Glossary of Terms

Arrears - Accumulated unpaid interest and principal on outstanding loans. Loans which are in arrears are said to be "non-performing."

Baker Plan - An initiative in 1985 of former U.S. Treasury Secretary Baker to encourage commercial banks and multilateral institutions to extend new loans to debtor countries, based on their willingness to implement appropriate economic reforms, to allow them to grow out of their debt problems.

Balance of Payments - The measure of a country's net international position in terms of income from exports of goods and services versus expenditures on imports (the current account), and financial inflows and outflows (the capital account). A "deficit" arises when a country pays out more than it receives.

Brady Plan - An initiative in March 1989 of U.S. Treasury Secretary Brady under which the International Monetary Fund (IMF) and World Bank would provide resources to debtor countries to facilitate debt-reduction operations with the commercial banks. To be eligible, the debtor countries must agree to undertake appropriate economic adjustment policies designed in co-ordination with the IMF and World Bank.

Capitalization of Interest - The addition of interest owing or future interest, to the loan principal.

Commercial Debt - Debt owed to a commercial lender such as a commercial bank.

Conditionality - The requirement that the provision of resources, usually by the IMF or World Bank, is closely linked to the willingness of the borrowing country to implement economic policies required to restore a viable balance of payments position and sustainable growth.

Concessional Lending - Loans offered to borrowing countries at below-market interest rates often with longer repayment periods and a grace period before principal payments are due.

Debt Buy-Backs - Purchases by debtor countries of their outstanding loans usually at substantial discounts.

Debt Conversion - Exchange of debt for another liability; e.g., debt for equity by changing a loan into shares in a company (see also debt swaps).