Glossary

Addis Ababa Action Agenda (AAAA)

Negotiated at the Third Financing for Development Conference in Addis Ababa, Ethiopia, in July 2015, the AAAA sets out a strategy for implementing the global sustainable development agenda adopted in September 2015. It includes more than 100 measures covering all sources of finance and includes co-operation on a range of issues including technology, science, innovation, trade and capacity building.

Advanced market commitment

An advanced market commitment is one whereby donors provide a demand guarantee in exchange for commitments by pharmaceutical firms to research medicines or vaccines for diseases that are prevalent mainly in lower-income countries.

Agenda 2030 or the 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development is centred on the 17 Sustainable Development Goals agreed in September 2015. It is also conceived as a broad agenda that includes the AAAA as a framework for implementation and the Paris Agreement on Climate Change, and that builds on a history of multilateral agreements such as the Universal Declaration of Human Rights.

Aid effectiveness

Aid effectiveness refers to how DAC members measure the degree to which their delivery of aid will increase its effect, notably by harmonising their funding and by using and strengthening a partner country's own systems.

Aid for trade

Aid for trade is official development assistance (ODA), including grants and concessional loans, which targets support to developing countries so they can build the trade capacity and infrastructure they need to benefit from trade opening.

Bilateral flow

Bilateral transactions are those undertaken by a development assistance provider directly with a developing country. They also are transactions channeled through multilateral agencies ("multi-bi" or "earmarked" contributions), transactions with non-governmental organisations active in development, and other internal development-related transactions.

Bonds

Bonds are fixed-interest debt instruments that are issued by governments, public utilities, banks or companies and are tradable in financial markets.

Blended finance

Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.

Capacity building

Capacity building is the development and strengthening of human and institutional resources. The United Nations Development Programme (UNDP) states that capacity lies in the ability to perform functions, solve problems, and achieve objects at the individual, institutional and societal levels.

Cascade approach

The World Bank Group introduced the cascade approach in 2016 as a means of conceptualising strategies to maximise financing for development by leveraging the private sector and optimising the use of scarce public resources.

Catalytic effect

Official development finance, which is the only form of financing for sustainable development with an explicitly development-oriented mandate, is said to be catalytic to the degree it speeds up positive change, unlocks other forms of financing for development and/or increases the development footprint of financing.

Civil society organisations (CSOs)

CSOs can be defined as including all non-market and non-state groupings of people outside of the household and by which people organise themselves to pursue shared interests in the public domain. Examples include community-based organisations and village associations, environmental groups, women's rights groups, farmers' associations, faith-based organisations, labour unions, co-operatives, professional associations, chambers of commerce, independent research institutes and the not-for-profit media.

Collective investment vehicle (CIV)

A CIV is a legal entity in which different actors pool their resources to make collective investments in specific segments.

Commitment

A commitment is a firm, written obligation by a government or official agency that is backed by the appropriation or availability of necessary funds, provides a specified amount of resources under specified financial terms and conditions, and provides these for specified purposes for the benefit of a recipient country or a multilateral agency.

Concessional loans

These are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved through interest rates below those available on the market, by grace periods or a combination of these. Concessional loans typically have long grace periods.

Countercyclical

A policy move in the opposite direction to the current business cycle. For example, countercyclical fiscal policy involves reducing spending and raising taxes during a period of high growth, and increasing spending and cutting taxes during a recession.

Country programmable aid (CPA)

The portion of aid that providers can programme for individual countries or regions, and over which partner countries could have a significant say, is country programmable aid. Developed in 2007, CPA is a closer proxy of aid that goes to partner countries than official development assistance (ODA).

Country ownership

One of the four principles of the Busan Partnership for Effective Development Co-operation, country ownership signifies that a country defines the development priorities and model it wants to implement. The investments of other actors should align with national strategic priorities and plans and use country systems as far as possible.

Creditor Reporting System (CRS)

CRS is the central statistical reporting system of the OECD Development Assistance Committee (DAC). Bilateral and multilateral providers of development co-operation report to CRS at item level on all flows of resources to developing countries. CRS is governed by reporting rules and agreed classifications and used to produce various aggregates, making DAC statistics the internationally recognised source of comparable and transparent data on official development assistance (ODA) and other resource flows to developing countries.

Decentralised development co-operation

Decentralised development co-operation is a method of development co-operation carried out by subnational actors, who can include economic actors, civil society organisations, deconcentrated state services, autonomous public institutions (universities), and/or decentralised public authorities and agencies. It can include twinning arrangements, partnerships, cultural, educational, business, professional and technical exchanges and projects, as well as financial arrangements.

Development Assistance Committee

The Development Assistance Committee (DAC) is the committee of the Organisation for Economic Co-operation and Development (OECD) that deals with development co-operation matters. A description of its aims and a list of its members are available at: www.oecd.org/dac.

Development finance institution (DFI)

A development finance institutions is a government-backed or quasi-government-backed institutions that provides financial support for private sector projects in developing countries.

Development footprint

The World Bank defines the development footprint of the private sector as the investments and operations in developing countries that transfer capital, technology, knowledge and know-how. The operations of global firms, the standards they expect their suppliers and partners to meet, the societal values and norms they promote through their operations – all can profoundly affect the future of developing economies. The direct and indirect effects of transfers of all kinds, whether tangible or not, represent the development footprint of global business and value chains.

Diaspora bond

A diaspora bond is a bond issued by a country of origin in order to access a portion of the savings of the communities of its emigrants, or diaspora communities, outside the country. Diaspora bonds that offer interest rates above the often-negligible bank rate in OECD countries can be attractive to members of the diaspora, while also allowing the issuing country to access financing at an attractive rate. A number of countries are considering these, and Israel has been issuing diaspora bonds since 1951.

Disbursement

A disbursement is the release of funds to or the purchase of goods or services for a recipient and, by extension, the amount thus spent. A disbursements records the actual international transfer of financial resources or of goods or services valued at the cost to the provider.

Domestic resource mobilisation (DRM)

Domestic resource mobilisation is the process through which countries raise and spend their own funds to provide for their people. Such resource allocation can come from both the public and private sectors. The public sector does this through taxation and other forms of public revenue generation

Aid for domestic resource mobilisation supports tax policy, analysis, administration and non-tax public revenue. Such support is carried out in close collaboration with ministries of finance, line ministries, revenue authorities, or other local, regional or national public bodies in the recipient country.

Economic infrastructure and services

In the DAC sectoral classification, economic infrastructure and services relate to assistance for networks, utilities and services that facilitate economic activity, notably transport and storage, communications, energy generation, distribution and efficiency, banking and financial services, and business and other services. For more information see www.oecd.org/dac/stats/purposecodessectorclassification.htm.

Effective development co-operation

The Busan Partnership for Effective Development Co-operation sets out principles that are reinforced in the Nairobi Outcome Document and include country ownership, results, inclusive partnerships, transparency and accountability. The Global Partnership for Effective Development Co-operation is supported by an indicator framework and global monitoring.

Enablers

In the context of development, enabler refers to something that enables other positive change to take place. For example, education can be seen as an enabler of positive employment outcomes and economic growth. Enablers are often context-dependent.

Equity

Equity is a share in the ownership of a corporation that gives the owner claims on the residual value of the corporation after creditors' claim have been met.

Export credit

Export credits are an insurance, guarantee, or financing arrangement for the purpose of trade that are not represented by a negotiable instrument. Export credits may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

Extreme poverty

Since 2015, extreme poverty is defined using an updated international poverty line of USD 1.90 a day. It was revised upwards from USD 1.25 a day and incorporates new information on differences in the cost of living across countries (purchasing power parity exchange rates). Under this definition, the proportion of people living in extreme poverty was projected to drop below 10% of the world's population in 2015.

Financing gap

The Sustainable Development Goal (SDG) financing gap refers to the additional quantity of funds to be leveraged in order to achieve the SDGs by 2030.

Foreign direct investment (FDI)

Foreign direct investment is a category of cross-border investment made by a resident in one economy with the objective of establishing a lasting interest in an enterprise that is resident in an economy other than that of the direct investor.

Gini coefficient

The Gini coefficient is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents. It is the most commonly used measurement of inequality. A Gini coefficient of 0 represents perfect equality; a Gini coefficient of 1 represents the maximal inequality.

Global value chain (GVC)

The term global value chains refers to international production, trade and investments whose different stages of the production process are located across different countries.

Grants

Grants are transfers made in cash, goods or services for which no repayment is required.

Greenfield investment

A greenfield investment is one in which a new venture is set up by constructing new facilities. Its opposite is a brownfield investment, where an entity purchases an existing facility to begin new production.

Guarantee

A guarantee is an agreement where the guarantor (often a government) agrees to fulfil certain conditions of a financial agreement in the event that they are not otherwise met. For example, the government may guarantee to repay the amount outstanding on a loan in the event of default. Governments may also provide guarantees covering risks such as the risk that revenue or demand may be lower than anticipated by investors, or risks from changes in exchange rate or price.

Holistic approach

The 2002 Monterrey Consensus (paragraph 8) said a holistic approach is essential to address the interconnected challenges of financing for –"sustainable, gender-sensitive, people-centred development". A holistic approach is one that recognises that economic, social and environmental areas of the development agenda are interrelated, and that seeks to ensure actions are collective, coherent and involve all stakeholders in active partnerships.

Impact bond

A social impact bond is an innovative financing mechanism by which governments or enter into agreements with service providers such as social enterprises, non-profit organisations, and investors, to achieve specified social outcomes. The investors receive return subject to the achievement of these pre-defined social outcomes, usually based on expenditure savings realised by the government.

Inclusive growth

Inclusive growth is growth that is held to be fairly distributed across society, creating economic opportunities for all.

Instrument

Instruments refers to financial instruments, which are the financial mechanisms and structures through financing occurs. Instruments are monetary contracts between parties that can include a transfer of cash (e.g. currency), evidence of an ownership interest in an entity (e.g. share), or a contractual right to receive or deliver cash (e.g. bond). The instruments covered by this report are defined in Chapter 2.

Interlinkages

Interlinkages between resource flows, actors, and policies refer to links whereby one flow, actor or policy area affects another. These can involve positive or negative spill-overs as well as interactions in decision-making processes and actions.

Key performance indicator (KPI)

A key performance indicator is one of a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals. See www.investopedia.com.

Least developed country (LDC)

The United Nations defines a least developed country as one with low income that is also confronting severe structural impediments to sustainable development. LDCs are highly vulnerable to economic and environmental shocks and have low levels of human assets. Currently, 47 countries figure on the list of LDCs, which the Committee for Development (CDP) reviews every three years. LDCs have exclusive access to certain international support measures, in particular in the areas of development assistance and trade.

Merger and acquisition (M&A)

M&A is oone of the primary forms of investment in foreign markets and a major component of foreign direct investment. Data on M&A cover a variety of financial transactions that can range from the full merger of two previously independent firms to the acquisition of a minority stake in a strategic partner.

Mezzanine finance

Mezzanine finance is a hybrid instrument that combines features of debt and equity. In the event of bankruptcy, mezzanine investors have lower rankings than other creditors but higher rankings than equity investors.

Millennium Development Goal (MDG)

The Millennium Development Goals predate the Sustainable Development Goals. Signed in September 2000, the MDGs committed world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. At the end of the MDG era, in 2015, the MDGs were only partially achieved.

Monterrey Consensus

The Monterrey Consensus was the outcome document of the First International Conference on Financing for Development that took place in Monterrey, Mexico, in March 2002. It was the first United Nations-sponsored, summit-level meeting to address key financial and related issues pertaining to global development. It also marked the first time governments, civil society, the business community and the institutional stakeholders shared views on global economic issues at this level.

Multilateral flow

Aid activities financed from the multilateral institutions' regular budgets are referred to as multilateral flows. Activities reported in the Creditor Reporting System database under multilateral flows include those of the World Bank, the regional development banks, some UN agencies and other multilateral agencies. Aid activities from the Bill & Melinda Gates Foundation are also included.

Mutual accountability

The OECD DAC defines mutual accountability as "a process by which two (or multiple) partners agree to be held responsible for the commitments that they have voluntarily made to each other. It relies on trust and partnership around shared agendas, rather than on 'hard' sanctions for non-compliance, to encourage the behaviour change needed to meet commitments." See https://www.oecd.org/dac/effectiveness/49656340.pdf.

Non-governmental organisation (NGO)

A non-governmental organisation is any non-profit entity in which people organise themselves on a local, national or international level to pursue shared objectives and ideals, without significant government-controlled participation or representation. NGOs include co-operative societies, trade unions and ad-hoc entities set up to collect funds for a specific purpose.

Official development assistance (ODA)

The DAC defines ODA as those flows to countries and territories on the DAC List of ODA Recipients which are:

1. provided by official agencies, including state and local governments, or by their executive agencies; and
2. each transaction of which:
   a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

b. is concessional in character and conveys a grant element of at least 25% (calculated at a rate of discount of 10%)."

ODA is the basic financial support used to develop the building blocks of nations such as healthcare, education services and infrastructure. Once the building blocks are firmly in place, countries can typically start to attract or develop other sources of development finance as they move up the income scale. ODA can flow directly from a donor to a recipient country (bilateral ODA) or be provided via a multilateral agency (multilateral ODA). (Source: OECD DAC).

Official development finance (ODF)

Official development finance is used in measuring the inflow of resources to recipient countries. It includes bilateral ODA; grants and concessional and non-concessional development lending by multilateral financial institutions; and other official flows (OOF) for development purposes (including refinancing loans) which have too low a grant element to qualify as ODA.

Other official flows (OOF)

Other official flows are transactions by the official sector which do not meet the conditions for eligibility as official development assistance (ODA), either because they are not primarily aimed at development or because they have a grant element of less than 25%.

Paris Club

The Paris Club is an informal group of official creditors who aim to find co-ordinated and sustainable solutions to payment difficulties experienced by debtor countries. The Paris Club has 22 permanent members, including most of the western European and Scandinavian nations, the United States, the United Kingdom and Japan. It also invites ad hoc participants and observers. The first meeting of the Paris Club with a debtor nation was in 1956, with Argentina, and since then, USD 583 billion of debt has been treated in the framework of Paris Club agreements.

Philanthropic foundation

A philanthropic foundation is a nongovernmental, non-profit organisation whose funds derive usually from a single source such as an individual, family or corporation and whose programme managed by its own trustees or directors. Such foundations usually are established to maintain or aid social, educational, religious or other charitable activities serving the common welfare, primarily through grant making. The only philanthropic flows referred to in this report are those provided in support to sustainable development.

Policy coherence

Policy coherence refers to the design, implementation and monitoring of coherent and integrated policies for sustainable development. This entails fostering synergies across economic, social and environmental policy areas; identifying trade-offs and reconciling domestic and international objectives; and addressing the spillovers of domestic policies on other countries and on future generations.

Portfolio investment

Portfolio investments are investments in the form of a group (portfolio) of assets, including transactions in equity and debt securities. Unlike direct investments, which involve taking a sizable stake in a target company, portfolio investments do not acquire more than 10% of ownership.

Production sectors

In the DAC sectoral classification, production sectors include activities in support of agriculture, forestry, fishing, industry/manufacturing, mineral resources and mining, construction, tourism and trade policy and regulations and trade-related adjustments. For more information see www.oecd.org/dac/stats/purposecodessectorclassification.htm.

Project finance

Project finance is a form of investment that uses a non-recourse or limited recourse financial structure. In this structure, the debt and equity used to finance the project are paid back from the cash flow generated by the project rather than from the balance sheets of the project's sponsors. Project finance is used for the financing of long-term infrastructure, industrial projects and public services.

Public-private partnerships (PPPs) and networks

Public-private partnerships and networks are collaborative arrangements among private actors and bilateral/multilateral agencies or governments. A PPP is an operational partnership whose board or other governance structure includes both public officials and private individuals; a network is a global or regional organisation that supports and brings together public sector, private sector and civil society organisations with similar goals to facilitate knowledge sharing.

The term PPP is often used in infrastructure development, where it refers to a range of contractual forms used in project finance. Such contracts share risk between the public and private sector. For example, a build-operate-transfer (BOT) contract is a type of PPP that grants a concession from the government to a private company to finance, build and operate an asset for a set period. The company receives revenue from user charges or the government to recoup its investment. At the end of the period, control of the asset is transferred back to the government.

Remittances

Remittances are funds sent by individuals living and working abroad to their home countries.

Safeguards

Social safeguard policies or safeguards are policies and redress mechanisms to prevent and mitigate undue harm to people during the development process.

SDG washing

SDG washing is a recent term that signifies the use of Sustainable Development Goals (SDGs) as a marketing or branding strategy and without evaluation or actual impacts, particularly negative impacts. For example, electric car companies may wish to emphasise their contribution to renewable energy and climate change action (SDGs 7 and 13) without acknowledging that labour rights (SDG 8) may have been violated in the mining of the cobalt used in their cars' batteries (SDG 8).

Shared value

Shared value derives from the concept of private sector actors working towards social outcomes as a basis for their own future profitability. Shared value recognises that business takes place in a social ecosystem that must function well in order for business to thrive. The Social Value Initiative was launched in 2012 as a Clinton Global Initiative Commitment to Action. For more information, see https://summit.sharedvalue.org/.

Shifting the trillions

The term shifting the trillions is borrowed from climate finance. Shifting the trillions acknowledges that instead of focusing solely on mobilising additional finance, development actors need to also ensure that the trillions of dollars in existing finance throughout the financial system are better targeted to sustainable and inclusive growth.

Social impact investment (SII)

Social impact investment is the provision of finance to organisations that are addressing social needs and with the explicit expectation of a measurable social, environmental and/or financial return.

Social infrastructure and services

In the DAC sectoral classification, social infrastructure and services refer to efforts to develop the human resource potential of developing countries in the sectors of education, health, population policies/programmes and reproductive health (further health and reproductive health), water supply and sanitation, government and civil society and other social infrastructure and services. For more information see http://www.oecd.org/dac/stats/purposecodessectorclassification.htm.

South-South co-operation

There are numerous descriptions of South-South co-operation. The UN General Assembly describes it as "… a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the Millennium Development Goals" (UN General Assembly Resolution 64/222).

The United Nations Office for South-South Cooperation further describes it developing countries working together to find solutions to common development challenges. Linked by similarities in their development contexts and challenges, the countries of the South have been increasingly active in sharing knowledge, exchanging technologies, and forming common agendas and collective actions. See www.arab-ecis.unsouthsouth.org/about/what-is-south-south-cooperation/.

Sustainable development

Sustainable development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Total official support for sustainable development (TOSSD)

Total official support for sustainable development is measure of official development finance designed to complement official development assistance (ODA). It measures flows included in ODA as well as the leveraging/catalytic effect of ODA, the use of blended finance packages and the use of innovative risk mitigation instruments in development co-operation.

Transition

A country in transition is a country facing a structuring change in its access to finance, for example due to increased income per capita above graduation thresholds. In some contexts, transitioning refers to a country's transition out of fragility.

Transitioning countries should be considered a success story although they also experience special challenges. For example, the transition out of least developed country status brings the loss of concessions and preferences such as tariff and quota-free trade access. Changes in income group classification also can decrease the volume and increase the price of development finance, while these s may not be mirrored by increases in volume and decreases in price of market-based instruments. Once in the high-income classification for three consecutive years, countries transition out of ODA-eligibility.

Triangular co-operation

Development co-operation partnerships between and among two or more developing countries, with the support from a developed country or multilateral organisation

Value for money

No standard definition exists for value for money. The term is often used to characterise economy (the cost), efficiency (achieving outputs for inputs) and effectiveness (achieving programme outcomes) while simultaneously taking into account quality and equity.

Vertical funds

Vertical funds involve earmarking non-core financing, usually in large volumes, for specific uses. Vertical funds are often created in response to high-visibility advocacy campaigns to tackle specific development issues. They are frequently administered by the World Bank or other multilateral institutions.

Global Outlook on Financing for Sustainable Development 2019

Time to Face the Challenge

Please cite this chapter as:

OECD (2019), “Glossary”, in *Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264307995-13-en