



Macroeconomic Literacy Training

March 12-13, 2009

GLOSSARY OF TERMS

Aid Absorption: (as distinct from Aid Spending) Some foreign aid is meant to be used on needed imports like drugs & equipment from international markets; when such aid is used as intended, the aid is considered to be “absorbed” by the recipient country

Aid Spending: (as distinct from Aid Absorption) Some foreign aid is meant to be spent on goods and services in the domestic economy; when such aid is used as intended, the aid is considered to be “spent” by the recipient country.

Article IV Reports: Each year the IMF conducts reports on every country’s economy in accordance with Article IV of its Articles of Agreement; these reports can then inform IMF loan programs and policy advice and serve as a “green light” or “signal effect” to other aid donors, creditors and international markets about a country’s supposed creditworthiness.

Bilateral Investment Treaties (BITs): An official treaty between two countries on the rights, privileges and protections that will be afforded to private foreign investors in each country. Often these agreements can restrict the ability of countries to adopt policies to support their domestic industries or to invest adequately in public health systems; they often give the investor a right to sue a country for damages for adversely impacting an investment expectation; in some cases, BITs give greater rights to investor than those required by the WTO or as a condition of IFI loans.

Budget Advocacy: CSOs and NGO networks that engage in monitoring annual budget processes at local and national levels and engage in advocacy for larger social sector budgets (i.e. for more education or health spending).

Budget Support: (as distinct from Vertical Aid) When foreign aid is intended to be added to the public expenditure in the recipient country’s national budget or into a specific sector budget, as opposed to being intended for specific projects, programs or other uses. In theory, this allows governments to decide best how to allocate the funds and increases central coordination and cohesion in planning.

Budget Tracking: CSOs and NGO networks that engage in monitoring annual budget processes and budget disbursements down to the regional, district and local levels in efforts to increase transparency, accountability and decrease corruption.

Capital Account Liberalization (CAL): Removing various forms of restrictions and controls on the flows of private money into and out of a country. A major cornerstone of financial deregulation and the neoliberal development model of the last 30 years. Has increased the vulnerability of countries to macroeconomic destabilization through sudden large inflows and outflows of capital.

Capital Flight: When multinational corporations operating in developing countries and the domestic elite take profits, wealth and money out of developing countries, often involving “tax evasion” and the use of Off-Shore Centers (OFCs). Contrary to the official development model theory, the reality is that over the last 30 years there has been a regular and increasing flow of wealth and capital from developing countries into the rich countries, i.e, South to North capital flows. Capital flight detracts from domestic investment

in productive activity, as wealth seeks higher returns in more speculative investments such as foreign financial markets or currency or commodity exchanges.

Central Bank Independence (CBI): An institutional and structural reform of governments' central banks, whereby the banks are given powers to decide monetary policies without interference by finance ministries or parliaments. Ostensibly the goal was to depoliticize monetary policies, but evidence shows that in fact central banks are still susceptible to influence by the short-term prerogatives of the financial services sector, and bias policies accordingly, to the subordination of long-term public interests.

Core Labor Standards: The basic core labor standards are internationally-agreed fundamental human rights for all workers, irrespective of countries' level of development, that are defined by the ILO Conventions that cover: the freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of all forms of forced or compulsory labor; and the effective abolition of child labor, including its worst forms.

Commodities: Primary goods, usually agricultural goods or natural resources, often exported by developing countries, with prices determined by massive, integrated traders on global markets.

Conditionalities: The conditions, or “strings attached” to development loans from the IMF, World Bank and many other multilateral and bilateral creditors and donors, or to debt-relief mechanisms for some developing countries. Often the conditions include controversial and harmful economic policy reforms such as privatization of public resources, imposition of user fees, and restraints on public spending.

Consumer Price Index (CPI): This a composite of the prices of a number of key goods—customized to each country, and used to gauge the inflation rate. For those seeking to monitor what the IMF and finance ministries are agreeing to in IMF loans on inflation-reduction targets, the term “CPI” or “consumer prices” is where the inflation rate is listed, as an annual percentage rate, (and projected out of the next few years) in various IMF tables and charts in its country documents on the IMF website.

Contractionary Monetary Policy: (as distinct from expansionary monetary policies) When the central bank raises interest rates. This has the effect of slowing down all of the buying, spending, employing and economic growth happening in the economy, usually in order to get inflation down or to correct a trade imbalance. The goal is to reduce the amount of money circulating in the money supply. The IMF favors contractionary monetary policies for developing countries.

Country Assistance Strategy (CAS): The World Bank main country document that provides an overview of all lending programs to a country over a 3 to 5 year period; lays out the basic conditions and policy reforms and projects.

Debt Crisis: The OPEC oil price increases of the 1970s led to oil producers building massive profits and depositing these in Western banks, which recycled these into massive “development loans” for developing countries; But two global recessions led to falling commodity prices, fewer exports sold to rich countries and much higher interest rates. The plethora of high-interest development loans combined to create as massive “Third World debt crisis” in the early 1980s. The IFIs then used the desperation of developing countries to be bailed out as the political leverage by which to demand neoliberal and macroeconomic policy reforms (Structural Adjustment Programs) as “conditions” for all future loans and foreign aid.

Deficit, Fiscal Deficit or Budget Deficit: When a government spends more in a given year that it has brought in with taxes or foreign aid; deficits must be financed by government borrowing—from either domestic banks or foreign sources.

Deficit-Reduction targets: Very important IMF policy, often an informal IMF loan condition, to reduce the government deficit, often to below 3 percent of GDP or lower. Sometimes the target calls for a balanced budget or even for building a budget surplus. For those seeking to monitor what the IMF and finance ministries are agreeing to in IMF loans on deficit-reduction targets, the term “overall balance” or “overall fiscal balance” is where the fiscal deficit target is listed, as a percent of GDP, (and projected out over the next few years) in various IMF tables and charts in its country documents on the IMF website.

Development Assistance Committee (DAC): the leading official body of the major donor agencies of the rich countries, located in the Organization of Economic Cooperation and Development (OECD) in Paris.

Development Policy Loans (DPLs): The newest name for a contemporary version of the World Bank’s structural adjustment programs.

Diagonal Approach to Aid: A proposal to include both elements of Horizontal Aid for health systems support and health systems strengthening along with more Vertical Aid for specific projects, programs or diseases. The diagonal approach is proposed as a way to lessen the tensions between vertical and horizontal approaches.

Domestic Debt: (as distinct from External Debt) Debts that are built up by successive years of running budget deficits and financing long-term investments. Domestic debt can become a problem, or “unsustainable” when servicing just the interest on the debt eats away at larger and larger portions of future years’ budgets. Of key importance is the poor terms on which most developing countries can borrow (high interest rates and short-term bond issues). Advocates must demand mechanisms to enable countries to engage in more affordable deficit spending.

Donor Harmonization: Led by OECD DAC and other bodies, donor agencies in the rich countries are increasingly making attempts to coordinate and pool together their aid to countries in the South to reduce inefficiency, overlapping, and strengthen the ability of recipient countries to better coordinate and plan. Increasingly the trend of donor harmonization is to move towards giving aid in the form of Budget Support. One concern is that donor harmonization consolidates donor power asymmetries *vis a vis* recipient countries and increases the collective power of donors to demand multiple economic policy reforms and conditions. Giving money to budget support can also reduce the influence and involvement of civil society and can result in less transparency and accountability for results.

Dutch Disease: The idea that too much foreign aid flowing into a developing country economy at one time can lead to an appreciation of the national currency in world markets; this, in turn would make the country’s exports more expensive on world markets (less competitive) and hurt exports. This was used by IMF, Uganda and others to justify calling for the slowing of aid inflows. Subsequent research shows the initial concerns were overblown, the question is far more complex and more research is needed.

Executive Director (ED): The representatives of governments who sit at the IMF and World Bank Executive Board. Only about 8 or 9 of the richest countries represent themselves. The other 12 to 15 seats on the IFI board are comprised of groups of countries, some of which have as many as 20 countries in them, thus their power is greatly diluted. The EDs take their orders, or “instructions,” from their respective finance ministries or development ministries.

Economic Partnership Agreements (EPAs): These are a set of trade and investment treaties being negotiated by the European Union (EU) and the so-called Africa, Pacific Caribbean countries (ACP); they include many policy reforms that will impact the ability of countries to invest and spending on health.

Exchange Rates: The exchange is the value of a country’s currency relative to others on world currency markets, and greatly affects how competitively countries can sell their exports on world markets. In an effort to crank out more exports, the IMF often devalued countries’ currencies to make their exports

cheaper on world markets. But this also make needed imports much more expensive for the people in the country. Conversely, currency appreciation can hurt a country's exports but also make needed imports cheaper for residents. So it's a give and take. Different parts of the economy can be both helped or hurt by currency devaluations and appreciations, and over longer and shorter periods of time, so the right exchange rate policy can get very tricky.

Expansionary Fiscal Policy: When governments increase public spending, often strategically in order to stimulate further rounds of economic activity in the economy. In such cases, running up a fiscal deficit is seen as a necessary step. The idea is that if higher economic growth can be triggered, the future increases in tax revenues can be used to pay down the deficit that had been temporarily increased.

Expansionary Monetary Policy: (as distinct from contractionary monetary policies) When the central bank lowers interest rates. This has the effect of increasing the levels of buying, spending, employing and economic growth happening in the economy, usually as part of an expansionary fiscal policy to stimulate higher employment and economic growth. The goal is to lower the cost of credit and thereby increase the amount of money circulating in the money supply. The IMF generally opposes expansionary monetary policies in developing countries.

Export-Processing Zones: Special areas in developing countries for foreign investors using cheap labor for processing and manufacturing of goods for re-export to third markets. The EZPs are detached from the rest of the domestic economy in that national labor laws do not apply, taxes are often not paid to the host government, regulations to buy local goods and services or partner with local firms do not apply—thus traditional mechanisms used by all countries to demand benefits to domestic economy (forward and backward linkages to domestic firms) no longer apply for EPZs.

External Debt: (as distinct from domestic debt) Sovereign debt taken out by governments in the form of official development loans or other forms of public financing by international borrowing. These debts are owed to international donor agencies, creditors and international bond holders which have purchased government bonds.

Enhanced Structural Adjustment Facility (ESAF): The name of the IMF structural adjustment loan programs from 1986 until 1999, when it was renamed to the Poverty Reduction and Growth Facility (PRGF).

Finance Ministries: According to its Articles of Agreement, the IMF is obliged to interact primarily with the finance ministries of member countries, including all borrowing countries. In theory, it is up to each country's finance ministry to interact with the rest of its government, including its legislature and civil society. But often this does not happen, and many policy decisions are regularly made behind closed doors by the visiting IMF mission teams, finance ministry and central bank officials, without the involvement or scrutiny of legislatures, other line ministries or other public stakeholders.

Formal Sector: (as distinct from the informal sector) Private companies or public agencies or entities, either domestic or international, which are officially and legally licensed and registered and are paying taxes, including payroll taxes and contributions to social security or pension systems. The formal sectors of many developing countries are very small, and efforts to "formalize" the the informal sector are of vital importance for increasing the future tax base and thus public expenditure.

Free Trade: The idea that countries should have fewer trade protection mechanisms (tariffs, quotas, other barriers, exchange rates) and that all countries should move towards eliminating such trade barriers, so that any amount of lower-cost foreign goods and services could flow into and out of all countries and so that the comparative advantage to engage in particular productive activities by each country can be realized.

Free Trade Agreements: Treaties that are ostensibly to lower trade barriers, but often are actually make agreements on levels and types of protection that will remain across many areas, often in uneven and unfair agreements that are stacked in favor of wealthier and more powerful economies. Such agreements often include key policy reforms that make it more difficult for developing countries to increase spending and investment in public health systems.

Gold Sales 2009: The IMF is seeking to sell off some of its huge gold reserves as a one-time effort to create a new fund for self-financing its operations in future years; this will prevent it from being dependent (and beholden) to periodic infusions of funds (replenishment) by member countries. In 2009, the US Congress will have an opportunity to demand policy reforms of the IMF before it agrees to permit the sale of gold. US health activists should use this opportunity to demand policy changes at IMF.

G7: The G7 (Group of Seven Countries) represent the governments seven largest economies in the world, which meet every summer for high-profile summits since the 1970s. Includes US, Japan, UK, France, Germany, Canada, and Italy.

G8: In the early 1990s, the G7 added Russia in the wake of the collapse of the USSR in 1991, making the annual summits into the G8 (Group of Eight Countries).

G20: The G8 plus 12 other major economies, including several major “emerging market” economies and major middle-income developing countries such as China, India, Brazil, Mexico and others. The G20 (Group of 20 Countries) was formed in response to recent 2008 global economic crisis in an effort to coordinate a global policy plan.

G77: The G77 (Group of 77 Countries) is the major group of developing countries (today 130 countries) that attempts to speak collectively on behalf of developing country interests in the UN and other forums.

Highly Indebted Poor Countries (HIPC) Initiative: The HIPC initiative was a major international debt-cancellation initiative that would cancel the bilateral debts owed by a select group of developing countries, created through public pressure by the global Jubilee movement and others. Problem is that too few countries get too little debt cancellation and only if countries still implement structural adjustment policies.

Horizontal Aid: (as distinct from vertical aid) The idea, exemplified in “budget support” from donors, that aid should not only go for “vertical” projects and programs, but also to general budgets for use as broad-based public expenditure so that health ministries and national governments can decide for themselves where best to direct the aid money.

IMF Missions: Periodic visiting teams of about a dozen or so IMF economists and officials, which usually visit each country every 6 months or so, to review the current loan programs and lay out conditions for ongoing and future programs. These visiting IMF Missions are distinct from the permanent IMF Resident Representative that is posted in each borrowing country.

Independent Evaluation Group (IEG): Formerly the Operations Evaluation Department (OED) at the World Bank, the IEG is a quasi-independent evaluation unit of the World Bank, which is independent of staff but still responds only to requests by the Executive Board. Some reports have been very useful, while others are not very critical or not asking the right questions.

Independent Evaluation Office (IEO): This is a quasi-independent evaluation unit of the IMF, which is independent of IMF staff but still responds only to requests by the IMF Executive Board. Some reports have been very useful, while others are not very critical or not asking the right questions.

International Financial Institutions (IFIs): A general reference to the World Bank, IMF, and the regional multilateral development banks (African Development Bank, Asian Development Bank, European Investment Bank, Inter-American Development Bank, etc).

Industrial Policy: Traditional policy tools and mechanisms by which governments strategically support selected domestic industries and companies with trade protection and various forms of subsidies, including for research and development, technology development, and subsidized credit. These policies have been outlawed in developing countries by IFI loan conditions and multiple types of trade agreements, but are still widely used by rich countries. Strikingly, the history of the use of such policies by all of the industrialized countries has been stripped out of the orthodox neoliberal university curriculum in most economics departments, as they conflict with the dominant ideology ostensibly against government intervention (even though rich countries continue to use such policies themselves).

Inflation: The annual percent increase in prices for goods or services in a national economy. Low inflation is called “price stability”. There are many different causes of inflation and there are major differences between rich countries and developing countries with regard to how inflation is transmitted throughout economies. In the context of developing countries, inflation can be imported, i.e., because of high imported fuel and food prices, and/or it can be caused by printing money, i.e., Zimbabwe, and/or other domestic causes

Inflation-Reduction targets: (as distinct from formal IT Regimes) These are a very important and major policy goal of IMF programs. The targets are set to either get inflation from a moderate level (10-20 percent) down to a very low level (5 percent or lower) over a period of a few years or to keep inflation at low levels, primarily through raising interest rates or tweaking the exchange rate, or both.

Inflation Targeting (IT) Regimes: (as distinct from informal inflation-reduction targets). Going further than standard IMF inflation-reduction targets, many central banks have formally adopted IT regimes, in which they publicly announce a formal target for low inflation and stake their “credibility” in the minds of domestic and international bond investors on achieving and maintaining the target; often associated with an increased detachment of central bank policy from government (democratic) control – see Central Bank Independence (CBI).

Informal Sector: (as distinct from the formal sector) Refers to the large pool of domestic, micro-, small and medium-sized enterprises (SMEs) which are not officially and legally licensed or registered and not are paying taxes or payroll taxes, and are not contributing to social security or pension systems. The informal sectors of many developing countries are very large, and efforts to “formalize” them with incentives (like subsidized credit) are of vital importance for increasing the future tax base and public expenditure.

Information Disclosure Policies: The IMF and World Bank have information disclosure policies that say which documents exist, and which will be made public and under what circumstances—and the many that will not be disclosed. For more info on these policies, and a particularly useful guide to walk you through IMF loans, see a production by GTI, “Right to information at the IMF: How to improve the Fund’s transparency policy,” October 2008 at: www.bicusa.org

Intellectual Property Rights (IPRs): The territorial (country-based) legal protections for certain kinds of innovations, including copyrights and patents, and on certain kinds of investments, such as trademarks and trade secrets. IPRs give rights holders the right to exclude others from using, making, or duplicating the protected asset. A minimum global standard for IPRs was created at the formation of the WTO via the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights). Patent and data protections are particularly important in the health field with respect to medicines.

Interest Rates: The cost of borrowing money. For our purposes, two key interest rates are the how much developing countries must pay when floating bonds for financing their deficit spending, and how much domestic companies must pay to borrow a regular commercial loan for expanding production and employment. The IMF prefers to raise interest rates in developing countries in order to slow down the economy in order to lower inflation.

Keynesianism: UK economist John Maynard Keynes promoted expansionary fiscal policies, with the key goals of public spending being to stimulate employment and higher economic growth rates during economic recessions. This idea to use overt government intervention in the economy, which was dominant in economics from the 1930s through the 1970s, is distinct from contemporary neoliberal ideas enforced by the IMF in developing countries today, which has governments decrease public spending during recessions.

Letter of Intent (IMF): When looking up IMF loan programs for specific countries (or any one of 6 periodic reviews of IMF loan programs) on the IMF website, there are 3 parts to examine: first is a short 1 or 2-page Letter of Intent (LOI) which is ostensibly a letter from the finance minister to the IMF promising to implement the loan conditions; this is often followed by the Memorandum of Economic and Financial Policies (MEFP) which offers much greater detail with important tables and charts; then often there is a Technical Memorandum of Understanding (TUM), which can offer further details. Annexes offer other tables and charts.

Macroeconomic stability: Generally refers to a set of macroeconomic “fundamentals” in each economy: the trade balances, sustainability of the deficit, exchange rate levels, inflation rates, interest rates, current account and major inflows and outflows of capital. It is extremely important that health activists know that monetarists and the IMF economists have a highly restrictive definition of “macroeconomic stability” that includes very low deficits (below 3 percent of GDP) and very low inflation (below 5 percent per year) which is not shared by most other economists, not backed up by the historical record, and not supported by the bulk of the peer-reviewed empirical studies published in the economics literature.

Memorandum of Economic and Financial Policies (MEFP): When looking up IMF loan programs for specific countries (or any one of 6 periodic reviews of IMF loan programs) on the IMF website, there are 3 parts to examine: first is a short 1 or 2-page Letter of Intent (LOI) which is ostensibly a letter from the finance minister to the IMF promising to implement the loan conditions; this is often followed by the Memorandum of Economic and Financial Policies (MEFP) which offers much greater detail with important tables and charts; then often there is a Technical Memorandum of Understanding (TUM), which can offer further details. Annexes offer other tables and charts.

Medium Term Expenditure Framework (MTEF): These frameworks are simply budgeting tools that allow planners, budget committees, finance ministries and others to view a rolling 3 or 4-year picture of the national budget, usually showing the previous year, current year and projections for budgets one or two years out. The importance—and controversy—about MTEFs has more to do with the numbers that go into the frameworks (which are derived from IMF targets) than with the frameworks themselves.

Millennium Development Goals (MDGs): The 8 internationally-agreed, UN-backed development targets that are set to be achieved by 2015. Critics note that the MDGs amount to merely a list of needs to be met and say nothing about “development” or development strategies or the transformational nature of policies that will be needed.

Monetarism: A school of thought or subset of thinking within neoliberalism, and is the basis for current IMF policy in developing countries (but not in rich countries). Monetarist believe that achieving very low inflation, very low deficits are the most important goals of macroeconomic policies and that everything else should be subordinated to these goals. They also believe that markets (bond investors) ought to determine going interest rates, not governments. They believe that central bank policy should be only

focused on achieving low inflation. This is distinction from Keynesianism, which seeks higher employment and higher economic growth as its key macroeconomic policy goals.

Multilateral Debt Relief Initiative (MDRI): This initiative was intended to supplement the earlier HIPC initiative for debt cancellation for a select few developing countries. Whereas HIPC cancelled some countries bilateral debts owed to individual donor governments, the MDRI initiative cancelled some debts owed to multilateral creditors like the World Bank and IMF. Like HIPC, countries only access MDRI relief after adopting IMF loan conditions.

Multiplier Effect: The idea that spending now on big, upfront public investments in health, education or infrastructure will more than pay for themselves later through higher worker productivity, higher productivity growth rates, and higher taxes generated 15 or 20 years down the road. The pursuit of such long-term multiplier effects is a key objective of Keynesian expansionary fiscal policy. A key problem is that, in contrast, the IMF always only has a narrow view of only a few years at time.

Neoliberalism: A basic set of free trade and free market ideas that were re-popularized by Reagan and Thatcher in the 1980s after 50 years of Keynesianism being dominated. These ideas, later known collectively as “The Washington Consensus,” have formed the basis for structural adjustment programs and policies attached as loan conditions by the IFIs for the last 30 years.

Net Domestic Assets (NDA): (also called net domestic credit) The level of available credit in a domestic economy of a developing country. The IMF agrees with finance ministries to set a cap or ceiling on the amount of NDA available for use by both the private sector and the government for deficit spending. Along with setting a required floor amount of net international currency reserves (NIR), the IMF can squeeze the “fiscal space” for available credit in a country by either lowering the permitted ceiling on NDA, raising the required floor on NIR, or both. Health advocates who want governments to increase deficit financing for scaling up investments in public health must watch and understand the way the IMF tweaks this NDA/NIR ratio as a key way it keeps spending constrained at unnecessarily low levels. The NDA concept also suggests that public borrowing for investments in health competes with and crowds out private (and for the IMF more productive) investment.

National Development Strategy: (as distinct from the PRSP) A national development strategy, such as in Mozambique, is usually a multi-year participatory domestic political process to develop longer-term national economic development plans for over 20 or 25 year periods. Usually legislatures, labor, business and civil society are involved in such processes. This is distinct from the donor-driven, closed and exclusive “consultations” on poverty-reduction goals by civil society inputs to governments who are working with the IFIs to draft PRSPs.

Net International Reserves (NIR): The level of foreign international hard currencies (US Dollars, UK pounds, Euros, etc) on reserve at the central bank or in the banking system in a developing country. The IMF agrees with finance ministries to set a cap or ceiling on the amount of NDA available for use by both the private sector and the government for deficit spending. Along with setting a required floor amount of net international currency reserves (NIR), the IMF can squeeze the “fiscal space” for available credit in a country by either lowering the permitted ceiling on NDA, raising the required floor on NIR, or both. Health advocates who want governments to increase deficit financing for scaling up investments in public health must watch and understand the way the IMF tweaks this NDA/NIR ratio as a key way it keeps spending constrained at unnecessarily low levels. By setting NIRs, the IMF can indirectly encourage or require countries to divert foreign aid to currency reserves rather than spend it on health or other targeted activities.

OECD: The Organization for Economic Cooperation and Development is also known as the “rich countries club” and is headquartered in Paris.

Off-Shore Centers (OFCs): These financial institutions offer secrecy and privacy like Swiss Bank accounts and greatly facilitate both legal and illegal tax evasion and capital flight and enable rich individuals, domestic and international companies to escape contributing to public expenditure. Hundreds of billions of dollars are lost each year.

Performance Criteria: Like Prior Actions, these are the major binding loan conditions in IMF loan programs (as distinct from structural benchmarks). The policy reforms considered as Performance Criteria must be implemented before the IMF loan can be renewed or extended.

Policy Action Framework (PAF): Related to donor “budget support” and donor “harmonization” efforts, the PAF is a policy matrix (usually attached as an annex) which spells out all of the various policy conditions being demanded by each donor or creditor in cases where donors have pooled their aid together in the form of budget support for the same country.

Presidents Emergency Plan for AIDS Relief (PEPFAR): The US-led bilateral AIDS initiative launched in 2003 to offer \$15 billion over five years to 15 targeted countries, mostly in Africa. Currently the program is being considerably scaled-up by a reauthorization to the level of \$48 billion over the next five years.

Prior Actions: Like Performance Criteria, these are the major binding loan conditions in IMF and World Bank loan programs. The policy reforms considered as Prior Actions must be implemented before the first tranche of a loan can be disbursed.

Public Expenditure Review (PER): These are domestic public events in developing countries, often involving legislatures, in which the national budget is decided and/or explained.

Poverty Reduction and Growth Facility (PRGFs): The new name given to the IMF’s main structural adjustment loans for low-income developing countries, replacing the old name—Enhanced Structural Adjustment Facility (ESAFs). Loans often called Stand-by Arrangements (SBAs are given to middle-income countries).

Poverty Reduction Support Credit (PRSC): The new name given to the World Bank’s main structural adjustment programs in 1999, replacing the old name—sectoral adjustment loans (SECALs) or Structural adjustment loans (SALs).

Poverty Reduction Strategy Paper (PRSP): A two or three-year list of priority poverty reduction goals, ostensibly determined through civil society inputs from “consultations” that bypass legislatures and other domestic processes. PRSPs do not prescribe any specific macroeconomic policies and primarily list social spending goals to be prioritized amidst insufficient budgets. PRSPs were formally required before countries can get debt cancellation or new IFI loans, and now are only informally required for such. PRSPs are very different from genuine National Development Strategies, which are often more inclusive and actually detail specific policies.

Policy Support Instrument (IMF): A new IMF program for low-income developing countries which does not include a loan or any line of credit but instead only provides the IMF’s “Signal Effect” or green light signal to other creditors and donors.

Power Analysis: As distinct from obfuscating rhetoric like “partners”, a power analysis asks any group of stakeholders sitting down together who has more power than whom, and how is this playing out with unequal leverage in decision-making. A power analysis among parties seeks to identify—and take steps to redress—the inequities that arise from the power asymmetry among aid-dependent borrowers and more powerful creditors and donors.

Price Shocks: Refers to any major disruptions in the domestic economy leading to major price increases or other macroeconomic imbalances. Often such shocks can be external in origin, such as falling or increasing prices for commodities on world markets (like in 2008), actions of other trading partners, or because of droughts or floods, etc.

Public Investment as a Percent of GDP: (as distinct from recurrent budget expenditure) this is an often-neglected but profoundly important key development indicator and signals the degree of long-term capital expenditure that is to be devoted to long-term improvements in the underlying infrastructure of health, education, transportation and public utilities. Many countries cut way back on public investment under the first SAPs in the 1980s or 1990s and have chronically under-funded public investment ever since, leading to dilapidated infrastructure in many countries.

Quantitative Conditionality: The types of IMF loan conditions often related to NDA, NIR, exchange rates, inflation-reduction targets, deficit-reduction targets, domestic-debt reduction targets, etc.

Sacrifice Ratio: The degree of higher employment and economic growth that is sacrificed or foregone for each point of inflation that gets lowered; this is because the main way to lower inflation is by raising interest rates, which slows the economy, jobs created and taxes generated. Economists measure the sacrifice ratio to determine how much employment and growth is lost for every point of inflation reduced. The IMF won't say how—or even if—they bother to measure the sacrifice ratio or weigh the “trade-offs” before setting their restrictive inflation-reduction targets.

Sector-Wide Approach (SWAPs): When donors give “budget support” to be added to the general budget expenditure or a particular sector, such as the health sector budget. This is distinct from both vertical aid for specific projects or programs and general budget support which could go to the whole national budget expenditure and used in any sector budget.

Signal Effect: The “green light” signal that is given to the World Bank and all other creditors and donors when the IMF gives a new loan or renews a loan program for a specific country. This signal effect represents the real power of the IMF over the whole foreign aid process, with its profound impact on monetarist policies that keep public spending unnecessarily low.

Special Safeguard Mechanisms (SSMs) and Special Products (SPs): These are exemptions that many developing countries are desperately lobbying to hold onto, in which they are allowed to temporarily raise trade barriers to protect key strategic domestic industries at times when huge floods of cheaper imports are threatening to wipe out the companies, or because the industries are strategic to long-term development strategies (like the rich countries did). Within WTO talks, the rich countries are demanding that developing countries give up such exemption to trade liberalization agreements. SSMs and SPs are essential for the long-term development strategies of many developing countries.

Staff-Monitored Programs: These IMF surveillance programs in which the IMF monitors economic developments in countries as part of their annual Article IV reports. IMF may offer guidance and advice based on its staff-monitored programs, but often these do not involve new IMF loans or lines of credit.

Stand-by Arrangements (SBAs): The name given to the IMF's main structural adjustment loans for middle-income developing countries. These are distinct from PRGFs and PSIs given to low-income countries.

Structural Adjustment Programs (SAPs): These IMF and World Bank loan programs in the 1980s and 1990s were subsequently renamed to PRGFs, PSIs, PRSCs, DPLs but still push for a common set of neoliberal policy reforms or seek to further entrench such reforms as to lessen the government intervention in the economy, to orient the economy towards export promotion to the neglect of the domestic economy: trade and financial sector liberalization, privatization of public companies, reductions

in government employees, reductions or elimination of government subsidies for domestic companies, privatization of public services, imposition of user fees, currency exchange rate liberalization, unnecessarily low inflation/deficit targets, wage bill ceilings, weaker labor laws, etc.

Structural Benchmarks: These are IMF loan conditions that are not necessarily binding, but represent more general “goal posts” for the neoliberal policy reform directions governments are expected to be moving towards. Where governments lag on such reforms, the benchmarks can be switched into binding Performance Criteria or Prior Actions conditions.

Technical Memorandum of Understanding (TUM): When looking up IMF loan programs for specific countries (or any one of 6 periodic reviews of IMF loan programs) on the IMF website, there are 3 parts to examine: first is a short 1 or 2-page Letter of Intent (LOI) which is ostensibly a letter from the finance minister to the IMF promising to implement the loan conditions; this is often followed by the Memorandum of Economic and Financial Policies (MEFP) which offers much greater detail with important tables and charts; then often there is a Technical Memorandum of Understanding (TUM), which can offer further details. Annexes offer other tables and charts.

Trade Protection: Any type of trade barrier used for slowing down or blocking the flows of imported foreign goods or services from entering a domestic economy as a way to protect domestic forms from being exposed to too much competition. Usually these are in the form of tariffs (taxes) on imports or quotas (limits on numbers of goods). Neoliberal policies in IFI loan programs or in WTO and other trade agreements seek to lower or eliminate trade protection in developing countries. It is important to note that the elimination of tariffs also adversely affects easily collected tax revenues, thereby reducing a country’s fiscal space.

US House Financial Services Committee: One of the key US congressional committees that is supposed to be able to exercise oversight control over what the US Treasury Department does at the IMF Executive Board. Activists should lobby this committee to make sure the USA Treasury takes steps at the IMF to change IMF policies.

US Treasury Department: The key US government agency that dispatches “instructions” to the US Executive Directors on the Executive Boards of the IMF, World Bank and regional multilateral development banks. The US Treasury instructs its EDs on what to say, not say, and which IMF loans programs to approve, block or change. The US is the most powerful actor in the boards of the IFIs and effectively has veto power.

US Senate Foreign Relations Committee: One of the key US congressional committees that is supposed to be able to exercise oversight control over what the US Treasury Department does at the IMF Executive Board. Activists should lobby this committee to make sure the USA Treasury takes steps at the IMF to change IMF policies.

US Senate Banking Committee: One of the key US congressional committees that is supposed to be able to exercise oversight control over what the US Treasury Department does at the IMF Executive Board. Activists should lobby this committee to make sure the USA Treasury takes steps at the IMF to change IMF policies.

User Fees: Charges for services at public health clinics, hospitals or public schools, many of which used to be free. The user fees were seen as part of the neoliberal ideas against public intervention in the economy (in health and education provision) and the view of seeing citizens as individually paying customers. User fees were also a coping mechanism to help small clinics and hospitals raise funds that had been cut from health budgets as a result of restrictive monetarist fiscal and monetary policies. Research indicates that even small fees can prevent poor people from accessing health and education services.

Value-Added Tax (VAT): This is tax on basic consumer goods, often goods used mostly by poor people. It is widely seen as a regressive tax paid by mostly poor consumers. Because most developing countries do not have extensive traditions of collecting income taxes, many countries primarily generate their tax revenues through import and export tariffs and through the VAT taxes on consumer transactions. As countries liberalized trade taxes away, however, they have become even more dependent on raising revenues through VATs.

Vertical Aid: Those private and official donor aid programs given for very specific and limited projects or programs, usually in a top-down way that bypasses or works separate from the government's public expenditure budget.

Wage Bill Ceilings or wage bill "caps": These are limits, usually as a percent of GDP, on the amount of money in the national budget that the IMF permits to be used for the wages of public sector employees. In many low-income countries, health and education personnel make up a large part of the public sector employees budget. The IMF began implementing wage bill ceilings a way to further discipline laggard governments who kept violating their agreed deficit-reduction targets.

Washington Consensus: The generalized set of neoliberal and structural adjustment policies embodied in IFI loan conditions over the last 30 years. By the 1990s, all of the major international foreign aid, trade and development institutions in Washington DC, particularly the US Treasury, IMF and World Bank, had achieved an apparent consensus on the best practices and policy reforms that would enable countries to develop. A more cynical view is that the Washington Consensus was not designed to promote development but instead to continue resource flows from the Global South to the Global North and to secure the interests and power of multinational corporations and rich country governments.

