GLOSSARY

Accountability is the obligation of individuals and organizations to answer for their actions. It is essential for good governance and ensuring that development resources are used effectively. Accountability can be promoted through a variety of mechanisms, such as transparency, participation, and independent oversight.

Bilateral aid agencies are run by a single donor country and provide financial assistance to developing countries. Donor countries fund their own aid agencies to promote economic development, poverty reduction, and social welfare in developing countries. They provide grants and technical assistance.

Blended finance is a type of financing combining public and private capital to invest in projects. The purpose of blended finance is to add private capital to projects that the private sector would not invest in on its own.

Climate debt is a debt owed by heavy polluters to those who bear the brunt of climate change, for the damage caused by their disproportionately large contributions to global warming and climate change through economic and other activities. It is often used in the context of the climate debt owed by industrialized countries to lower-income countries.

Climate finance generally refers to finance for activities aiming to mitigate or adapt to the impacts of climate change. Climate finance is related to the overlapping concepts of green finance, sustainable finance, and low-carbon finance.

Conditionality is when development banks attach conditions to their investments to influence the recipient countries' policies and behavior. Conditionality is controversial because it undemocratically shapes national laws, policies and practices, and violates countries' right to self-determination.

Credit rating is a measure of how likely a State or other economic actor is to pay back a loan. Credit rating agencies assign ratings based on several factors, including the entity's financial strength, profitability, and track record of paying back loans historically. A higher credit rating indicates a lower risk of default, and a lower credit rating indicates a higher risk of default.

Demonstration effect is the idea that when a new technology or practice is successfully implemented in one place, it can inspire others to adopt it in other places.

Development finance institutions (DFIs) are national and international institutions that provide loans, grants, and other investments for projects and activities worldwide. The definition of DFIs largely overlaps with that of PDBs (see below).

Equity is a type of investment that gives investors a share of the ownership of a company. PDBs provide equity to companies in developing countries that commercial banks consider too risky to lend to. PDBs also invest in companies that aim to address social or environmental challenges.

Financial intermediaries (FI) are financial institutions (usually, commercial banks or private equity funds) that receive money from PDBs, and then pass that money onwards to other clients or projects, such that: the FIs' clients become "sub-clients" of PDBs, and FI funded projects become "sub-projects" of PDBs.

Financialization is the process by which financial markets and institutions come to dominate the economy. It is characterized by the increasing use of debt, the growth of financial speculation, and the concentration of wealth in the hands of a few.

Financing vehicles are ways to raise and distribute money. Governments, businesses, and individuals can use them to finance various activities, such as investment, lending, and trade. Some common financing vehicles are banks, bonds, stocks, and venture capital.

Free, prior and informed consent (FPIC) is a requirement under international law to obtain the permission of Indigenous Peoples before undertaking any activity that may affect their lands or resources. FPIC is essential for ensuring Indigenous peoples can self-determine decisions affecting their lives.

Knowledge products are materials that are created to share information and knowledge. They can take many forms, such as reports, articles, videos, and websites. These products can help to raise awareness of important issues, share best practices, and build capacity.

Liability generally refers to the state of being responsible for something, and this term can refer to any money or service owed to another party.

Paris Climate Agreement: a legally binding international treaty within the United Nations Framework Convention on Climate Change (UNFCCC), entered into force in 2016. Its long-term goal is to reduce climate change's effects and it provides a framework to support countries in their climate action efforts, including the mobilization of climate finance.

Public development banks (PDBs) are financial institutions owned and governed entirely or in part by one or more governments. They work in support of a public policy mission to channel public resources to the public and private sectors, through different financing vehicles.

Public-private partnerships (PPPs) involve collaboration between government agencies and private-sector companies to finance, build and operate projects.

Safeguards are measures that are taken to protect people and the environment from the negative impacts of development projects. Safeguards can include requirements for environmental impact assessments, social impact assessments and resettlement plans.

Securitization is the conversion of the promise of money in the future – such as expected interest payments and repayment of a loan – into a 'financial product' (also called a 'marketable security') that can be sold to other investors. It often involves pooling several different receivables together and selling them as securities. While securitization is seen as a valuable tool for mobilizing capital for development, it is also a risky financial practice.

Sustainable development goals (SDGs) are 17 goals adopted by the UN in 2015. They offer a global framework for development that can help to guide governments, businesses, and individuals in their efforts to create a more sustainable future to end poverty, protect the planet, and ensure prosperity for all.

Technical assistance (in the development context) is a form of aid to provide countries with the expertise to promote development. It might involve sending experts and consultants to advise on specific issues, drafting reports and other knowledge products, or organizing capacity-building and training.