# Definitions and Data Notes

## Selected terms used in this Report

*Corporate governance* is the monitoring and control, typically by owners, of the management and performance of an enterprise.

*Externalities* are costs or benefits resulting from an economic activity or transaction that accrue to persons or entities other than those engaged in it.

*Gini coefficients* are a standard measure of inequality of income distribution, calculated with reference to the departure of an actual distribution from a state of perfect income equality.

*Hard budget constraints* are said to exist when managers of state enterprises know that the budgets set for them by central government are fixed and that losses will not be financed out of general revenues or by the central bank.

*Informalization* is the exit of economic activity from that part of the economy where it is subject to laws, regulation, and taxation and covered in official economic statistics.

*Liberalization* refers, except where stated otherwise, to economic liberalization: the loosening or elimination of government restrictions on domestic transactions, prices, and markets; on external transactions and the free exchange of domestic currency for foreign and vice versa (*convertibility*); or on free entry of firms into domestic markets.

*Market failure* is any situation in which markets systematically produce more or less of certain goods or services than is optimal for the society as a whole.

*Moral hazard* is a situation in which the presence of insurance or the expectation of compensating policy weakens or distorts incentives to prudent behavior.

*Privatization* is used in its strict sense, that of divestiture by the state of enterprises, land, or other assets, and not in the broader sense of any action that moves an enterprise or an economy in the direction of private ownership or that tends to make the behavior of state enterprises more like that of private entities.

*Rent seeking* is any manipulation of the law or of government authority in order to generate or appropriate an economic rent. Such rents are earnings from productive factors in excess of the minimum needed to keep that factor at its present use; they can arise through the acquisition of a claim on a resource whose ownership was ambiguous or weakly exercised, or through a change in government policy that creates an artificial scarcity.

*Stabilization* refers to macroeconomic stabilization, or the control and reduction of inflation and the containing of economy-wide imbalances, such as fiscal deficits, and of external imbalances, such as current account deficits.

*Township and village enterprises* are a form of enterprise organization unique to China in which local government owns all or most of the enterprise but local individuals hold implicit property rights.

## Country groups

For operational and analytical purposes the World Bank's main criterion for classifying economies is gross national product (GNP) per capita. Every economy is classified as either low-income, middle-income (subdivided into lower-middle and upper-middle), or high-income. Other analytical groups, based on regions, exports, and levels of external debt, are also used.

Because GNP per capita changes with time, the country composition of each income group may change from one edition to the next. Once the classification is fixed for any edition, all the historical data presented are based on the same country grouping. The income-based country groupings used in this year's Report are defined as follows.

*Low-income economies* are those with a GNP per capita of $725 or less in 1994.

*Middle-income economies* are those with a GNP per capita of more than $725 but less than $8,956 in 1994. A further division, at GNP per capita of $2,895 in 1994, is made between lower-middle-income and upper-middle-income economies.

*High-income economies* are those with a GNP per capita of $8,956 or more in 1994.

*World* comprises all economies, including economies with sparse data and those with less than 1 million population; these are not shown separately in the main tables but are presented in Table 1a in the technical notes to the Selected World Development Indicators.

Classification by income does not necessarily reflect development status. (In the Selected World Development Indicators, high-income economies classified as developing by the United Nations or regarded as developing by their authorities are identified by the symbol †.) The use of the term "countries" to refer to economies implies no judgment by the Bank about the legal or other status of a territory.

The table "Classification of economies" at the end of the Selected World Development Indicators lists countries according to income, regional, and analytical classifications.

*Other analytical groups*

In the text of the Report, for analytical purposes Central and Eastern Europe (CEE) comprises Albania, Bulgaria, Croatia, the Czech Republic, Hungary, the former Yugoslav Republic of (FYR) Macedonia, Poland, Romania, the Slovak Republic, and Slovenia. Bosnia and Herzegovina and the Federal Republic of Yugoslavia are also part of this group but are not discussed in the Report.

The newly independent states (NIS) are Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakstan, the Kyrgyz Republic, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

The set of transition economies used in the analyses consists of the above two groups plus Mongolia, China, and Vietnam.

The text also makes reference to the following country subgroups. The Baltic countries are Estonia, Latvia, and Lithuania. The Visegrad countries are the Czech Republic, Hungary, Poland, and the Slovak Republic. Countries whose economies have been severely affected by regional tensions are Armenia, Azerbaijan, Croatia, Georgia, FYR Macedonia, and Tajikistan.

Membership in the Council for Mutual Economic Assistance (CMEA), the now-dissolved trading system of the former communist bloc, consisted in 1989 of Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, Mongolia, Poland, Romania, the Soviet Union, and Vietnam.

The country members of the Organization for Economic Cooperation and Development (OECD) as of publication are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Data for OECD countries for a particular year apply to the organization's membership in that year.

## Data notes

***Billion*** is 1,000 million.

***Trillion*** is 1,000 billion.

***Tons*** are metric tons, equal to 1,000 kilograms, or 2,204.6 pounds.

***Dollars*** are current U.S. dollars unless otherwise specified.

***Growth rates*** for economic data reported in the Selected World Development Indicators are based on constant price data and, unless otherwise noted, have been computed with the use of the least-squares method. See the technical notes to the Selected World Development Indicators for details of this method.

***The symbol*** / in dates, as in "1990/91," means that the period of time may be less than two years but straddles two calendar years and refers to a crop year, a survey year, or a fiscal year.

***The symbol*** .. in tables means not available.

***The symbol*** — in tables means not applicable. (In the Selected World Development Indicators, a blank is used to mean not applicable.)

***The number*** 0 or 0.0 in tables and figures means zero or a quantity less than half the unit shown and not known more precisely.

The cutoff date for all data in the Selected World Development Indicators is April 30, 1996.

Historical data in this Report may differ from those in previous editions because of continual updating as better data become available, because of a change to a new base year for constant price data, or because of changes in country composition in income and analytical groups.

Other economic and demographic terms are defined in the technical notes to the Selected World Development Indicators.

## Acronyms and initials

**CAP** Common Agricultural Policy (of the European Union)
**CEE** Central and Eastern Europe (see "Other analytical groups" above)
**CMEA** Council for Mutual Economic Assistance (see "Other analytical groups" above)
**EBRD** European Bank for Reconstruction and Development
**EU** European Union
**FDI** Foreign direct investment
**GATT** General Agreement on Tariffs and Trade
**GDP** Gross domestic product
**GNP** Gross national product
**IFC** International Finance Corporation
**IMF** International Monetary Fund
**NGO** Nongovernmental organization
**NIS** Newly independent states (see "Other analytical groups" above)
**OECD** Organization for Economic Cooperation and Development (see "Other analytical groups" above)
**PPP** Purchasing power parity
**TVE** Township and village enterprises (see "Selected terms used in this Report" above)
**VAT** Value added tax
**WTO** World Trade Organization