UNIDO** United Nations Industrial Development Organisation
**UNIFEM** United Nations Development Fund for Women
**UNITAR** United Nations Institute for Training and Research
**UNOCHA** UN Office for the Coordination of Humanitarian Assistance
**UNRISD** United Nations Research Institute for Social Development
**Untied Aid** - *Official Development Assistance* for which the associated goods and services may be fully and freely procured in substantially all countries.
**NV** United Nations Volunteers
**Uruguay Round** Last round of multilateral trade negotiations under the GATT
**WFP** World Food Programme
**WHO** World Health Organisation
**WID** Women in Development

Sources consulted include: Reality of Aid, annual Development Cooperation Report of the DAC
**WTO** World Trade Organisation
### Exchange Rates

Average annualized US$ exchange rates for aid donors  
Source: OECD DAC Statistics

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