

III Countries most Troubled by Multilateral Debt

The Low-Income Countries: The multilateral debt problem affects the SILICs more severely than other debtor groups. The stock of multilateral debt owed by SILICs has quadrupled over the decade from \$11 billion in 1982 to well over \$43 billion in 1992; it now accounts for a quarter of total SILIC debt. Although a substantial proportion of it (about 58%) is concessional that has not prevented a tripling of multilateral debt service by SILICs; from \$1 billion to nearly \$3 billion between 1982-92. About a third of total debt service payments made by SILICs are now to multilateral creditors and the proportion will continue increasing. In several African countries, debt service to multilaterals now pre-empts virtually all debt service capacity leaving no room for servicing bilateral or private debt obligations. The problems of these SILICs is discussed in further detail below.

Middle-Income Countries: For the SIMICs as a group multilateral debt poses a less daunting problem although for individual countries (such as Jamaica) the burden is as acute as for many SILICs. Multilateral debt owed by SIMICs has trebled from \$24 billion to nearly \$73 billion between 1982-92 with corresponding debt service payments increasing much faster and nearly quintupling from under \$3 billion to over \$14 billion over the same period. As noted above, annual principal and interest payments to multilaterals by SIMICs now account for 24% of their total debt service compared to 4% in 1982, indicating the dramatic increase in the dependence of this group of countries on multilateral creditors in the 1980s.

Yet, despite these rapid increases in multilateral obligations (both of debt stock and of debt service) of SIMICs the improvement in economic circumstances of a number of the larger SIMICs suggests that the debt to multilaterals can be serviced more affordably by this group of debtors than is the case for SILICs as a group. As observed earlier, however, there are important individual exceptions to this generalisation which do not permit any measure of sanguinity.

Box 1 shows the individual countries most severely affected by multilateral debt problems. It measures the severity of 'affliction' in two ways: those countries paying more than 40% of their actual debt service to multilaterals, and those countries whose scheduled debt service to multilaterals exceeds 10% or even 20% of their export earnings. The first of these indicators is less

Box 1 Countries Seriously Affected by Multilateral Debt Problems

1991 Multilateral Debt Service as % of Total 1991 Debt Service

SILICs

Liberia	100.0
Sudan	100.0
Tanzani	92.4
Equatorial Guine	90.0
Nicaragua	89.0
Zambia	88.1
Mali	84.6
Sierra Leone	78.6
Zaire	73.0
Mauritania	69.0
Honduras	65.6
Ghana	62.7
Lao PDR	62.5
Guyana	60.5
Uganda	57.6
Burundi	55.0
Sao Tome e Principe	52.6
Madagascar	51.2
Guinea-Bissau	44.8
Kenya	40.6
Mozambique	40.0

SIMICs

Panama	91.2
Bolivia	85.3
Peru	61.4
Jamaica	47.4
Ecuador	40.3

MILICs

Comoros	89.5
CAR	86.7
Benin	71.0
Haiti	66.7
Togo	62.3
Gambia	49.8
Bangladesh	48.2
Malawi	48.1
Nepal	44.6
Yemen Republic	42.9
Rwanda	40.8

MIMICs

Dominican Republic	60.9
Guatemala	60.2
Senegal	47.8
Costa Rica	46.0
Gabon	44.2
Cameroon	43.9

1992-94 Average Annual Multilateral Debt Service > 20% of 1991 Exports

Bolivia
Burundi
Guinea-Bissau
Guyana
Honduras
Nicaragua
Sao Tome e Principe
Somalia
Tanzania
Uganda

1992-94 Average Annual Multilateral Debt Service > 10% of 1991 Exports

Argentina
Bangladesh
Cape Verde
Central African Republic
Colombia
Comoros
Costa Rica
Côte d'Ivoire
Dominican Republic
Ecuador
Ethiopia
Gambia
Ghana
Guatemala
India
Jamaica
Kenya
Liberia
Madagascar
Malawi
Mali
Mauritania
Morocco
Mozambique
Niger
Pakistan
Peru
Philippines
Rwanda
Senegal
Sudan
Tunisia
Zaire
Zambia

reliable, as it fluctuates according to different dates of rescheduling and accumulation of arrears to other creditors, and of reduction in arrears to multilaterals.² However, it gives some idea of the degree to which multilateral creditors receive preferred treatment from debtors. According to this indicator, 43 countries have a multilateral debt problem, including 21 of the 27 SILICs, and 5 of the 17 SIMICs.

The second is a more stable measure of the debt service burden. Although 10% may not at first glance seem such a high ratio for scheduled multilateral debt service, the picture is different when countries are incapable of generating the foreign exchange cash flow streams required to meet debt service obligations. In those situations the presence of inflexible multilateral debt plays a much more severe role in exacerbating the overall debt service difficulties faced by low-income developing countries. According to this second indicator, 44 countries, including 21 of 27 SILICs and 7 of 17 SIMICs have a multilateral debt problem. The worst problem is faced by 21 countries which fulfil both measures, and 10 severely-indebted countries whose annual multilateral debt service payments for 1992-94 exceed 20% of their 1991 export earnings.

2 For example, Zambia's 1991 figure is distorted by clearance of its arrears to multilaterals.