

Glossary of Economic Terms

Aid Quality

Aid quality refers to the effectiveness of development assistance in promoting and sustaining economic and social development. It is often measured by the terms of assistance financing, whether the assistance is targeted at the poorest countries and peoples, and by the extent to which the assistance is not tied to procurement in the donor country.

Balance of Payments

A tabulation of a country's credit and debit transactions with other countries and international institutions. These transactions are divided into two broad groups: current account and capital account.

Balance of Trade

A component of the balance of payments; the surplus or deficit that results from the difference between a country's expenditures on merchandise imports and receipts derived from its merchandise exports.

Brady Plan

Named for the proposals made by U.S. Treasury Secretary Nicholas Brady on March 10, 1989, the Brady Plan was initiated to strengthen the debt strategy. The aim of the Brady Plan is to reinforce incentives for sustained adjustment by debtor countries and to reduce the burden of commercial debt by encouraging commercial banks to negotiate, on a case-by-case basis, refinancing packages that include options for debt, debt service reduction and new credits. The IMF and the World Bank have agreed to make up to US\$25 billion available for such debt reduction operations, and Japan is providing an additional \$10 billion.

Capital Account

The portion of a country's balance of payments that records capital transactions, including financial flows related to international direct investment, investment in government and private securities, international bank transactions, and changes in official gold holdings and foreign exchange reserves.

Common Agricultural Policy (CAP)

A set of policies and devices by which member states of the European Community (EC) seek to merge their individual agricultural programs into a unified effort to promote regional agricultural development, fair and rising standards of living for the farm population, stable agricultural markets, increased agricultural productivity, and methods of dealing with security of food supply.

Current Account

The portion of a country's balance of payments that records visible trade (exports and imports), invisible trade (income and expenditures for services), profits earned from foreign operations, interest and transfer payments.

Current Account Imbalances

The surplus or deficit in a country's aggregate total transactions in merchandise trade, services, private and official transfers. A structural imbalance is said to exist when the current account of a country remains in a chronic surplus or deficit situation over an extended period of time.

Dynamic Asian Economies (DAEs)

A comprehensive term employed by the OECD to designate those Asian economies that are currently experiencing a rapid growth in their gross national product. The DAEs include Malaysia, Thailand, Republic of Korea, Singapore, Taiwan and Hong Kong.

Enhanced Structural Adjustment Facility (ESAF)

(See Structural Adjustment Facility.)

European Currency Unit (ECU)

A "basket" of specified amounts of each EC currency. Its value is determined by using the current market rate of each member currency. The ECU is also the EC's accounting unit.