

## Annex 1 - Glossary

*Items which are underlined have separate entries elsewhere in the Glossary*

### **Administrative costs**

DFID administrative costs cover the total cost of delivering all DFID's programmes. They include UK based and local staff, consultants, travel, rents and communications. They also cover expenditure in respect of residual rent liability on the Chatham Maritime site arising from the terms agreed for the privatization of DFID's former Next Steps agency, the Natural Resources Institute. Other administrative costs cover the overseas costs of staff in agreed diplomatic posts concerned with full time administration of aid delivery. Under DAC definitions all these items are wholly ODA eligible.

DFID administrative costs presented in *SID* are not directly comparable to those presented in DFID's Resource Accounts due to some differences in methodology and definitions. The major difference is in the treatment of Programme Funded Administrative costs. In *SID*, Programme Funded Admin is defined as administration costs, which is in line with DAC definitions. Whereas Programme Funded Admin is classified as programme expenditure in the Resource Accounts.

ODA also includes ODA-eligible administrative costs of other government departments or agencies. For 2011 flows onwards, the FCO has used a more precise method approved by the DAC to estimate administrative costs in relation to front line diplomacy and have reported higher administrative costs than in previous years as a result.

### **Aid**

*SID* presents two concepts of aid to developing countries: Official Development Assistance (ODA) and the DFID programme of aid. The DAC maintain a list of Recipients of Official Development Assistance (ODA). There are also some countries to which the UK gives aid that is not classified as ODA.

### **Attribution of EC budgetary spending**

The UK is attributed a share of the EC's External Assistance Budget based on total UK contributions to the EC. Each budget line within the External Assistance Budget is attributed to either DFID or Other UK Government Departments based on the aim of

the budget line (development, conflict prevention, improving international relations). To calculate DFID's attribution, 15.27 per cent (the UK's share of EC expenditure in 2012) of each budget line attributed to DFID was totalled. The attribution for Other UK Government Departments uses the same method.

Not all of the EC External Assistance Budget scores as ODA. It is not straightforward to provide a precise Figure for the share of individual UK Government Department's attribution which should score as ODA. Most of the UK's share of EC expenditure for developing countries is attributed to the DFID programme and is shown under multilateral contributions.

### **Bank lending**

This refers to net lending to countries on the DAC List of ODA Recipients by banks in OECD countries. Loans from Central Monetary Authorities are excluded. In *SID*, Figures obtained from the Bank of England, are shown in Table 1.

### **Bilateral aid**

Bilateral aid covers all aid provided by donor countries when the recipient country, sector or project is known. Core contributions to development organisations not on the DAC list of Multilateral Organisations is also classed as bilateral aid (for example the Global Partnership for Education). Core contributions to organisations on the DAC list of Multilateral Organisations in support of their development programme is classed as multilateral aid.

### **Bilateral Aid delivered through a Multilateral Organisation**

This aid type covers funding that is channelled through a multilateral organisation and DFID has control over the country, sector or theme that the funds will be spent on. For example, this includes contributions to multi donor trust funds and special appeals managed by multilateral agencies.

### **Bilateral Aid delivered through an NGO**

This aid type includes DFID bilateral programme that is channelled through UK or international Not for Profit Organisations, such as NGOs or Civil Society Organisations. It contains both funding for specific projects and core funding i.e. when DFID has no control over the sector or recipient country.

### **British Council**

The British Council is the UK's international organisation for educational opportunities and cultural relations. The FCO supports the British Council through grant-in-aid funding. This funding goes to support a range of initiatives including building the capacity and quality of English language teaching; supporting education systems; and using cultural exchange to improve economic welfare. UK ODA statistics include the proportion of this work which is clearly focussed on delivering economic welfare and development in ODA eligible countries. The British Council's aid activities in developing countries are reported by the FCO.

### **CDC Group PLC (formerly Commonwealth Development Corporation)**

CDC was transformed from a statutory corporation into a public limited company in December 1999, paving the way for it to become a Public/Private Partnership. From 1999 to 2004 it traded as CDC Capital Partners. From July 2004, most of the operational staff, including all overseas offices, transferred to a new company called Actis Capital LLP, which was de-merged from CDC. Actis has a majority of private sector partners and manages some of CDC's investments under contract. CDC Group PLC itself remains wholly Government-owned and is now the UK government's instrument for investing in the private sector in developing economies (it does so through fund management companies). The conditions under which the CDC operates means that its investments must have a clear development objective. It provides equities to companies in ODA eligible countries, and these disbursements and repayments are included as UK flows. The net amount (i.e. equity purchase less equity sales) of CDC investments in ODA-eligible countries is reported as ODA.

### **Chevening Scholarships**

Chevening Scholarships fund international students who want to study in the UK. Largely funded by the FCO, the Scholarship scheme also receives significant contributions from universities and other organisations in the UK, and from a wide range of overseas sponsors including governmental and private sector bodies, with which the FCO have partnership agreements. Funding from this scheme to students from ODA eligible countries are included in UK ODA statistics.

### **Civil Society Organisations (CSOs)**

Non-governmental organisations, trade unions, and church faith and community groups have a long and impressive record of involvement in international development. These civil society organisations and networks can play a vital role in empowering poor

people overseas and in building global alliances in support of eliminating world poverty.

### **Climate Investment Funds (Formerly the Environmental Transformation Fund)**

The aim of the joint DFID/ DECC fund, known as the Climate Investment Funds, is to support development and poverty reduction through better environmental management, and help developing countries respond to the realities of climate change.

### **Colonial Pensions**

These are pension payments made to ex-members of the UK Overseas Civil Service who were employed directly by developing country governments. These payments are administered by DFID but they are not sourced from DFID Departmental Expenditure Limit (DEL). These payments are reported under 'Other Source of UK ODA'.

### **Concessional**

A loan, the terms of which are more favourable to the borrower than those currently attached to commercial market terms is described as concessional (or a soft loan) and the degree of concessionality is expressed as its grant element.

### **Conflict Pool**

The Conflict Pool is the principal mechanism by which the Government allocates joint resources in support of its commitments to prevent and tackle conflict, as set out in the Building Stability Overseas Strategy. It focuses on discretionary conflict prevention, stabilisation, and peacekeeping activities. Its resources for 2011/12 to 2014/15 were set by the 2010 Spending Review through a joint conflict settlement. This settlement is additional to departmental budgets, and is managed jointly by the Department for International Development (DFID), Foreign and Commonwealth Office (FCO), and Ministry of Defence (MoD). It brings together diplomatic, defence and development capabilities into an integrated, cross-government response to instability and conflict overseas.

The Conflict Pool combines ODA and non-ODA resources. The Figures quoted in Table 6 for the Conflict Pool represent the ODA amounts actually disbursed through FCO/MoD systems. All Conflict Pool funds disbursed by DFID are ODA eligible and are included in the DFID Bilateral Programme.

### **Country Specific**

In this publication “Country Specific Bilateral expenditure” refers to spend which can be allocated to a specific recipient country. Table 3 provides a breakdown for country specific expenditure.

This definition includes funding from all spending divisions with DFID, regardless of whether or not the division is a country programme or an international/policy programme.

### **Country Programme and International/Policy Programmes**

DFID’s programme is allocated to budget lines for either: a) dedicated country/ regional aid programmes or b) international/policy programmes. Country programmes are divisions within DFID which work in specific countries e.g. to East & Central Africa Division or Asia Division. International/policy programmes are divisions which work on a policy area or with international organisations e.g. Policy & Research Division, or International Relations Division. More details on DFID budget allocations by programme is published in DFID’s Resource Accounts which is available on the DFID website.

Country Programme aid is different to country specific aid, which is based on the recipient country of the funding and not DFID division.

### **DAC List of Recipients of Official Development Assistance (ODA)**

The DAC List of ODA Recipients is designed for statistical purposes. It helps to measure and classify aid and other resource flows originating in DAC countries. It is not designed as a guide to eligibility for aid or other preferential treatment. In particular, geographical aid allocations are national policy decisions and responsibilities.

Countries are divided into income groups based on Gross National Income (GNI) per capita as reported by the World Bank, with the Least Developed Countries (LDCs), as defined by the United Nations, separately identified. Countries that have exceeded the high-income threshold for three consecutive years at the time of the review are removed from the List. The DAC List is reviewed every three years.

### **Debt relief**

Debt relief can take various forms, including:

- Debt cancellation (sometimes called stock relief) – partial or 100 per cent

- reduction of amounts outstanding (principal and/or interest);
- Debt rescheduling where payments (interest and/or principal) are delayed or rearranged;
- Flow relief – partial or 100 per cent debt service payments.

### **Developing countries**

Developing countries are those countries and territories in the DAC List of Recipients of Official Development Assistance (ODA).

### **Development Assistance Committee (DAC)**

The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) is a forum for consultation among 28 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, Greece, Ireland, Italy, Japan, Korea Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and USA.

The DAC sets the definitions and criteria for aid statistics internationally. Statistical Directives exist to encourage comparability of reporting of resource flows by DAC members. The countries receiving aid are set out in the DAC List of Recipients of Official Development Assistance (ODA).

### **DFID programme**

This term covers all DFID expenditure on development assistance. The DFID programme comprises:

- Bilateral aid to developing countries, where DFID has control of the recipient country or sector and includes activities funded from the conflict pools jointly managed by DFID, MOD and the FCO and the International Climate Fund (ICF), jointly managed by DFID, DECC and DEFRA.
- Multilateral aid, including core funding to multilateral organisations such as UN agencies, the World Bank and the UK share of EC development programmes.
- Administration costs.

### **Direct investment**

This is investment that adds to, or acquires, a lasting interest in an enterprise operating

in an aid recipient country, the investor's purpose being to have an effective voice in the management of the enterprise. It is measured as the change in the net worth of branches, subsidiaries, or associate companies to the investing company. Direct Investment is shown in Table 1.

### **Export Credit Guarantee Department (ECGD)**

ECGD, or its operating name of UK Export Finance, is a ministerial department and provides insurance for exporters against the main risks in selling overseas, and guarantees to banks providing export finance. It also negotiates debt relief arrangements on commercial debt.

Payments by the ECGD to commercial banks, enabling them to maintain internationally agreed interest rates for export credits for trade with aid recipient countries, are known as International Stabilisation Grants. These are included in Other Official Flows (OOF).

### **Export credits**

Export credits finance the supply of goods and services to aid recipient countries. Only credits with an initial or extended maturity of over one year are included in total flows of resources. Private export credits are those made available by the private, bank and non-bank, sector. Guaranteed export credits are those parts of private export credits guaranteed by ECGD.

### **General Budget Support**

See **Poverty Reduction Budget Support**

### **Gift Aid**

Gift Aid refers to tax that is reclaimed by UK charities from the HMRC on donations made by UK taxpayers. The ODA estimate includes an estimate for the amount of Gift Aid that is spent on ODA-eligible activities. The methodology used to calculate the latest 2012/13 estimate of ODA-eligible Gift Aid reflects work by DFID and HM Treasury officials to improve the methods used in the estimation. For further details about the new methodology and how this differs from previous methodologies please see the [Gift Aid Methodology Note](#) (October 2013)

The estimate of Gift Aid for UK Civil Society Organisations is included in ODA (shown in Table 6).

### **Governance and Transparency Fund (GTF)**

The Governance and Transparency fund is a one-off fund which has been designed to help citizens hold their governments to account through strengthening the wide range of groups that can empower and support them.

### **Grants by private organisations**

This comprises all expenditure by UK voluntary agencies on development assistance and relief to recipient countries, to multilateral agencies or to private international organisations for the benefit of recipient countries net of any support from official sources. Data is shown in Table 1 and estimated using the total amount of ODA-eligible expenditure reported by voluntary agencies in the Gift Aid survey.

### **Gross National Income (GNI) - formerly Gross National Product (GNP)**

GNI comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product or GDP), together with income received from other countries (notably interest and dividends), less similar payments made to other countries.

### **Gross Public Expenditure on Development (GPEX)**

GPEX is expenditure by all official UK sources (i.e. government departments and public bodies such as CDC), on aid to developing countries on the DAC list of ODA eligible countries and multilateral organisations and some other countries, which meets the criteria for developmental Official Flows agreed by the DAC.

Statistics on GPEX are now published separately from *SID*. The 2012/13 GPEX data will be released on 26 November 2013 and can be accessed from the [DFID Statistics homepage](#).

### **Guaranteed export credits**

See **Export credits**.

### **Humanitarian assistance**

Humanitarian assistance generally involves support to humanitarian organisations and the provision of material aid (including food, shelter and medical care), personnel, and advice in order to:

- save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters;
- reduce the incidence of refugees and internally displaced people;

- hasten recovery and protect and rebuild livelihoods and communities;
- reduce risks and vulnerability to future crises, including strengthening preparedness measures.

DFID provides funding to certain UN agencies (mainly WFP, UNICEF, OCHA, UNHCR and WHO) for their humanitarian assistance programmes in individual countries.

These amounts are recorded as bilateral disaster relief as DFID has influence over the use and destination of the funds. DFID also gives core funding to these organisations where we do not specify the recipient of the funding; this is classified as multilateral aid.

DFID also channels assistance through Civil Society Organisations, such as the Red Cross, as a means of providing humanitarian assistance to individual countries. These contributions are recorded as bilateral aid as the destination country is known.

### **Income groups**

The categorisation of recipient countries by income groups is based on Gross National Income (GNI) per capita Figures as reported by the World Bank.

### **Input Sector Codes**

See **Sector**

### **International Climate Fund (ICF)**

The purpose of the International Climate Fund (ICF) is to support international poverty reduction by helping developing countries to adapt to climate change, take up low carbon growth, and tackle deforestation. It is jointly managed by DFID, DECC and DEFRA.

### **Least developed country (LDC)**

In the mid 1960s, 24 developing countries were identified as having particularly severe long term constraints on development. They were assessed on three criteria: per capita GDP, manufacturing base and literacy. Inclusion on the list of LDCs as defined by the United Nations is now assessed on two main criteria: economic diversity and quality of life.

### **Multilateral aid**

This is aid delivered in the form of core contributions to organisations on the DAC List of Multilateral Organisations. A core contribution is when DFID does not specify the

recipient or sector of the contribution and funds are transferred into the general budget of a multilateral and are not separately identifiable from other donor's contributions. DFID aid delivered through a multilateral organisation where the recipient country, sector or project is known is classed as bilateral aid.

Some international bodies conduct activities that benefit both developing and developed countries. The DAC have agreed proportions that account for the activities of these organisations that focus on developing countries. When ODA is reported these agreed proportions are applied to core contributions. For example, when reporting core contributions to UNESCO only 60% is reportable as ODA.

### **Official and Private Flows**

The flow of resources to aid recipient countries is a term used in DAC reporting and corresponds broadly to the following transactions with recipient countries and multilateral institutions (for the benefit of recipient countries).

- Grants and long term capital transactions effected by governments or the official sector of DAC countries;
- Private flows which are long term (over one year) capital transactions by UK 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 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 bank lending. Figures can be seen in Table 1.
- Grants by private voluntary agencies (often referred to as "private grants").

It excludes:

- **military equipment or services:** grants, official loans, or credits (guaranteed or not) for the supply or financing of military equipment or services. However from 1993 onwards forgiveness of debt generated by military lending is recorded as OOF.
- **transfers to private individuals:** transfer payments to private individuals are not included unless they are part of technical co-operation or relief programmes.

- **transfers by private individuals:** private payments are excluded except for grants by private voluntary organisations for development assistance and welfare purposes (see third bullet above).

### **Official Development Assistance (ODA)**

Official development assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies or by their executive agencies, each transaction of which meets the following tests:

- it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
- it is concessional in character and conveys a grant element of at least 25 per cent.

Official development assistance is shown both gross and net of loan repayments.

From 2005 only aid to countries on the DAC List of Recipients of Official Development Assistance is eligible to be recorded as ODA.

**The UN target for aid (0.7 per cent), endorsed in 1970 by the UN General Assembly, is expressed in terms of net ODA (i.e. after deduction of loan capital (i.e. principal) repayments) as a percentage of Gross National Income.**

### **Other Bilateral Aid**

This aid type covers bilateral aid that is not elsewhere classified, i.e. it is not defined as Budget Support, Technical Assistance, or Debt Relief and it is not delivered by a multilateral organization or an NGO. It includes:

- Funding to other donors for shared development purposes.
- Funding of land and geological surveys in developing countries.
- Provision of books, equipment and other supplies.

### **Other Official Flows (OOF)**

Other Official Flows are defined as flows to developing countries by the official sector which do not satisfy both criteria necessary for ODA (i.e. can be either non-concessional and convey a grant element of less than 25 per cent or non-developmental purposes or both).

### **Poverty Reduction Budget Support (usually referred to as ‘Budget Support’)**

Poverty Reduction Budget Support (PRBS) can take the form of a general contribution to the overall budget (general budget support) or support with a more restricted focus (sector budget support). PRBS is aid which is:

- Provided in support of a government policy and expenditure programme whose long-term objective is poverty reduction;
- Spent using national (or sub-national) financial management, procurement and accountability systems, although provided the recipient government’s Public Financial Management Administration (PFMA) systems remain the principle means by which fiduciary risk is managed, additional safeguards may be agreed to where necessary;
- Normally transferred to the central exchequer account, but may be transferred to a sector specific bank account or sub-national level bank account over which government has full financial authority<sup>1</sup>;

And, in the case of sector budget support

- Earmarked for expenditure either in a particular sector, sub sector, programme, or set of expenditure lines, but where the use of DFID funds cannot be tracked to the level of goods and services.

Note:

- I. This definition was agreed in May 2005 and is wider than previously used. The main difference is that the old definition required PRBS to be spent through a central exchequer while the new definition recognises the important issue that the funds are spent using national (or sub-national) financial management systems and are allocated through the government’s budget process.
- II. The difference between the definitions with regards to DFID’s current portfolio is likely to be relatively small. Some PRBS expenditure included in *SID* has been classified under the wider aspects of the new definition, however to date no retrospective marking exercise has taken place so most of the historical PRBS data has been gathered using the old definition. In the future, expenditure will be classified using the new definition.

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<sup>1</sup> The sub-national authority must have a significant level of policy and budgetary authority. This would exclude many local government bodies, but include states and provinces within large federal countries with significant power.

## **Private Flows**

See **Official and Private Flows**

## **Promissory notes**

Promissory notes are a method of funding multilateral organisations where DFID 'deposits' funds with the Bank of England. Multilateral organisations then 'encash' these funds as they need them. They include capital subscriptions to the World Bank, the Regional Development Banks, the International Fund for Agricultural Development, the Global Fund to Fight AIDS, TB and Malaria, GEF and the Montreal Protocol.

When reporting internationally, DFID reports the deposits of its promissory notes. However, previous to the 2007/08 edition of SID, DFID reported its promissory notes encashments. Within this publication, promissory note deposits are reported, consistent with DFID's international reporting.

## **Regional Development Banks**

International Development Banks, which serve particular regions, for example the African Development Bank or the European Bank for Reconstruction and Development.

## **Resource accounting**

Resource Accounts are an accrual-based approach to Government accounting that adopts a commercial style of preparation in line with generally accepted accounting practice. Accruals accounting is a method of recording expenditure as it is incurred, not when it is paid out, and income as it is earned, not when it is received. Resource Accounting requires departments to report on and manage all assets and liabilities and takes account of non-cash charges not previously recognized under cash accounting such as depreciation and capital charges. Resource accounts also provide information on how resources have been used to meet objectives.

Under Resource Accounting, expenditure is recorded at the time goods and services are consumed rather than when payments are brought to book.

## **Sector**

The areas of the recipient countries' economic or social structure that aid is intended to support. DFID categorises its aid into broad sectors according to the OECD DAC Purpose Codes: Education; Health; Social Services; Water and Sanitation;

Government and Civil Society; Other Social Infrastructure and Services: Economic Infrastructure and Services: Production Sectors: General Environmental Protection; General Programme Assistance; Action Relating to Debt; Humanitarian Aid; Administrative Costs of Donors; Refugees in Donor Countries; and Unallocated/Unspecified.

### **Sector Budget Support**

See **Poverty Reduction Budget Support**

### **Technical Assistance**

Technical assistance is the provision of know-how in the form of personnel, training, research and associated costs. It covers primarily:

- Consultancies: the provision of assistance to recipient countries in the form of contracted specialists.
- Knowledge and Research: includes grants for agreed programmes of research and development at UK institutions (sometimes in collaboration with non-UK institutions) which will be of benefit to assisted countries.

It also includes:

- Training and Scholarships: the provision of assistance in the form of training for persons from aid recipient countries. The training may be provided in the UK, in the home country of the student, or in a third country. Training provided under the Commonwealth Scholarship and Fellowship Plan, the Shared Scholarship Scheme and Training through Country Programmes is managed directly by, or on behalf of, DFID.

Increasingly training is also being provided by means of short in-country courses as part of, or in association with, country projects. This is not fully captured at present in the statistics on training. The costs of these activities are included within projects and programmes.

### **UNITAID**

UNITAID is an International Drug Purchase Facility hosted by the World Health Organisation (WHO). The aim of UNITAID is to contribute to scaling up access to treatment for [HIV/AIDS](#), [malaria](#) and [tuberculosis](#), primarily for people in low-income

countries, by leveraging price reductions for quality diagnostics and medicines and accelerating the pace at which these are made available<sup>2</sup>.

**Voted funds**

Voted funds are those funds approved by Parliament for public expenditure.

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<sup>2</sup> UNITAID website: <http://www.unitaid.eu>