

GLOSSARY

Average tax rate progression Percentage point increase in the average tax rate for an increase in income by 1 percentage point of per capita GDP.

Benefit incidence Share of public benefits received by a particular socioeconomic group.

Between-country inequality Reflects differences in average income between countries.

Budget-neutral policies Policies that keep a country's fiscal deficit unchanged.

Categorical targeting Selecting individuals based on specific easily observable characteristics—such as age, gender, or disability status.

Conditional cash transfer programs Social assistance programs that transfer cash to households only if they meet certain conditions, for example, enrolling their children in schools.

Coverage of benefits Share of individuals or households of a particular socioeconomic group who receive a public benefit.

Cyclically adjusted balance (CAB) Difference between the overall balance and the automatic stabilizers; equivalently, an estimate of the fiscal balance that would apply under current policies if output were equal to potential.

Cyclically adjusted primary balance (CAPB) Cyclically adjusted balance excluding net interest payments (interest expenditure minus interest revenue).

Disposable income Amount of money that households have available for spending and saving after direct taxes and income-related transfers have been accounted for.

Equally distributed equivalent income Level of income per person which, if equally shared, would generate the same level of social welfare as the observed income distribution.

Fiscal buffer Fiscal space created by saving budgetary resources and reducing public debt in good times.

Fiscal stabilization Contribution of fiscal policy to output stability through its impact on aggregate demand.

General government All government units and all nonmarket, nonprofit institutions that are controlled and mainly financed by government units comprising the central, state, and local governments; includes social security funds and does not include public corporations or quasi-corporations.

Generosity of benefits Size of benefits as a share of per capita equivalent disposable income across deciles.

Gini coefficient Measures the extent to which the distribution of a variable, such as income or wealth, among individuals or households within an economy deviates from a perfectly equal distribution. A Gini coefficient of 0 represents perfect equality, while an index of 1 implies perfect inequality.

Global income inequality Inequality measured across all citizens of the world by abstracting from national borders.

Gross debt All liabilities that require future payment of interest and/or principal by the debtor to the creditor. This includes debt liabilities in the form of special drawing rights, currency, and deposits; debt securities; loans; insurance, pension, and standardized guarantee programs; and other accounts payable. (See the IMF's 2001 *Government Finance Statistics Manual* and *Public Sector Debt Statistics Manual*.) The term "public debt" is used in the *Fiscal Monitor*, for simplicity, as synonymous with gross debt of the general government, unless specified otherwise. (Strictly speaking, public debt refers to the debt of the public sector as a whole, which includes financial and nonfinancial public enterprises and the central bank.)

Income tax schedule Set of tax rates and the relevant income bands to which they apply.

Inequality of opportunity Impact on income inequality of circumstances over which individuals have no control, such as family socioeconomic status, gender, or ethnic background.

Infant mortality rate Number of deaths of young children, typically under one year of age, per thousand live births.

In-work tax credits Tax credit for taxpayers with low incomes and a minimum number of hours worked.

Means-tested transfers Transfers contingent on a determination of whether an individual or family is eligible based upon the individual or family income.

Net debt Gross debt minus financial assets corresponding to debt instruments. These financial assets are monetary gold and special drawing rights; currency and deposits; debt securities; loans, insurance, pensions, and standardized guarantee programs; and other accounts receivable. In some countries, the reported net debt can deviate from this definition based on available information and national fiscal accounting practices.

Nonfinancial public sector General government plus nonfinancial public corporations.

Out-of-pocket health spending Households' direct outlays for health care expenses, including gratuities and in-kind payments made to public and private health care providers and to suppliers of pharmaceuticals, therapeutic appliances, and other goods and services.

Output gap Deviation of actual from potential GDP, in percent of potential GDP.

Overall fiscal balance (also “headline” fiscal balance) Net lending and borrowing, defined as the difference between revenue and total expenditure, using the IMF's 2001 *Government Finance Statistics Manual* (GFSM 2001). Does not include policy lending. For some countries, the overall balance is still based on the GFSM 1986, which defines it as total revenue and grants minus total expenditure and net lending.

Pareto distribution A statistical distribution that tends to fit the income (or wealth) distribution data, especially for high income (or wealth) levels.

Pareto index Parameter specifying a Pareto distribution, indicating the density of incomes. The greater the Pareto index, the smaller the proportion of individuals with very high income (or wealth).

PISA test scores Test scores from the Program for International Student Assessment (PISA), a triennial international survey that aims to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students in science, mathematics, and reading.

Potential growth Growth in potential output.

Potential output Estimate of the level of GDP that can be reached if the economy's resources are fully employed.

Primary balance Overall balance excluding net interest payment (interest expenditure minus interest revenue).

Primary spending Government expenditure excluding interest payments.

Progressive (or regressive) taxes Taxes that feature an average tax rate that rises (or falls) with income.

Public debt See *gross debt*.

Public sector General government sector plus government-controlled entities, known as public corporations, whose primary activity is to engage in commercial activities.

Revenue-maximizing rate Tax rate that maximizes revenue, taking into account that raising tax rates discourages labor supply, effort, and compliance.

Structural fiscal balance Extension of the cyclically adjusted balance that also corrects for other nonrecurrent effects that go beyond the cycle, such as one-off operations and other factors whose cyclical fluctuations do not coincide with the output cycle (for instance, asset and commodity prices and output composition effects).

Universal basic income Uniform cash transfer level received by all individuals in a country without conditions attached.

Within-country inequality Refers to income inequalities within a country.