

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.

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.

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. Each EC currency is included in the "basket" of currencies.

European Monetary System (EMS)

Established in 1979, it was designed to create a zone of monetary stability to minimize wild currency fluctuations. The EMS is based on a system of fixed but adjustable exchange rates, resting on a variety of intervention and credit mechanisms. Its core is the European Currency Unit (ECU), which is used to fix bilateral central rates for the eight participating EC currencies.

Export Credit

An export credit is a line of credit offered by the exporting country to the importing country for the purchase of the export good.

External Imbalances

Another term for a chronic surplus or deficit in a country's current account or balance of payments.

Functioning of the GATT System (FOGS)

A negotiating group established in the Uruguay Round to improve the operation of GATT as a trade policy organization, including enhanc-