



# DEBTSPEAK

**MORE Than Everything  
You Wanted To Know  
About Economic Terminology**

**Produced by the Congregation Justice Committee**





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*We gratefully acknowledge that information  
from the following groups/web sites was used  
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**Globalization Challenge Initiative  
([www.challengeglobalization.org](http://www.challengeglobalization.org));**

**Jubilee Plus  
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**A Citizen's Guide to the World Trade Organization,  
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# GLOSSARY OF TERMS

**A**

**Annual meetings:** the main meetings of the Boards of Governors of the IMF and World Bank, held each autumn. In theory, the annual meetings represent the main occasion for the Bank and the Fund to make major policy decisions. In practice, the main decisions are made by the Executive Board in discussions beforehand, and are merely rubber-stamped at the annual meetings. Two in every three years the annual meetings are held in Washington, D.C.; every third year, they are held elsewhere.



**'Basket case':** a phrase used to denote a country which is totally insolvent and, based on current expectations, has no possibility of ever servicing its debts in full.

**B**

**Bilateral Debt:** debt owed by one government to another government.

**Bretton Woods:** the conference, held in 1944, at which the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade (GATT) were established, to provide a basis for the functioning of the world economy in the post-war period, and in particular to avoid a repetition of the Depression of the 1930s.

**Bretton Woods Institutions (BWIs):** the World Bank and the International Monetary Fund.

# GLOSSARY OF TERMS

**C**

**Cancellation:** the legal cancellation of a loan agreement by a creditor. This has been done mainly for debts to low-income countries.

**Central Bank:** a country's official bank that carries out financial transactions of the government, regulates the money supply, maintains order in the financial markets, promotes favorable economic conditions, and/or acts as a lender of last resort to other domestic financial institutions.

**D**

**Debt Service:** total payments due on loans (repayments plus interest).

**Default:** failure by a debtor to fulfill any of its obligations under a loan or rescheduling agreement.

**Domestic Debt (or Borrowing):** debt incurred by the government that is owed to creditors in the same country. Loans are extended and repaid in local currency.



# GLOSSARY OF TERMS

**E**

**Executive Board:** the main decision-making body of the IMF and World Bank. Each Board has 22 Executive Directors, who represent either a single member country (in the cases of the U.S., the U.K., Germany, Japan, France, Saudi Arabia and China), or a constituency comprising a number of member countries. The Executive Boards meet regularly (generally twice a week in the Bank and three times a week in the Fund), and make decisions on Fund and Bank policies and their implementation, and on requests for loans and programs.

**External debt:** debt owed to creditors outside the country. This includes debt owed to private commercial banks, debt owed to other governments or debt owed to the international financial institutions such as the IMF and World Bank.

**Gross National (or Domestic) Product (GNP or GDP):** a country's total volume of goods and services produced, taking its depreciation (the decline in the value of good over time) into account.

**G-8:** the "Group of Eight" countries (Canada, France, Germany, Italy, Japan, Russia, United Kingdom and the United States) whose leaders meet annually at an economic summit to discuss issues including trade, debt reduction, etc.

WHAT'S THE "G" FOR?  
GREEDY?



**G**

# GLOSSARY OF TERMS

**G-7:** the seven wealthiest countries that make decisions on debt cancellation for the poorest countries. This includes all G-8 countries except Russia.

G



H

**Hard currency:** a general term used to describe any currency accepted for use in international transactions (e.g. U.S. dollar, the Euro, Japanese yen). All World Bank and IMF loans must be repaid in hard currency.

**HIPC:** Heavily Indebted Poor Country Initiative. A debt relief initiative launched by the World Bank and IMF in 1996, HIPC requires a multi-year commitment to stringent structural adjustments for the world's poorest countries. A country that fulfills all of HIPC's conditions receives some debt relief. Often the amount of relief provided brings the total amount of a country's debt to a "sustainable level," enabling that country to continue making interest payments to the World Bank and IMF on its revised amount of external debt.

**International Monetary Fund (IMF):** the international agency responsible for the operation of the international financial system. The IMF was established in 1944 as part of the United Nations system, and at the time of this

I

# GLOSSARY OF TERMS

writing has 151 members. In principle, its highest decision-making body is the Board of Governors; but in practice operational decisions are taken by the Executive Board. The Fund's Management is headed by a Managing Director, traditionally a European. The IMF's main operational roles are the general supervision of the policies of its member countries on international payments; and, in effect, a lender of last resort for the world economy.

**Lender of last resort:** a lender which offers loans to financial institutions that don't have access to funds from other sources. Such lending is generally accompanied by some form of conditions intended to ensure the restoration of the borrower's financial position. In national economies, the Central Bank fulfils the role of lender of last resort; in the world economy it is, in effect, the IMF.



**Moratorium:** the temporary suspension of payments of interest and/or principal on external debts.

**Multilateral Debt:** debt contracted between a country's government and multilateral financial institutions such as the World Bank and the International Monetary Fund.

# GLOSSARY OF TERMS

**P**

**Parastatal:** a state-owned company or enterprise. Common state enterprises include water, electricity, telephone service, oil and mineral extraction, etc.

**President:** the head of the World Bank. While the World Bank President is formally elected by the Board of Governors, he (the Bank has yet to have a woman President) is traditionally an American, and the U.S. exercises the strongest influence in his election. In effect, the U.S. selects a candidate acceptable to the other members of the Bank, who is then elected.

**Privatization:** the process of transferring, selling or divesting government or state-owned companies or assets to private ownership.



**Reschedule:** revised timetable for loan repayments, usually granting longer repayment periods and often involving new loans to pay old ones.

**R**

**S**

**Spring Meetings:** the meetings of the Interim Committee and the Development Committee held in Washington, D.C., each spring (that is roughly mid-way between the annual meetings of the IMF and the World Bank). The spring meetings are a very important focus for decision-making on international economic and financial issues – although most of the actual discussion and nego-

# GLOSSARY OF TERMS

tiation takes place in the Executive Boards of the IMF beforehand.

S

**Structural Adjustment:** neoliberal (free-market) economic policies imposed as a condition for new loans, supervised mainly by the IMF.

**Structural Adjustment Loans:** loans given to governments for budget support and debt servicing, conditioned on government policy changes which usually include currency devaluation, cutting of government subsidies, increasing the rate of interest on loans, privatization of parastatals, and increasing production for export.

FEWER JOBS, HIGHER UNEMPLOYMENT, HIGH INTEREST RATES, "EXPORT, EXPORT, EXPORT!", DEVALUED CURRENCY, NO SUBSIDIZED SERVICES: IN OTHER WORDS, "EAT LESS"

T

**Trade Liberalization:** reduction and/or removal of taxes, tariffs or other barriers on a country's imports and exports.

**Unsustainable Debt:** according to the World Bank and the IMF, a country's debt is considered unsustainable when it exceeds a level of two or two and a half times its annual export earnings.

DEBT

# GLOSSARY OF TERMS

**User fees:** the IMF required-charges levied by indebted countries on their citizens for basic services, such as health care, primary education, etc.

U

W

**World Bank:** the main international agency responsible for providing development finance. The World Bank, like the IMF, was established by the Bretton Woods conference in 1944, as part of the United Nations system. Its main role was initially that of post-war reconstruction, particularly in Europe, but as this task was accomplished the emphasis shifted to the financing of development projects in developing countries. Since

1980, the Bank has also provided loans in support of programs of structural adjustment in developing and Eastern European countries. Like the IMF, the Bank's highest decision-making body is nominally the Board of Governors, but its 22-member Executive Board is much more important in practice. The Bank's Management is headed, and the Executive Board is chaired, by its President, traditionally an American. The Bank's capital is provided by contributions from its member countries, but its operations are financed mainly by borrowing from the international financial markets. The World Bank is made up of three main parts: the International Bank for Reconstruction and Development (IBRD), which lends mainly to the governments of middle-income countries; the International Development

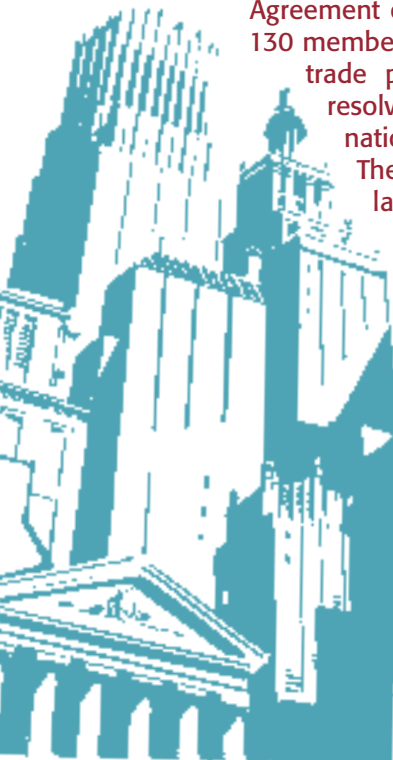


# GLOSSARY OF TERMS

**W**

Association (IDA), which lends only to the governments of low-income countries; and the International Financial Corporation (IFC), which lends to and invests in private sector companies in developing countries.

**World Trade Organization (WTO):** international organization charged with regulating global trade. Established in 1995 as a successor to GATT (General Agreement on Tariffs and Trade), it now has over 130 member countries. The WTO develops “free” trade policies, enforces trade agreements, resolves trade disputes between member nations, and acts as global trade arbitrator. The WTO has the authority to review laws and pressure governments to overturn local and national laws that are seen as contrary to the goals of free trade. (This includes environmental protection laws, health and safety provisions, etc.)



# GLOSSARY OF TERMS



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