Risks & Returns of Stocks, Bonds & Currencies

for Malaysian and International Markets

Cheng Fan Fah
Mazrah Malek



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Foreword

It is a great honour for me to write a few words about this book. My heartfelt congratulation to the editors and authors of the chapters of this book for successfully authoring and editing this book, *Risks & Returns of Stocks, Bonds & Currencies for Malaysian and International Markets,* a book that contributes to the continuous research effort from Malaysian academic staff and researchers. This book publishes seven papers that were reviewed and accepted for presentation in the Graduate Students-National Research Innovation Conference held in Malacca.

I would also like to express my sincere appreciation to the organizer of the Graduate Students-National Research and Innovation Conference (GS-NRIC2012) and Kementerian Pelajaran Tinggi for sponsoring the conference. The chapters in this book are the best research outputs selected from the hundreds of papers that were reviewed. Therefore, this book showcases the excellent research quality by our postgraduate students on both the local and international markets.

In today's complex global financial world, these studies are particularly important. The significance of the findings are global and should not be taken lightly. It is vital that we understand the crux of the behaviors in the Malaysian and international markets as we embrace globalization. We must be prepared to anticipate the spillover effects of one market over other markets. Research that facilitates Malaysian and international markets to not only survive but strive to manage an interdependent global financial environment is in need of urgent academic attention. This book will add significantly to the body of knowledge on this topic for this part of the world that must be disseminated to the rest of the world.

In addition to being an important scholarly contribution to the annual key performance indicator, this book should motivate postgraduate students and their supervisors to continuously engage in research as well as to share their results for future learning and research. I am encouraged to note that this book opens up opportunities for us all to reflect and truly make sense of the future financial framework of Malaysian and international markets. It is noteworthy that the diversity of scholars from different backgrounds adds considerably to the quality of the research in this book.

My sincere hope is that the GS-NRIC2012 conference will be held yearly and future postgraduate students will produce and advance our knowledge and add value to our research. It is hoped that more of these outputs will be published in ISI indexed journals with high impact factors.

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Preface

This book presents studies on stocks, bonds, and currencies for the Malaysian and international markets. The first four chapters are studies on the effect of volatility, bank efficiency and the quality of directors, auditors and managers on firm performance. The Malaysian capital market has grown significantly in terms of size, trading volume, liquidity and depth. Today, the Malaysian capital market serves the funding needs of the Malaysian government, the banking and private sectors, which issue equity, sovereign debt securities and private debt securities which are bought by institutions and individuals for investment purposes. The first four chapters are relevant and timely in showing that the Malaysian market has developed into an international arena.

The second section of this book presents research on the effects of foreign aid, oil price and conflict on low-income Organisation of Islamic Cooperation (OIC) countries' economic growth, the proposal for a single currency for ASEAN-5 countries, and finally the effect of macroeconomic factors on the United Kingdom Treasury bond spreads. These three chapters supplement the studies in the earlier section. Chapter 6 studies on foreign aid and oil price, providing evidence that the economic growth of low income OIC countries are open to international influence. The proposed single currency for ASEAN countries in Chapter 7 will have great impact on our local burse performance, as evidenced by the implementation of EURO in the eurozone. We are expecting the debt-driven crisis to hit the EURO region and subsequently triggering a domino effect. Study on common currencies will add knowledge to further reiterate the importance of research in this part of the world to be disseminated to the rest of the world. Lastly, the determinants on bond spreads has created a new area of research into bond behaviours in countries with differing sovereign rating.

This book is the result of collaboration among researchers from different disciplines. The chapters were selected from hundreds of peer-reviewed papers that were accepted for presentation in the Graduate Students National Research and Innovation Conference (GS NRIC2012). This ongoing effort to create a literature to understand the work produced by our postgraduate students in finance from all local universities is an important endeavor. The results facilitate government, banking, and private funding while the critical analyses on how local and international markets function serve as an important intellectual effort. This addition to the increasingly important reservoir of postgraduate studies in Malaysia would not have been undertaken without the joint collaboration of the

organizer of the GS NRIC2012 which was funded by the Kementerian Pelajaran Tinggi Malaysia. In particular, the authors are grateful to Universiti Putra Malaysia (UPM) for providing the much needed financial support and McGraw-Hill Education (Malaysia) for publishing this book. To our research assistants and others who helped us to complete this manuscript, and those who assisted the production of this book, we record our sincere appreciation.

Associate Professor Dr. Cheng Fan Fah
Dr. Mazrah Malek

The Editors

Associate Professor Dr. Cheng Fan Fah holds a Ph.D. in Finance, and is an associate professor at the Economics faculty of the Universiti Putra Malaysia (UPM). He has published five books, namely *Bond Markets in Malaysia and Singapore, Corporate Governance and Corporate Finance, Issues in Banking and Finance, Handbook of Asian Sovereign Bond Markets Yield and Risk,* and *Financial Markets Risks and Return*; this is his sixth book. He has also published scholarly articles in journals (*Advances in Accounting, Global Business and Finance Review,* and *International Journal of Economics and Management*) and has contributed chapters on capital market behaviour in a published book. His areas of research interest are corporate finance, banking and fixed income. Prior to his academic positions, Dr. Cheng worked for more than 20 years at senior management level, where he gained vast industrial experience that has proven to be very useful in his teaching and research.

Dr. Mazrah Malek, Ph.D., is a senior lecturer in the Department of Accounting and Finance, Faculty of Economics and Management, Universiti Putra Malaysia. She obtained her Ph.D. in Accounting from the Universiti Utara Malaysia. Her research interests are in the fields of auditing and corporate governance.

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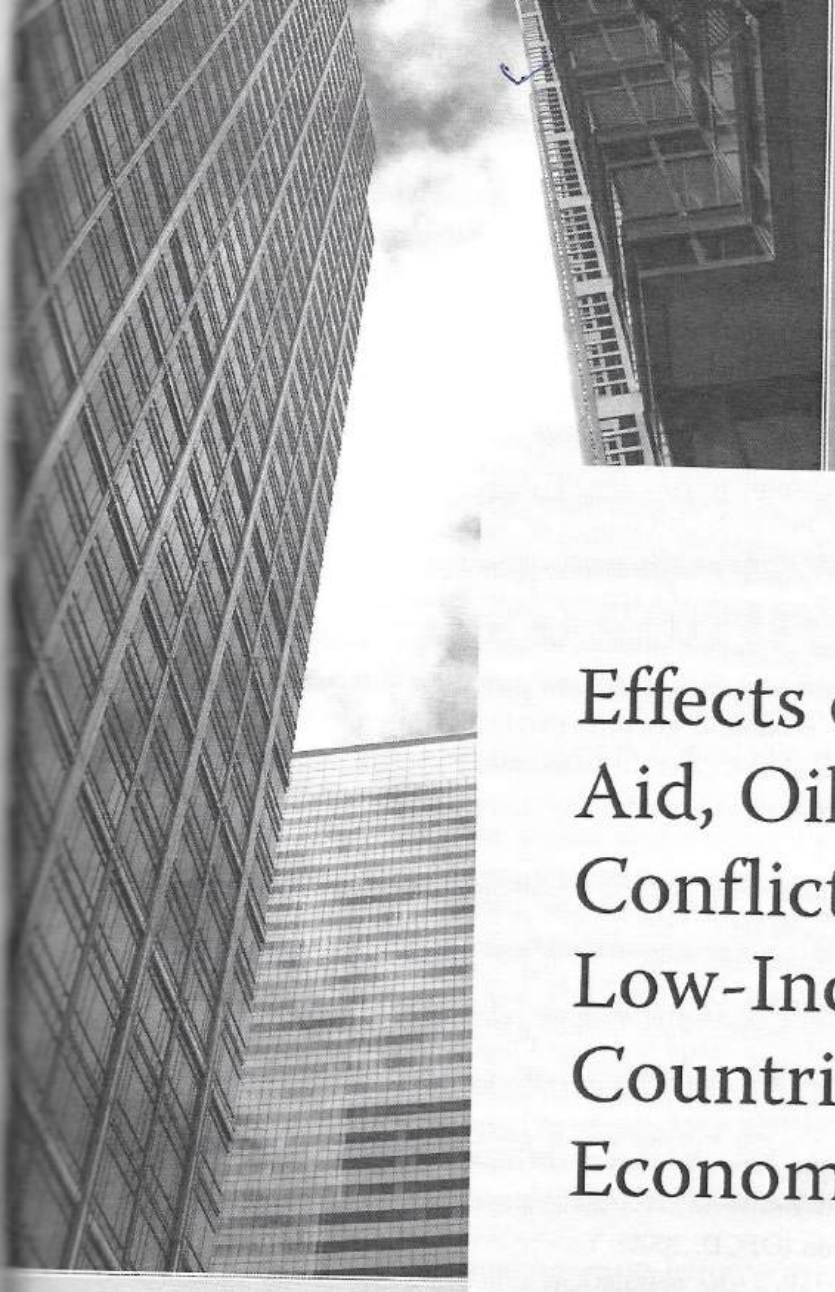
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CHAPTER

6

Effects of Foreign Aid, Oil Price and Conflict on Low-Income OIC Countries' Economic Growth

Adedeji Abdul Kabir Niran, Shaufique Fahmi Sidique, and Adam Shehu Usman

1. INTRODUCTION

Economic growth is a general macroeconomic factor for measuring standard of living, well-being, development and consequently the poverty level of a state. Arguably, foreign aid has been considered to be an important factor in stimulating perhaps medium-term economic growth in developing countries. Low-income member countries of the Organisation of Islamic Cooperation[1] (OIC-LDCs) are among the prominent foreign aid recipient countries in the world. OIC often donates economic aid to its poor members in the form of official development assistance (ODA) as part of its integral objectives, aiming to mitigate economic problems faced by the low-income member countries. In addition to this, developed nations such as the US and Europe also are potential ODA donors to low-income countries including the OIC-LDCs with the intention of improving economic conditions and reducing their poverty level.

However, the effect of ODA on economic growth, particularly in OIC low-income countries, remains conspicuously doubtful. Over the years, the relationship between ODA and economic growth has been a subject of debate in the literature and its positive effect is yet to be unanimously upheld (see Easterly, 2003 and Sachs, 2005). Some studies argued that ODA, whether bilateral[2] or multilateral[3], has no significant impact on the economic growth of developing countries (Ali and Isse, 2005; Sachs, 2005; Easterly, 2003). Contrarily, others found that ODA has significant effect in spurring economic growth in certain conditions such as good economic policy (Burnside and Dollar, 2000; Guillaumont and Chauvet, 2001). Nevertheless, the relationship between ODA and economic growth is markedly controversial.

The central issue of this study stems from the fact that OIC-LDCs have been receiving substantial economic financial aid. Between 1960–2007, the estimated amount received was to the tune of US$317.91 billion (OECD, 2009). Yet the economies of these countries are still suffering abjectly. For instance, the populations that are living in sub-standard conditions on less than US$2 per day in Nigeria, Niger, Mozambique, Yemen, Pakistan and Bangladesh are estimated at 70%, 63%, 54%, 45.5%, 22.3% and 5% respectively (see CIA fact book). As ODA recipients, Bangladesh topped the group with US$44.1 billion while Pakistan, Mozambique and Nigeria followed with US$42.4, US$26.2 and US$25.5 billion respectively over the studied periods, for example. This economic financial assistance is purposely meant for economic balancing and sustainability on one hand, and on the other hand it represents part of the organisation membership contribution as well as the socioeconomic responsibility of non-member high-income donors.

Another critical issue that this study emphasized is the prevalence of conflicts in OIC-LDCs in relation to their economic growth. The incidence of conflict in OIC-LDCs has been of major concern in the literature. Ree and Nillesen (2008) assert that the economic

conditions in developing countries may instigate insurrection rather than production if this is not addressed. Most of the OIC-LDCs are characterized by insurgent conflicts. They either had lived through or were currently facing incidents of conflict resulting in adverse effects on economic growth. For example, Nigeria, Yemen, Pakistan and Afghanistan are battling with restive conflicts which, at the very least, distort a congenial environment necessary for economic development. Another related problem is increase in oil price. Oil-price volatility is likely associated with economic instability. It has been argued that an increase in oil price often increases the income of oil-exporting countries. This consequently encourages the oil-rich donors to allocate more financial aid to OIC-LDCs (Hamilton, 2001). However, oil-price volatility may possibly create higher incidence of conflict in oil-importing countries as a result of the inverse relationship between oil-price and gross domestic product (GDP)[4] growth. The OIC Annual Economic Report (2008) states that increase in the price of oil could lead to inflation and unemployment, which consequently reduces economic growth and result in civil violence in some cases.

Does ODA promote economic growth in OIC-LDCs? Do increases in oil price and the incidence of civil conflict account for poor economic performance of the OIC-LDCs? These are the imperative questions that are either less aggressively examined or inadequately addressed in previous studies. Thus, there is a need to reassess the effects of ODA, conflict and oil price on the OIC-LDCs' economic growth, and answers to these crucial questions constitute the contribution of this study. More so, this study examines 23 OIC low-income countries, out of the total of 57 members, which are located across the two largest continents of Asia and Africa. Countries from these continents are the largest ODA recipients whose economies often suffer most from oil-price shocks and civil conflicts. Lastly, the study contributes towards better understanding of the existing relationship between and among ODA, oil-price volatility and insurgence of armed civil conflict in relation to economic growth in 23 OIC low-income member countries as a case study.

The next section of this chapter presents retrospective views of relevant literature on the subject matter. The third section attempts to describe transmission effects of ODA, oil price and conflict on OIC-LDCs' economies and the interrelationship between and among these variables. Conclusions and recommendations are presented in the final section.

2. LITERATURE REVIEW

Official development assistance is generally provided to less developed countries (LDCs) to help improve poorly performing economies of the LDCs. It is granted to stimulate and strengthen the LDCs' economies. More importantly, it often aims to revamp seeping economies against conflict and oil-price shocks. However, ODA has had little effect on the economic growth of the recipients. Some studies (Burnside and Dollar, 2000, 2004; Islam, 2005; Asteriou, 2008) that examine the relationship between ODA and economic growth

found the existence of a positive relationship between ODA and economic growth. ODA has been argued to have positive impact and complements domestic saving in improving GDP through medium- and short-term investment in the sectors that benefit the poor. Radelet (2006) finds that ODA promotes growth through investment financing. He also adds that it builds up capital stock that in turn improves economic growth. In this view, it is reiterated that adverse economic conditions of the poor countries may be a result of inadequate ODA or insufficient domestic saving in financing investment necessary to spur economic growth. Miguel, Satyanath and Sergenti (2004), Sachs (2005), Islam (2005), and Werker, Ahmed and Cohen (2008) find that ODA has positive effect on economic growth. They assert that ODA complements and supplements domestic savings and helps to close the foreign exchange gap. Islam (2005) cited Bangladesh as an example of a country in which 100% of its economic development plans depend on ODA which has contributed significantly to the country's economic growth. In contrast, some studies argue that ODA does more harm than benefit to economic growth (Griffin and Enos, 1970; Weisskopf, 1972; and Boone, 1994). They postulate that ODA tends to make recipient governments reduce tax rates and increase non-developmental expenditure. For example, 40% of ODA in Jordan was used either to reduce taxes or revenue collection. Their argument further emphasizes that ODA is volatile, and this is likely to slow down the economic growth process in recipients' countries. Lensink and White (1998), in their study using the Laffer curve, find that returns from ODA diminish after a threshold which is more detrimental to a developing economy. Adding to the arguments, Ali and Isse (2005) opine that ODA, being one of the sources of capital stock for economic development, is affected by market failure. They explain that poor market institutions, poor performance of entrepreneurship and alarming rate of corruption in ODA recipients' countries contribute significantly to the poor effect of ODA on the countries' GDP growth. However, it is argued that ODA may have a great impact on growth if followed by good economic policy. Burside and Dollar (2000, 2004) posit that good economic policy may influence ODA strongly to effect positive economic growth. In support, Dalgaard, Hansen and Tarp (2003) find that ODA improves economic growth with good policy. They conclude that the better the policy the higher the economic performance.

More extensively, some studies argue that ODA is attached to political and colonial interests. A good number of questions surround the political and colonial self-interests of the donors, particularly the non-member donors. This concerns the provision and allocation of ODA. The interest of the donors in most cases, perhaps, may not be far from furthering political or colonial objectives rather than economic development. Easterly (2003) and Sachs (2005) argued that ODA is more likely granted to former colonies to strengthen alliances in fighting rebels or reduce narcotics trafficking. Similarly, it is apparent that a huge amount of US dollars annually channeled to LDCs in the form of ODA often ends up financing consumption or used to fight domestic insurgence (Collier and Hoeffler, 2002; 2004).

In addition, a pool of studies examined the relationship between oil price and GDP as well as the effect of conflict on the same variable. Negative relationship between oil-price volatility and economic growth was documented by Hamilton (2001). He argued that increase in oil price tends to reduce economic growth of the developing countries. Equally, Tang, Zhang and Zhong (2009) conducted a study on the relationship between oil-price shock and its short- and long-term effects on the Chinese economy. They found that a negative relationship exists between the two variables. Likewise, Jiménez and Sánchez (2004) studied the impact of increase in oil price on OECD economies in the case of developing countries. It was found that a negative relationship exists with the difference manifested only in the magnitude of the effect across the countries. In addition, a sizeable number of studies examined the effect of armed civil conflict on GDP.

Most of the OIC-LDCs are characterized with conflict violence. This is documented to be the main factor for poor economic performance in most of these countries. Miguel et al. (2004) and Ciccone (2008) conducted studies on the effect of civil conflict in some Sub-Sahara African countries and found that the prevalence of insurgence in the regions significantly contribute to economic meltdown of many of these countries. Conversely, Brückner and Ciccone (2007; 2009) in their studies point out that annual decline in economic growth is likely to lead to conflict occurring in the following year, due to wide income inequality that may heighten resentment and generate high tension.

It is argued that ODA influences the outbreak of civil conflict in recipients' countries. This could occur in a country with socially or politically high tension if ODA is used to shape government policy or to empower or dis-empower parties involved in conflict. For example, ODA allocated to Afghanistan and Somalia often fuel civil conflict because it influences and reinforces tensions (Anderson, 1999; Uvin 1998; 1999). A poor economy is often considered to be the main factor responsible for growing numbers of unemployed youth and aggrieved youngsters in low-income countries. This group of people tends to be easily mobilized to join armed rebel groups. Cincotta, Engelman and Anastasion (2003) observed that economic stagnation produces high levels of unemployment and poverty that encourages frustrated young men to join rebel movements. Also, sharing a border with a country nurturing restive conflict poses significant burdens on development resources of the neighbouring country to deal with the in-flow of refugees (Ciccone, 2008).

Fearon and Laitin (2003), Hegre (2003), Hansen and Tarp (2001), and Elbadawi and Sambanis (2000) investigated the link between conflict and GDP as having an inverse relationship. They suggest that the prevention of conflict in conflict-prone countries is a credence factor for economic growth. They conclude that there is need to give priority to conflict prevention in policy making in order to sustain economic development and human well-being.

Apparently, from the enormous number of studies reviewed, the previous discussions had paid less attention to the majority of the OIC-LDCs on this subject matter. A small number of these studies either studied the relationship between ODA and GDP, oil-price volatility and GDP or ODA and common occurrence of civil conflict in individual OIC-LDCs or otherwise. They have not provided answers to some major questions on the collective impact of these variables on GDP. Secondly, transmission effects of these variables on GDP require further assessment.

3. ODA-FOR-GROWTH TRANSMISSION MECHANISM

The channel through which ODA influences economic growth is somehow difficult in OIC-LDCs because of two major and common identified factors: oil price and armed conflict, which is explicitly discussed in this section. ODA is allocated in the form of grants and concessional loans granted by high-income countries in favour of low-income countries for economic growth purposes. There are also some foreign financial assistance in form of non-concessional grants as voluntary contribution to developing countries in Asia and Africa from the Asian Development Bank (ADB) and African Development Bank (AfDB). The OIC also usually contributes development assistance to its low-income members' economies (OIC Report, 2008).

Official development assistance may improve economic growth through productive mechanisms such as investment financing, imports and government (economic) policy. For instance, ODA was the mainstay of the economic growth of some former recipients such as Malaysia. However, oil-price increases and frequent civil conflicts in OIC-LDCs may be responsible for ODA ineffectiveness in improving the GDP of these countries.

The transmission effect of oil-price shocks on growth is proved to be negative, and this may consequently influence the outbreak of violence (Ciccone, 2008; Tang et al., 2009). Oil-price shocks are likely to have adverse effect on the economic growth of oil importing countries. It often leads to cost-push inflation. Most of the observed OIC-LDCs are potential oil importers, except Nigeria and Yemen, and these countries are more affected when an oil-price shock occurs. It appears that OIC-LDCs are most likely cushioning the effect of oil-price shocks using ODA (Isenman and Ehrenpreis, 2003).

The low-income member countries of the OIC are characterized by some other factors that affect ODA effectiveness. The absorptive capacity of the recipient determines the economic transmission effect of ODA (OECD, 2003). Absorptive capacity to transform ODA into economic growth is poor in OIC-LDCs. This is due to the poor economic capital oriented markets and productive capacity to use the benefits for viable investments and developmental projects (see Radelet, 2006). Mohey-ud-din (2005) states that donor countries decide allocation of ODA for specific purposes and under a certain conditions

and these largely depend on the assessment of the recipient's absorptive capacity. However, Nigeria and Pakistan, like other OIC-LDCs, tended to receive substantial ODA grants over the years despite the relatively poor absorptive capacities of these countries. The impact of the inflow of the assistance on their economic performances is not encouraging. Political strength is also considered to be an important mechanism in influencing ODA-for-growth mechanism. It has been argued that ODA may have an effect on GDP depending on the degree to which the political system of the recipient country is structured. The higher the degree of democracy, the higher the effect of ODA on GDP. Svensson (1999), based on his assessment, concludes that the GDP effect of ODA is conditional upon the degree of democracy in the recipient country. This is because stable and good democratic institutions encourage governments to use ODA productively (OECD, 2003). More so, there is an argument raised by some studies that donors' political interests in inter-country ODA allocation carry relatively more weight than developmental concerns.

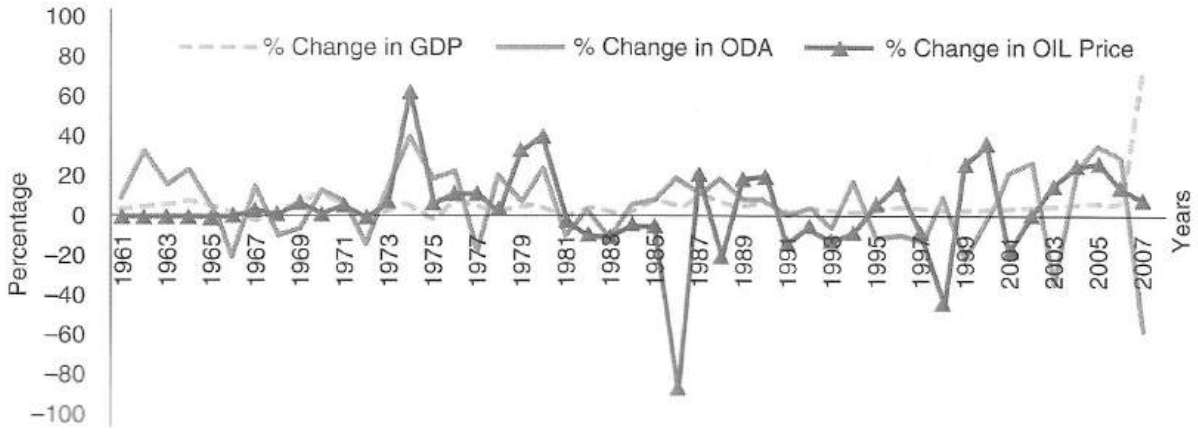
Based on the previous theoretical foundation that demonstrates the relationship between oil price, conflict and GDP growth, it can be argued that oil-price shocks are negatively related to economic growth of developing oil importing countries, particularly OIC-LDCs. Its effects penetrate into the economy through the channel of production of goods and services (Brown and Yucel, 2002). Barsky and Kilian (2004) and Hamilton (2003) studied the impact of oil price on economic growth and found that there is negative relationship between the two variables. They argued that an increase in oil price does not affect economic activities directly but it is transmitted through government spending and this transmission depends on the response of economic policy to the shock. It can be argued that OIC-LDCs may use a large part of allocations to cushion the effect of shocks rather than channel it to productive investment. Higher oil price affects economic sectors, resulting in increase in costs of production and translating into higher costs of living (Tang et al., 2009). The consequence of a decline in production due to cost-push inflation may bring about economic slowdown and a high unemployment rate. The unemployed youths and the destitute are risk factors in fuelling civil conflicts (Miguel et al., 2004; Ciccone, 2008; Demuynck and Schollaer, 2008). Unemployment rate is relatively high in most of the OIC-LDCs. For instance, the rate of unemployment in Yemen, Nigeria and Mozambique is about 35%, 23% and 21% respectively. These figures show the poor level of economic performance.

It is argued that an increase in oil price has more negative impact on economic growth of the oil importers than positive impact of ODA on recipients' economies. A spike in oil price is likely to increase unemployment level. This may result in vulnerable economic conditions that could influence the outbreak of violence (Elbadawi and Hegre, 2004). A rise in the price of oil increases the number of attacks. Dube and Vargas (2006) find that oil shock influences civil conflict in a linear direction. Their theoretical framework

indicates that oil-price increase can induce incidents of conflict especially in transition economies that heavily depend on import of oil. They assess simultaneous effects of oil shocks on violence and find that a higher oil price exerts a positive and significant influence on conflict.

There is associated link between ODA, oil price and economic growth. This is illustrated in Figure 6.1.

Figure 6.1 Percentage Change in ODA, Oil-price and GDP



Source: Authors' computation.

Table 6.1 Twenty-three OIC Low-income Member Countries

Countries	Region
Bangladesh	South Asia
Benin	Sub-Sahara Africa
Burkina Faso	Sub-Sahara Africa
Chad	Sub-Sahara Africa
Comoros	Sub-Sahara Africa
Cote d'Ivoire	Sub-Sahara Africa
Gambia	Sub-Sahara Africa
Guinea	Sub-Sahara Africa
Guinea Bissau	Sub-Sahara Africa
Kyrgyzstan	Central Asia

Countries	Region
Mali	Sub-Sahara Africa
Mauritania	Sub-Sahara Africa
Mozambique	Sub-Sahara Africa
Niger	Sub-Sahara Africa
Nigeria	Sub-Sahara Africa
Pakistan	South Asia
Senegal	Sub-Sahara Africa
Sierra Leone	Sub-Sahara Africa
Tajikistan	South Asia
Togo	Sub-Sahara Africa
Uganda	Sub-Sahara Africa
Uzbekistan	South Asia
Yemen	Middle East

Source: OIC (2008).

When the oil price increases, the donors allocate more ODA to mitigate the adverse effect higher oil price might have on a developing oil importer economy, and this allocation is reduced when the oil price decreases or when the recipient's economic well-being is improving (Hamilton, 2003, 2005). Oil prices drastically dropped between 1985–1989 during the Iran/Iraq and Gulf war and allocation of ODA also during these periods was not much significant. Based on the Hamilton (2003, 2005) findings, the relationship between foreign aid and oil price on economic growth is cyclical. The cyclical pattern indicates that ODA behaviour follows the same direction as oil price. If oil price increase, in order to mitigate its shocks on growth, ODA also will increase except in a situation where the economy is stabilized. However, economic growth is flat to the horizontal line as an indication of poor performance of the OIC-LDCs in this area. In this context, we infer that ODA has little effect on the economic growth of OIC-LDC and it does not considerably supplement domestic savings in spurring the GDP.

The movement of GDP growth on the horizontal line in Figure 6.1 indicates the poor economic performance of the OIC-LDCs. While ODA and oil price move in almost the same direction, GDP moves almost parallel to the zero line. When oil price increased by about 62% in the mid-1970s, as a result of the Arab/Israeli war and the Iran/Iraq war, ODA also increased by about 40% in order to depressurize the negative effect of oil price on

economic growth and to stabilize the economy. Invariably, when oil price negatively declined in 1985–1987 by about 78%, ODA fluctuates around the horizontal line. Given this analysis, we can state that, on average, ODA may be positively related to the OIC-LDCs' GDP growth but with little effect in the region that suffers most from adverse effects of oil-price volatility and frequent occurrence of armed conflicts.

4. CONCLUSIONS AND RECOMMENDATIONS

OIC-LDCs receive a huge amount of ODA from OIC and other international donors annually for economic growth and development. While their demand is consistently on the increase, the allocation has had little effect on their economies. This chapter highlights the trajectory impact of oil-price volatility and usual occurrence of civil armed conflict on the transmission effect of ODA on economic growth in OIC-LDCs. Over the years studied, the incidence of civil conflicts occurs more often in the OIC-LDCs. This was found to be a stumbling block to economic growth for the OIC-LDCs, which are prone to civil conflicts especially the African member countries. Post-civil conflict leads ODA recipients from investment to reconstruction and importation of goods and services which results in circular-flow-of-donation. ODA will be ineffective if used to restore infrastructure after conflict. OECD Report (2003) points out that conflict prevention aid is more beneficial than post-conflict reconstruction aid. Most worrisome is the oil-price volatility that often subjects ODA to a vicious circle. Oil-exporting donors that donate to oil-importing recipients usually get the donation back through increase in oil price. This is a situation in which solution to one problem leads to another problem, which brings back the first problem.

Though, ODA is found to be a catalyst to economic growth, it can be more effective in a conflict-free and enabling environment if it is channelled to productive investments and development projects. This will help to improve economic growth. For ODA to enhance economic growth in the OIC-LDCs, and deliver the expected results of good standard of living and poverty alleviation, oil price must be relatively stable. This will stabilize the cost of production for ODA to have meaningful positive effect on economic growth in the OIC-LDCs.

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NOTES

[1] Also known as Organisation of Islamic Conference.

[2] Bilateral means ODA that consists of grants or loans that one government or organization gives to a government of developing country to promote economic development and welfare.

[3] Multilateral means ODA from the international financial institutions, such as the World Bank Group or the regional multilateral development banks that receive their money from individual countries and capital markets and then lend it to developing countries.

[4] Gross domestic product (GDP) is used interchangeably with economic growth.

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