

Preface

Implications of the rapidly growing multilateral debt of severely-indebted low-income countries are alarming. They were brought to public attention forcefully three years ago by Percy Mistry in his study *Multilateral Debt: An Emerging Crisis?* (published by Fondad in early 1994).

Since then, public concern about the growing multilateral debt overhang has snowballed. Various OECD governments (in particular the Nordic and British) have actively responded to distress signals on multilateral debt, calls for its reduction have featured prominently in the communiqués of subsequent G-7 Summits, and developing countries and non-governmental organisations (such as Eurodad, Novib and Oxfam) have mounted political pressure for substantial multilateral debt reduction and relief. While the World Bank and the International Monetary Fund have now proposed a special debt initiative for the heavily-indebted poor countries, Percy Mistry argues that their efforts are insufficient to deal with the multilateral debt problem in a satisfactory manner.

Mistry's present study of the problem, which includes his response to the most recent IMF/World Bank proposals, is most timely. In his usual thorough and undiplomatic manner, Mistry takes a detailed look at the figures and policies behind the multilateral debt crisis. He suggests compelling arguments for a new strategy to resolve the crisis. Even though one may disagree with Mistry's severe criticism of the World Bank and the IMF, it is hard to dismiss his passionate plea for handling the problem more effectively.

Hopefully, the analysis and critique presented in this book will inspire officials and independent experts as well as non-governmental organisations to increase their efforts in solving the crisis. Percy Mistry shows that, in the case of sub-Saharan Africa, the servicing of multilateral debt absorbs almost half of its total debt payments. In a large number of African countries, multilateral debt servicing is financed by extraordinary levels of bilateral grant aid flows. Such diversion of aid flows is illogical. It detracts from essential developmental, humanitarian and social infrastructural support thus further damaging Africa's recovery prospects.

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