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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.

APEC is the only inter governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. Unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis.

APEC has 21 members - referred to as “Member Economies” - which account for more than 2.5 billion people, a combined GDP of 19 trillion US dollars and 47% of 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.

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 social, economic and political problems compounded by certain negative aspects of globalisation. See http://www.africa-union.org

Bangladesh Aid Group was formed in October 1974 under the direct supervision of the World Bank, comprising 26 donor agencies as well as countries that made the commitment of providing support to the country for its development.

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

BOOT Build, Operate, Own and Transfer

BPC Bangladesh Petroleum Corporation

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

BSWG Budget Support Working Group

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)

CAS Country Assistance Strategy

CBSC Capacity Building Service Centre

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

CFF Compensatory Financing Facility

CGAP Consultative Group to Assist the Poorest. A micro-lending arm launched by the WB in 1995. A recent report prepared by the Washington DC-based Institute for Policy Studies, found that 46 percent of CGAP’s expenditures in its first year of operation was spent on policy reforms which may benefit lenders but end up hurting poor borrowers, particularly women.

CGI Consultative Group on Indonesia

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 organisation. 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).

Conditionality is a concept in international development, political economy and international relations and describes the use of conditions attached to a loan, debt relief, bilateral aid or membership of international organisations, typically by the international financial institutions, regional organisations or donor countries.

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

Country-owned ownership implies that all sectors of the country should be involved in determining whether an aid is needed or not, how it is used and in monitoring the implementation of the projects and programs supported by the aid (grants or loans). Although governments represent partner countries, they can no longer act independently, but have to be accountable to the country as a whole, comprising the citizens, parliament, business sectors and civil society.

CPIA Country Policy and Institutional Assessment

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

DAC Development Assistance Committee the DAC 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 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-organisation of debt.
Glossary of Aid Terms

**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-organised 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.

**Toronto Terms** agreed by the Paris Club in 1988 provided up to 33% debt relief on rescheduled official bilateral debt owed by the poorest, most indebted countries pursuing internationally agreed economic reform programmes.

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

**Naples Terms** agreed 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%.

**Democratic ownership** - one of the five principles of Paris Declaration. It implies the participation of the people from the very first stages of any project or program to be funded by foreign aid. The project and program implementation should similarly be transparent and directly or indirectly accountable to the people.

**Developing Country** The DAC defines 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.
Azerbaijan, Georgia, Gibraltar, Malta, Moldova, Turkey and the states of ex-Yugoslavia in Europe.

**DFID** Department for International Development (UK)

**DGCS** Directorate General for Development Cooperation

**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 programmes, 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).

**DPL** Development Policy Loan

**DSF** Decentralization Support Facility

**DWASA** Dhaka Water Supply and Sewerage Authority. One of ADB’s privatization project of the water distribution system in Bangladesh.

**EBRD** European Bank for Reconstruction and Development

**EC** European Commission

**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

**EFF** Extended Fund Facility

**EIB** European Investment Bank

**EMU** Economic and Monetary Union

**EPC** Engineering Procurement Construction

**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.
Glossary of Aid Terms

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.

GDP: 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

INGOs: International Non-governmental Organisations

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, ie most OECD countries and most offshore financial centres (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

**ISG** International Steering Group

**JANIC** Japanese NGO Centre for International Cooperation

**JAS** Joint Assistance Strategies

**JBIC** Japan Bank for International Cooperation

**JCPR** Joint Country Programme Review

**JICA** Japan International Cooperation Agency

**LIC** Low Income Countries 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 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 by the United Nations in the year 2000. These include the IDTs.

**MTDS** Medium-Term Development Strategies

**Multilateral Agencies are** international institutions with governmental membership, which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (eg The World Bank, regional development banks), United Nations agencies, and regional groupings (eg 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, ie 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, ie at the date and in the amount of each drawing made by the agency on letters or other instruments.
**Glossary of Aid Terms**

**Multilateral aid** is aid channeled through international bodies for use in or on behalf of aid recipient countries. Aid channeled 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.

**NABARD** National Bank for Rural Development

**National Program on People’s Empowerment (known as PNPM)** sets out the details of operational plans for poverty reduction through promoting capacities of the local communities and providing funds for development.

**NBR** National Board of Revenue

**NEDA** National Economic and Development Authority, the economic planning agency in the Philippines

**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 Organisations (Private Voluntary Organisations) 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 succeeded by 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)
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>OHCHR</td>
<td>Office of the UN High Commissioner for Human Rights</td>
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<tr>
<td>OOF</td>
<td>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.</td>
</tr>
<tr>
<td>PARIS21</td>
<td>Partnership in Statistics for Development capacity programme for statistical development</td>
</tr>
<tr>
<td>PARIS Declaration on Aid Effectiveness</td>
<td>A commitment to make aid more effective towards the goal of poverty reduction and better quality of life. Aside from institutional and structural reforms, it also raises concerns about the effectiveness of the aid regime for sustainable development. The Paris Declaration commits signatories to five principles:</td>
</tr>
<tr>
<td>Ownership</td>
<td>Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions</td>
</tr>
<tr>
<td>Alignment</td>
<td>Donors base their overall support on partner countries’ national development strategies, institutions and procedures</td>
</tr>
<tr>
<td>Harmonisation</td>
<td>Donors’ actions are more harmonised, transparent and collectively effective</td>
</tr>
<tr>
<td>Managing for Results</td>
<td>Managing resources and improving decision-making for results</td>
</tr>
<tr>
<td>Mutual Accountability</td>
<td>Donors and partners are accountable for development results</td>
</tr>
<tr>
<td>Partially Untied Aid</td>
<td>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.</td>
</tr>
<tr>
<td>PDF</td>
<td>Philippines Development Forum</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Assistance. A partnership established in December 2001 involving the World Bank, IMF, European Commission, Strategic Partnership with Africa, and several bilateral donors (France, Norway, Switzerland, and the United Kingdom. Its mandate is to support integrated, harmonized approaches to the assessment and reform of public expenditure, procurement, and financial accountability, focusing on the use of diagnostic instruments.</td>
</tr>
<tr>
<td>Performance-based aid</td>
<td>Performance-based aid is a system of benchmarks which, once reached, trigger additional funding packages.</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>Power privatization model</td>
<td>Power privatization model imposed by the United States and United Kingdom on Chile and India in the 1990’s which is claimed to be contrary to the principle of democratic ownership.</td>
</tr>
<tr>
<td>PRGF</td>
<td>the Poverty Reduction and Growth Facility, which replaces the ESAF and is the name given</td>
</tr>
</tbody>
</table>
Glossary of Aid Terms

The Reality of Aid 2008

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 programme 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 programme.

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.

SAPs Structural Adjustment Programmes, a program imposed by the WB for providing its loan to recipient countries

Soft Loan A loan of which the terms are more favourable 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)

SPADA Support for Poor and Disadvantaged Areas

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 programme 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

Recipient Countries and Territories is the current DAC list of Aid Recipients see LDC, LIC, LMIC, UMIC, HIC.
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
<table>
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<tr>
<th><strong>WID</strong></th>
<th>Women in Development</th>
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</table>

**WSSD**  
See 20/20 Initiative.

Sources consulted include: Reality of Aid,  
Annual Development Cooperation  
Report of the DAC

**WTO**  
World Trade Organisation