Glossary: International Finance Politics

Credit Rating Agencies

The most influential ones are private Western firms (Moody's, S&P, and Fitch). They assess the creditworthiness of countries and companies based on risk evaluations, directly influencing their financing costs: the lower a country's credit rating and risk profile, the higher the interest rates investors demand for purchasing government bonds.

Debt Restructuring

The renegotiation of debt terms to extend repayment periods or reduce interest rates in order to prevent default. The IMF often acts as a mediator in these processes, but primarily safeguards creditors' interests.

FfD4 – Financing for Development 4 Conference

At this major UN conference on development financing, taking place in June 2025 in Seville, states will negotiate and maybe decide on major systemic reforms of the international financial architecture.

Foreign Exchange Reserves

Foreign currencies and gold held by central banks to stabilise the national currency and protect against economic crises. Poorer countries often need to stockpile US dollars or euros.

Government Bonds

Bonds are debt securities issued by governments to investors on the international capital market in exchange for funds. Bonds have fixed interest rates and maturity dates, meaning they must be fully repaid to investors on a specific date.

Government Debt

The total financial liabilities of a state, mainly consisting of borrowed loans and issued bonds, plus interest costs. Foreign debt often has to be repaid in foreign currencies, usually in US dollars.

Interest Rates

Interest is the cost of borrowing money. Example: If a country borrows €1 million at an interest rate of 5%, it must pay an additional €50,000 in interest per year.

IMF – International Monetary Fund

A powerful international institution that provides US dollar financial aid to heavily indebted countries, often demanding extensive "structural adjustments" in return. These typically involve a neoliberal programme of job cuts, reductions in social spending, austerity policies, and economic liberalisation. The interest-bearing IMF must be repaid within a few years.

ODA – Official Development Assistance

The official term for public development aid that wealthy countries provide to poorer nations. Since 1970, a UN resolution has stipulated that rich countries should allocate 0,7% of their GDP to ODA. That target that has never been collectively met. What financing qualifies as ODA is decided by wealthy nations within the OECD organisation.

The World Bank (Group)

This important multilateral institution provides bank services to "developing" countries and sometimes corporations. It's a major lender for poverty reduction and infrastructure development. Like the IMF, it frequently promotes neoliberal economic programmes.

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