## **Contents**

Preface Abbreviations		vi
		vii
1	Introduction	ı
11	Stylized Facts of PRGF-Supported Programs in Mature Stabilizers	6
	Growth and Inflation Fiscal Developments External Viability	6 8 11
111	Monetary Policy Issues in PRGF-Supported Programs	14
	Inflation and Economic Growth Financial Programming Is Private Sector Credit Being Crowded Out?	14 17 23
IV	Fiscal Policy Issues in PRGF-Supported Programs	27
	Fiscal Stance and Economic Growth Public Expenditure Tax Policy	27 29 32
V	Conclusions	37
Αp	pendixes	
	<ol> <li>The Accuracy of Consecutive Updates of Monetary Projections</li> <li>The Efficiency of Monetary Projections</li> <li>Measuring the Fiscal Stance and Accounting Issues</li> <li>NPV of Debt-Stabilizing Primary Balances</li> </ol>	38 40 41 42
Ref	erences	44
Во	kes	
	<ol> <li>1.1. The PRGF</li> <li>1.2. Why the "Mature Stabilizer" Moniker?</li> <li>2.1. Targets and Projections in IMF-Supported Programs</li> <li>2.2. Social and Poverty-Reducing Spending</li> <li>3.1. Seigniorage Income</li> <li>3.2. Monetary Programming in IMF Program Design</li> <li>4.1. Treatment of Concessional Loans in Fiscal Accounts</li> <li>4.2. Public Debt Sustainability: The Case of Ethiopia</li> </ol>	3 4 7 10 16 18 29 30
	4.3. Absorptive Capacity Constraints and Policies to	31

## **Tables**

1.1. Economic and Social Indicators in PRGF-Eligible and	
Other Developing Countries	2
2.1. Inflation Targets in Original PRGF-Supported	
Programs	7
2.2. Inflation Targets in Consecutive Program Updates	8
2.3. Fiscal Targets and Performance	9
2.4. External Targets versus Outcomes in the Mature	
Stabilizer Sample	12
3.1. Empirical Studies on Kinks in the Relationship between	
Inflation and Growth	15
3.2. De Facto Exchange Regimes, 2001	19
3.3. Monetary Projections and Projection Deviations	20
3.4. Credit to the Private Sector	24
4.1. NPV of Public Sector Debt for Selected Poststabilization	
Countries	28
4.2. Evolution of the Revenue Structure of Poststabilization	
Countries in the 1990s	34
4.3. Selected VAT and Corporate Income Tax (CIT) Indicators	35
Al.1. Accuracy of Program Updates	38
A1.2. Test of the Accuracy of Program Projections (Theil's <i>U</i> -Statistic)	39
A2.1. Test of the Weak Efficiency of Program Projections	40
A4.1. Average Augmented Primary Balance, 2000-03	43
Figures	
2.1. Real GDP Growth: 1980-2003	6
2.2. Projected Real GDP Growth	6
2.3. Expenditure Targets in PRGF Programs, 2000–03	9
2.4. Revenue Targets in PRGF Programs, 2000–03	9
2.5. External Development Indicators in the Mature Stabilizers	11
2.6. Actual and Debt-Stabilizing Current Account Balances	12
2.7. Ratio of Private Investment to GDP	12
3.1. Inflation: One-Year-Ahead Projections and Outcomes	17
3.2. Dispersion of Monthly Exchange Rate Changes to the	1,
U.S. Dollar—Kernel Density Diagram	19
3.3. Deviations from Previous-Year Projections for CPI and	
Broad Money Growth	21
3.4. Projected and Actual Percentage Change in Velocity	21
3.5. Projected and Actual Percentage Change in the Reserve Money Multiplier	
3.6. Deviations from the Programmed Levels of NDA and NFA	22
3.7. Exchange Rate Variability and Deviations from Previous-Year	22
Broad Money Projection	00
3.8. Cumulated Growth in Credit and GDP, 1995–2002	23
3.9. Domestic Debt and Private Sector Credit in Low-Income	24
Countries Countries	25
	25