interest payments, profit remittances, etc. The centre of the international financial system is the IMF, which has the mandate to ensure its smooth functioning.

Illegal Debt

This is where the legal procedures of the recipient country have not been followed. For example, the loan requires (but did not receive) authorization by parliament or the executive, it the signatory was not authorized to sign.

Illegitimate Debt

This is the issues of lender liability, if poor countries are paying debts that they not only are unable to pay, but also in many cases should not pay, these illegitimate debts.

London Club

The term "London Club" originated by analogy with the Paris Club, since bank negotiations at that time took place mainly in London (although the main center is New York). In fact the analogy is somewhat misleading; unlike the Paris Club, the London Club has no fixed membership, and no permanent secretariat. In fact, the London Club is a concept rather than an institution.

Least Developed Country

Those countries assessed as having particularly severe long-term constraints to development. Inclusion on the list of Leaset Developed Countries (LDCs) is assessed on two main criteria; economic diversity and quality of life.

Marshall Plan

A massive program of financial aid from the US and Canada to Europe, started in 1946, to relieve the extreme shortage of foreign exchange in Europe following the Second World War. The Marshall plan is frequently reffered to as a precedent for proposals of large-scale financial assistance to developing countries in response to the debt crises.

Moratorium

The temporary suspension of payments of interest and/or principal on external debts. A moratorium may be an immediate response to a critical foreign exchange shortage (e.g. Mexico in 1982) or part of a confrontational policy towards creditors (e.g. Peru in 1986); or it may take the form of an agreement with creditors that payments will be suspended, pending negotiations on rescheduling.

Multilateral

(of Debt) owed to an international/multilateral agency, "owned" by many "shareholder" governments, including the International Monetary Fund (IMF), the World Bank (WB) and the Regional Development Banks.

Odious Debt

According to Professor Sack; " If a despotic regime incurs a debt, not for the needs and in the interest of the State, bit to reinforce its tyranny, to repress the population that fights against it etc. this debt is odious for the population of all the State. This debt is not an obligation to the nation: it is a regime's debt, a personal debt of the power that has incurred it, and consequently it falls with the fall of his power."

Paris Club

An informal group of 19 creditors countries that negotiate as a bloc, behind closed doors, with individual poor countries that approach them over debt crises. It deals only with bilateral debts, i.e. those being paid direct to the countries and not to multilateral organizations like the World Bank

Poverty Reduction Strategy

Prepared by developing country governments in collaboration with the World Bank and International Monetary Fund as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs and major sources of financing.

Private Debt

Debt owed by private sector borrowers (this should not be confused with the commercial debt, which is owed to private sector creditors)

Public Debt

Debt owed by public sector borrowers (this should not be confused with the official debt, which is owed to public sector creditors)

Publicly Guaranteed Debt

Debt originating from loans made to state-owned enterprises or private companies, the serving of which has been guaranteed by the government of the debtor country.

Rescheduling

Changing the terms of the loan, often to allow a longer repayment period. Can also be defined as deferment of payments of principal and/or interest due on loans, by agreements with creditors.

Structural Adjustments

Economic policies seeking to change the way the economy works at the macroeconomic level, particularly the role of the public sector, the regulatory framework, the taxation system and incentive structures, with the intention of increasing economic efficiency and improving long-term economic performance.

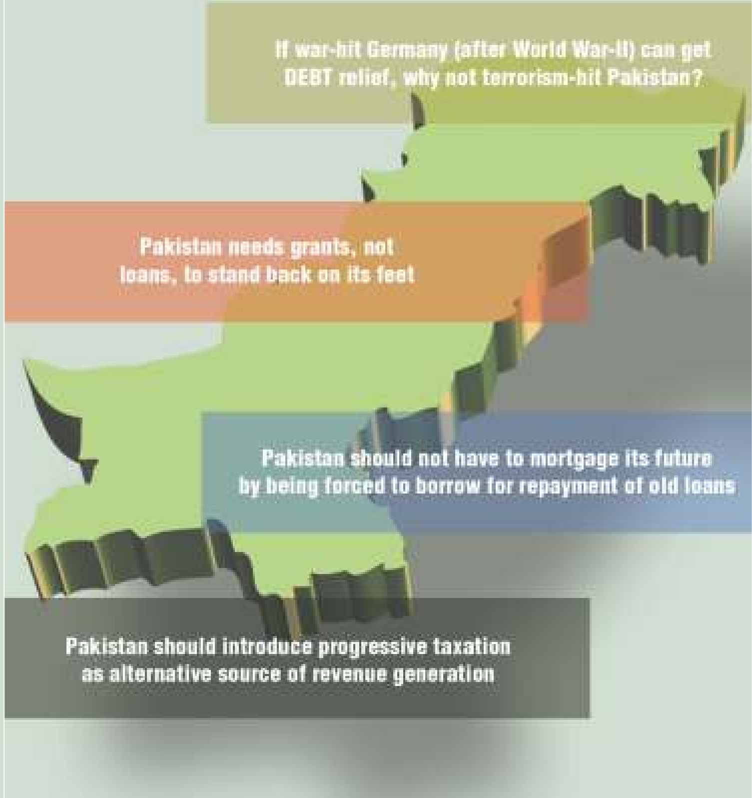
Toxic Debt

While "Toxic" or illegitimate debt has no formal definition in law, in board terms it can include loans incurred; by undemocratic means or by undemocratic regimes.

Write Off

To cancel a debt, or to reduce its face value and payments due on it.

PAKISTAN CONTINUES TO PAY A HEAVY COST FOR THE RECKLESS BORROWING



WE DEMAND A DEBT FREE PAKISTAN

UNLOCKING CHAINS OF DEBT

PakistanUnderDebt

#PakUnderDebt

"A Glossary of Debt Terminologies"

Aid

Providing assistance to those in need. All developing countries need more money to be able to reduce poverty, provide healthcare, education and services for their citizens.

Balance of Trade

The financial difference between imports and exports.

Bank for International Settlements (BIS): the world-wide organization of central banks. The BIS played an important role in the early stages of the debt crises after 1982, by providing bridging loans to major debtor countries whose IMF programs had been delayed by negotiations with commercial banks on new money loans. These bridging loans were repaid from the first drawings from the Fund when program came into effect.

Bond

A form of debt which is transferable between creditors, and bears interest at a fixed or floating rate. (A special case is the zero-coupon bond used in some dent reduction packages under the Brady Initiative). Bonds are generally repaid in a single installment, and/or often bought by individuals or by other financial institutions rather than by commercial banks, which have historically tended to prefer forms of lending such as syndicated loans.

Bretton Woods Institutions

The International Monetary Fund and the World Bank. The term derives from the origins of these institutions at the Bretton Woods Conference of 1944.

Cancellation: the legal cancellation of a loan agreement by a creditor. This has been done mainly for low-income countries.

Conditionality: the principle that access to new loans, rescheduling, debt reduction, etc, should be conditional on certain criteria being met. This is central to IMF programs, where drawings are conditional on certain policy measures being taken and on quantitative performance criteria being met; and to World Bank policy-based lending, which is subject only to policy conditions. In most other cases (e.g. rescheduling, debt reduction and commercial new money loans), conditionality is based on continued compliance with IMF programs and in some cases World Bank policy-based lending rather than directly on economic policies or performances.

Capital or Principle

The initial amount of the loan.

Commercial Loans: the creditor is a private financial institution, such as a bank.

Debt Buy-Back

An arrangement whereby a debtor government buys part of its debt from its creditors for cash (in foreign exchange) at a discount to its face value. To do this, it must first secure from all its commercial bank creditors waivers of the negative pledge clauses and sharing clauses in their loans agreements.

Debt Swap

An arrangement whereby a commercial debt is, in effect, converted into an investement in the debtor country. Essentially, the holder of the debt (either the original lender or a potential investor who has bought it on the secondary market) sells the debt back to the debtor government for local currency, usually at a discount to its face value; and the local currency is then used either to buy a share in an existing company (e.g. a public enterprise which is being privatized). Or to buy property or productive capital (e.g. factory) in the debtor country.

Debt Relief

A somewhat ambiguous term used variously to refer to rescheduling and refinancing; debt reduction and debt-service reduction; or both. In view of this ambiguity, it is generally better to avoid the term.

Debt Restructuring: a general term for debt rescheduling and debt refinancing

Debt Service

The total amount, a country spends (or is scheduled to spend) on its debts, consisting of interest payments and repayments of principle.

Default

Failure by a debtor country to fulfill any of its obligations under a loan or rescheduling agreement. The term is often used more specifically to refer to failure to make interest or principle payments when due. There is an important distinction between de facto default (when a country actually contravenes the conditions of its loans), and de jure default when a court with jurisdiction over a loan makes a legal ruling that a default has taken place. De facto default is fairly commonplace, and not in itself very serious; de jure default is much rarer.

Domestic Debt

Debt owed to creditors residents in the same country as the debtor, and denominated in local currency as opposed to external debt, which is denominated in foreign currency and owed to foreign creditors.

External Debt

Debt denomination in foreign currency and owed to foreign creditors, as opposed to internal or domestic debt, which is owed to creditors resident in the same country as the debtor and denominated in local currency

Environmental Debt

In the agreement that all citizens of the world have an equal right to the global commons of the global resources; those consuming more than their share –particularly of the atmosphere's capacity to absorb carbon dioxide without irreversible damage to the environment – owe a debt to the rest of the world. This is debt owed by the rich, overwhelmingly living in financial creditors countries, to the poor who largely inhabit the so-called debtor countries. This massive unacknowledged debt puts the financial debts of the South into a very different perspective.

Escrow Account

An account in which asserts are held in trust by a neutral thisrd party until the conditions are fulfilled for their release.

Fiscal Deficit

The difference between total government spending and total government receipts (including aid grants, but excluding loans). Fiscal deficits can be financed in any combination of three ways; borrowing from abroad; borrowing from domestic commercial banks; and borrowing from others in the domestic economy. The first of these results is the accumulation of foreign debt; the last two are the accumulation of domestic debt. Financing by the domestic banking sector also results in an increase in the money supply.

Fair Trade

An alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

Free Trade

Trade without intervention from governments. Prices and products are determined by market forces of supply and demand.

GDP

Gross domestic product; one of the two commonly used measures of the total output (or income) of an economy, the other being GNP. The difference is that GDP excludes net factor income from abroad (that is, interest and profits from overseas loans and investments, less payments on foreign debts and investments in the country; and net receipts of workers' remittances)

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Heavily Indebted Poor Countries (HIPC)

Used to refer both to the major international debt relief scheme, and to the countries eligible for it. Establishes in 1996 and run by the World Bank and IMF.

IMF Program

An adjustment program supported by an IMF stand-by arrangement (SBA) or an extended arrangement. The term may also be used to refer to adjustments programs supported under the structural adjustment facility (SAF) or Extended Structural Adjustment Facility (ESAF).

International Financial System

The institutional system governing international transfer of resources, whether in the form of loans, investments, payments for goods and services,