

DEFINITIONS

AID GROUP:- The group of donors which used to meet in Paris as 'aid consortium' till 2001. The Paris Consortium Meetings were occasions for development partners to pledge resources to the recipient countries during a given period. After 2001 this aid group converted into Bangladesh Development Forum with same purpose. In the case of Bangladesh this group comprises: Australia, Belgium, Canada, Denmark, France, Finland, Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States of America, Asian Development Bank, European Economic Community, Ford Foundation, Asia Foundation, International Development Association, International Fund for Agricultural Development, United Nations International Children's Education Fund, and the rest of the United Nations System. Kuwait and Saudi Arabia also participate as observers.

AGENCY:- The direct beneficiary from a loan or grant. In the case of the People's Republic of Bangladesh, this refers to the autonomous bodies (corporations), semi-autonomous bodies where identifiable, and Government departments.

AGREEMENT DATE:- Date of signature of loan or grant agreement.

ANNUAL DEVELOPMENT PROGRAMME (ADP):- The annual investment programme of the Government which details the different projects being undertaken by the Government, together with costs, cumulative expenditure, projected expenditure during the period, sources of financing, etc.

ASSUMED DEBT LIABILITY:- Debt liabilities which were assumed on loans granted to Pakistan but visibly located in Bangladesh, after the War of Liberation in 1971. Assumed past debt liability refers to fully disbursed loans.

AVAILABILITY:- Equals to opening pipeline at the beginning of a period plus commitments less cancellations/adjustments during that period.

BILATERAL:- Loans from Governments and their agencies, including loans from Central Banks and export credit agencies includes loans from funds administered by an international organization on behalf of a single donor Government.

BUDGET SUPPORT:- Budget support is the form of assistance both loan and grant, administered in fulfilment of policy objectives, provided usually in one single tranche to the Government to undertake different priority programmes. Budget support affords recipient countries the flexibility to align their aid spending with national priorities and is more effective in countries with well-designed public spending programmes. Budget support is also significantly more flexible than project aid.

BUYER'S CREDIT:- A financial arrangement in which a bank or financial institution, or an export credit agency in the exporting country, extends a loan directly to a foreign buyer or to a bank in the importing country to pay for the purchase of goods and services from the exporting country. It is also known as financial credit. This term does not refer to credit extended directly from the buyer to the seller (for example, through advance payment for goods and services).

CANCELLATION/TRANSFER:- The decrease of an already contracted loan or grant due to cancellation of undisbursed amount, or a conversion of a loan to a grant, or a decrease/increase due to transfer from one agreement to another.

COMMITMENT:- A firm obligation expressed by an agreement or equivalent contract for the provision of resources. It is undertaken by the donor, to provide resources of a specified amount under agreed financial terms and conditions to the recipient and for specific purposes.

COMMITMENT FEE:- Fee charged against undisbursed amount of a loan applies only during period of disbursement.

COMMODITY AID (CA):- The provision of aid for the acquisition of intermediate inputs and raw materials includes programme credits, edible oil and fertiliser and excludes commodities acquired under project aid. Generally generates counterpart funds through sale of commodities which are use as local resources in implementation of projects listed in the Annual Development Programme.

CONCESSIONAL LOAN:- The loan that is extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long maturity period and grace periods. According to the existing provision of Bangladesh the loan having a grant element of 35% or more, is treated as concessional loan.

CREDITOR:- The party which contracts to lend a certain amount of money to the debtor on given terms embodied in a loan agreement or similar document.

CURRENCY USE OFFSET:- A system applied by the United States of America on some of its PL-480 loan agreements which provides Food Aid. Payments due on these loans are offset through the sale of the Food Aid and the local proceeds by which resources are generated to finance US aided projects under the Annual Development Programme.

DEBT/GRANT NUMBER:- Unique number assigned to each loan/grant by the Government.

DEBT RELIEF GRANT:- An annual grant given by the Government of Japan (GOJ) equivalent to the debt service payments on Japanese loans paid during the Japanese fiscal year (April -March). The amounts paid are deposited in a bank account and these amounts plus interest are returned in two cash instalments during the subsequent year for import financing and, since 1990, for local counterpart funds for project financing.

DEBT CANCELLATION FUND:- The debt cancellation system replaced the existing DRGA. The Government of Japan (GOJ) adopted DRG measures in the form of cancellation in 2003, through which GOJ has decided to cancel debt service repayment for 36 Japanese loans signed before June, 1989. Through this measure a total debt amounting to US\$ 1.46 billion will be cancelled on yearly basis until 2018. The amount of resources cancelled annually is being utilized for Budget Support and different development projects under the ADP.

DEBT SERVICE RATIO (TDS/XGS):- Total debt service on external debt divided by exports of goods and services.

DEBTOR:- The party which contracts to borrow a certain amount of money on given terms embodied in a loan agreement or similar document.

DEBT OUTSTANDING:- Total loan/s disbursed less amounts repaid, cancelled or converted to grant.

DEBT OUTSTANDING PLUS UNDISBURSED:- Total amount of loan/s disbursed plus undisbursed less repayments, cancellations and conversions to grants.

DISBURSEMENT:- The release of funds from a loan or grant to the recipient. This is generally in the form of cash, goods or services.

DEVELOPMENT PARTNER:- The supplier of the resources in the form of external assistance to the recipient.

DOWN PAYMENT:- Amount which has to be paid in advance as part of total amount under an agreement for acquiring resources. The rest is usually in the form of a loan.

ERD BOOKS:- This refers to all loans and grants which the Economic Relations Division, Ministry of Finance manages or monitors. This includes Central Government medium-and-long-term external loans and some public sector external loans and excludes IMF borrowings, loans for defence, the private sector and NGOs.

EXCHANGE RATE:- The rate of exchange between two currencies.

EXCHANGE RATE ADJUSTMENT:- Applies when external debt is denominated in many currencies. It is the difference between:

- i) amount outstanding at the beginning of a period expressed in a single currency (usually US Dollar or SDR) using exchange rates at that point in time;
- ii) disbursements, repayments, cancellations , write-offs, etc. during that period valued in the single currency; and
- iii) the outstanding at the end of a period which is valued in the single currency using exchange rates at the end of the period.

EXCHANGE RATE, ANNUAL AVERAGE:- The exchange rate arrived at by dividing the summation of monthly averages for the year in question by twelve.

EXCHANGE RATE, END-OF-PERIOD:- The rate on exchange between two currencies at the end of a defined period.

EXPORTS OF GOODS AND SERVICES (XGS):- Total exports of merchandise goods and services (including workers' remittances) during a specified period.

EXTERNAL DEBT:- The amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal.

FISCAL YEAR:- Fiscal year means a period from July 1 to June 30 of the following calendar year.

FIXED INTEREST RATE:- A fixed interest rate loan is a loan where the interest rate doesn't fluctuate over the life of the loan. This allows the borrower to accurately predict their future payments.

FLOATING INTEREST RATE:- A floating interest rate, also known as a variable or adjustable rate, refers to any type of debt instrument, such as a loan, bond, mortgage or credit, that does not have a fixed rate of interest over the life of the instrument. Such debt typically uses an index or other base rate for establishing the interest rate for each relevant period. One of the most common rates to use as the basis for applying interest rates is the London Inter-bank Offered Rate, or LIBOR. The rate for such debt will usually be referred to as a spread or margin over the base rate: for example, a five-year loan may be priced at six-month LIBOR + 2.50%. At the end of each six-month period, the rate for the following period will be based on LIBOR at that point (the reset date), plus the spread. The basis will be agreed between the borrower and lender.

FOOD AID (FA):- The provision for human consumption, of grants and loans for food or for the purchase of food excluding edible oil and fertiliser. Associate costs such as transport, storage, distribution, etc. are also included. Generally this type of aid is not in the form of cash.

FOREIGN AID:- Comprises external loans given on concessional terms and grants.

SOVEREIGN GUARANTEE:- A commitment made by the Government or its representative where the Government is not the debtor. It agrees to guarantee payments to the Creditor in the event the debtor is unable to make payments on due date as per the loan agreement.

GRACE PERIOD:- The period between the date of signature of the loan agreement and the date of first scheduled payment of principal.

GRANT:- An unrequited transfer from a donor to a recipient that does not involve any repayment.

GRANT ELEMENT:- The grant element measures the concessionality, or "softness" of financial terms of a credit. The lower the interest rate and the longer the maturity period, the higher will be the grant element, meaning more benefits to the borrower. The grant element for a full grant is 100 percent. It is calculated as the difference between the face value of a loan and the discounted present value of the service payments the borrower will make over the lifetime of the loan, expressed as a percentage of the face value.

INTEREST:- Actual amounts paid in cash, goods and services against any loan. Generally, it is determined by applying interest rate to outstanding amount of a loan for a specified period. Payment of interest does not result in reduction in amount outstanding.

INTEREST RATE:- A charge on borrowing resources which is generally applied on the outstanding balance. Expressed as a fixed rate or floating rate.

LIBOR:- LIBOR stands for London Interbank Offered Rate. LIBOR is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed

on a daily basis by the British Bankers' Association. The LIBOR is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.

SOFR:- The Secured Overnight Financing Rate (SOFR) is the overnight interest rate for US dollar-denominated loans and derivatives. SOFR is a reference rate established as an alternative to LIBOR. LIBOR has been published in a number of currencies and underpins financial contracts all over the world.

EURIBOR:- Euro Interbank Offered Rate. The Euribor rates are based on the interest rates at which a panel of European banks borrow funds from one another.

TONAR/TONA:- The Tokyo Overnight Average Rate (TONAR) is the risk-free unsecured interbank overnight interest rate for the Japanese Yen – it's also known as TONA. It was created in 2016 in the move to risk-free reference rates. TONAR is the replacement for LIBOR, which is expected to be completely phased out by June 2023.

SHIBOR:- The Shanghai Interbank Offered Rate (or Shibor, 上海银行间同业拆放利率) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Shanghai wholesale (or "interbank") money market.

LOAN:- A provision of resources from the creditor to the debtor which requires repayment with or without interest, on terms generally defined in a contract.

MATURITY PERIOD:- The period of time for which a credit remains outstanding. Maturity refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with interest.

MULTILATERAL:- Loans from international organizations, including loans from the World Bank and regional development banks excluding loans from funds administered by an international organization on behalf of a single donor Government.

NON-CONCESSIONAL LOAN:- According to the existing provision of Bangladesh the loan having a grant element of less than 35%, is treated as non-concessional loan.

ODA :- Assistance to developing countries provided by various organizations, including multilateral institutions, governments of industrialized countries and private-sector organizations. ODA, as defined by the Development Assistance Committee (DAC) of the Organization of Economic Cooperation and Development (OECD), must meet the following three requirements:

- It should be undertaken by governments or government agencies.
- The main objective is the promotion of economic development and welfare in developing countries.
- It has concessional terms, having a grant element of at least 25 percent.

PARIS CONSORTIUM MEETING:- An annual meeting in Paris, France where some donors pledge to make available certain amounts of resources to a recipient country during a specified period.

PIPELINE:- Same as undisbursed. The amount of the loan or grant, net of cancellation/ adjustments which has not been disbursed.

PLEDGE:- An understanding arrived at whereby donors indicate that they will provide a certain amount of resources to a recipient country during a given period. This is not a firm commitment and there is no legal obligation. The term came in circulation during the Paris Consortium Meeting.

PRINCIPAL:- The amount borrowed or the part of the amount borrowed which remains unpaid.

PROJECT AID (PA):- External resources both in terms of grants and loans for the financing of projects include a large extent to the financing of projects included in the Annual Development Programme and also finances commodity imports related to the projects; this commodity component is excluded from Commodity Aid.

PURCHASES:- Relates to International Monetary Fund's (IMF) credits. These are drawings on the General Resources Accounts of the IMF during the period specified, and exclude drawings from the reserve tranche.

REPAYMENT PERIOD:- The period between dates of first and last scheduled payments of principal.

REPURCHASES:- Relates to International Monetary Fund's (IMF) credits. These are repayments on the General Resources Accounts of the IMF during the period specified, and exclude repayments on the reserve tranche.

SERVICE CHARGE:- A charge generally applied for the administration of a loan. Computed on a similar basis as interest rate, but generally lower.

SUPPLIERS' CREDIT:- Export credits provided by the exporting company. The exporter's bank bears the operation financing the importer by means of a loan, paying directly the supplier (the exporter). The importer pays the loan to the exporter's bank. The supplier (exporter) accepts to defer the date for payment of the merchandise in one or more instalments. This operation is often made by means of the debtor (importer) signing bills of exchange that eventually the supplier can discount before they fall due.

TECHNICAL ASSISTANCE:- Refers generally to foreign aid for the improvement of the institutional capacity, transfer of technology and the development of human resources includes fellowships, supply of equipment and services of experts.

TOTAL AVAILABLE:- Same as Availability.

TOTAL DEBT SERVICE:- Summation of principal, interest and other charges, such as commitment fees, management fees, front-end fees, etc. on the loan/s.

TOTAL EXTERNAL DEBT/EXPORTS OF GOODS AND SERVICES (EDT/XGS):- Total external debt outstanding divided by exports of goods and services in one year.