

Debt-Distressed - Refers to a developing country experiencing ongoing difficulties in servicing external debt and whose debt is a major factor impeding its economic growth.

Debt Forgiveness - The cancellation of a loan.

Debt Overhang - Refers to the situation where the value of debt of a debtor country is so large relative to the size of its economy that it impedes economic growth and development.

Debt Reduction - The reduction of the outstanding principal owing on a loan or group of loans.

Debt Relief - A general term which can include one or several of the following: rescheduling of payments, reduction of outstanding principal and/or interest payments and reduction in interest rates.

Debt Rescheduling - The postponement of debt-service payments.

Debt Service - The amount of principal and interest owing for a given period of time, in accordance with the provisions of the loan agreement.

Debt-Service Reduction - Similar to debt reduction, but applied to interest and principal payments rather than the total debt.

Debt Swaps - Conversion of debt obligations into equity or other assets, or cancellation of debt in return for undertakings of the debtor to pursue certain policies; e.g., environmental protection or conservation of forests, social development or support for children.

Default - If a country fails to pay the interest and principal owing, it is then in default and ineligible for new loans and liable to legal actions. (There are no international "bankruptcy" proceedings for countries.)

Developing Countries - Countries with low standards of living in terms of income, poverty, malnutrition, literacy, housing etc. (refer to Appendix C). The World Bank classification of developing countries by per capita Gross National Product in 1988 follows:

- *Low-Income Countries* - Per capita GNP of US\$545 or less.
- *Middle-Income Countries* - Per capita GNP of more than US\$545, but less than US\$6 000.
 - Lower Middle-Income Countries - Per capita GNP of more than US\$545, but less than US\$2 200.