



“PUTTING PEOPLE AT THE CENTRE OF  
CARIBBEAN SUSTAINABLE  
DEVELOPMENT”

# ***ARE WE BEING SERVED?***

WHETHER THE ROLE OF MULTILATERAL LENDERS IN THE  
EMERGING DEBT CRISIS IN THE CARIBBEAN.



# ARE WE BEING SERVED?

## WHETHER THE ROLE OF MULTILATERAL LENDERS IN THE EMERGING DEBT CRISIS IN THE CARIBBEAN.

While there are many critical socio-economic issues over which analysts, academics and policymakers alike can and will argue, there is an almost unspoken unanimity regarding the notion that our region is facing an existential threat from the now unsustainable levels of debt facing many of its territories. It is even less in dispute that much of what we are seeing unfolding today, by way of the heavy incurrence of debt by many countries, can be linked directly to not only their historical structural economic weaknesses but to the presence of repeated encounters with near-devastating economic, environmental and social shocks the likes of which have not been experienced hitherto. The so-called “new-normal”, for far too many, now seems to be a permanent state of “rebuilding”, which is not only frustrating but also extremely costly.

From the global financial meltdown of 2008-2009 and the massive economic recession that followed for many of the region’s economies; through the calamitous impact of natural weather events, including devastating hurricanes in several countries;

to the most recent complete economic collapse caused by the COVID-19 pandemic, the negative economic and social fallout has been enormous.

Facing significant double-digit declines in GDP output or billions of dollars in loss and damage, massive unemployment, precipitous increases in levels of poverty, especially among women and youth, and major and unsustainable increases in fiscal expenditures to help citizens cope, Caribbean territories have had to resort to incurring massive levels of debt to keep their economies stable and societies functioning.

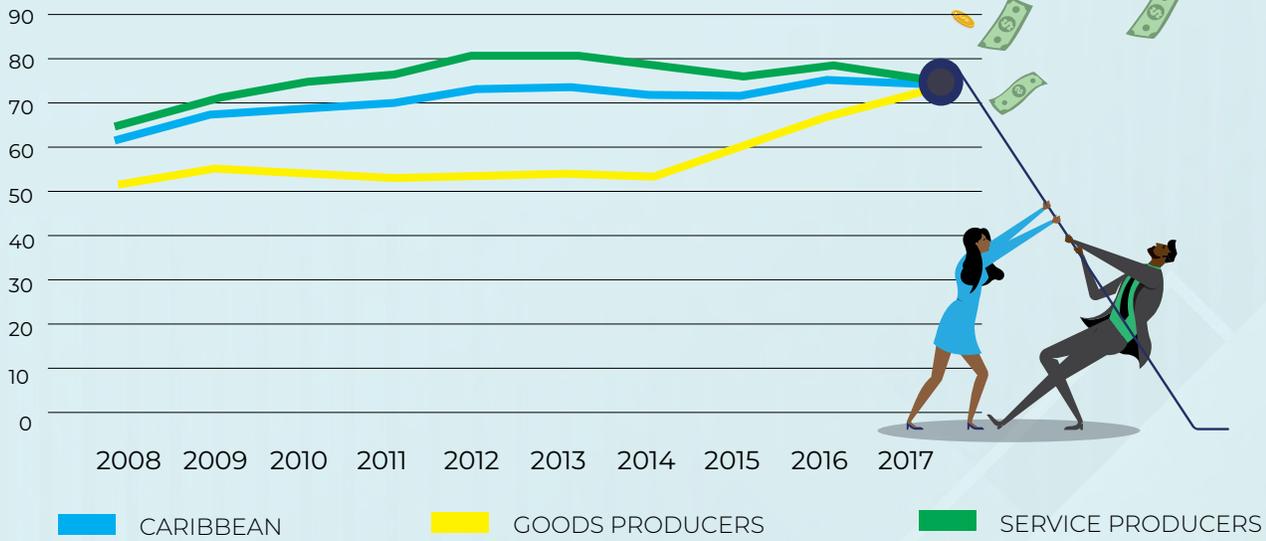
Clearly, in the last decade-plus, the economic fundamentals of several of the region’s countries have weakened, and the question pursued on the lips of all is, “How much longer can the countries of the region continue to sustain the unsustainable?” Surely the gravity of the situation is such that it prompted Prime Minister Ralph Gonsalves of St. Vincent and the Grenadines to opine that:

**“** There is a need for immediate and innovative responses to this regional calamity. The language of the region should be debt aid, relief, swap and suspension, as the pandemic has amplified vulnerabilities of our countries which are not only experiencing liquidity but financial solvency problems.**”**

1 <https://www.cepal.org/en/pressreleases/caribbean-countries-call-implementing-urgent-solutions-support-financing-development>

# DEBT PROFILES: CARIBBEAN vs SIDS

**CARIBBEAN TOTAL PUBLIC DEBT, 2008 - 2017**  
(PERCENTAGE OF GDP)



**SIDS TOTAL PUBLIC DEBT AVERAGE, 2008 - 2017**  
(PERCENTAGE OF GDP)



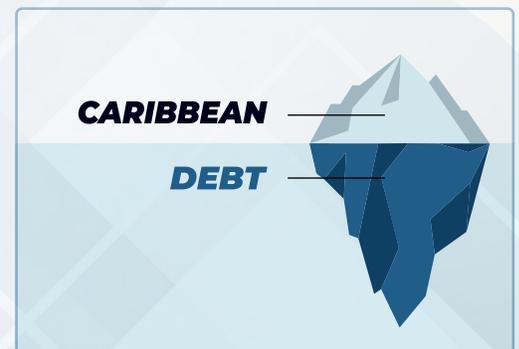
Even the Inter-American Development Bank (IADB) was moved to estimate from “a baseline simulation that suggests debt in Latin America and the Caribbean will rise from 57% in 2019 to 74% at the end of 2020, and 78% by 2021<sup>2</sup>”. It is worth mentioning that given that this was immediately prior to the pandemic, these figures do not account

for the debt incurred to aid in recovery efforts and to support the public health demands.

This was further reinforced by Alicia Bárcena, Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC or ECLAC), who observed that:

<sup>2</sup> <https://blogs.iadb.org/ideas-matter/en/another-lost-decade-for-latin-america-and-the-caribbean/>

“ In all the region’s countries, without exception, the fiscal situation has deteriorated and general government debt levels have increased, and it is expected that this indebtedness will rise from 68.9% to 79.3% of GDP at a regional level between 2019 and 2020, **making Latin America and the Caribbean the most indebted region in the developing world and the region with the highest external debt service relative to exports of goods and services (57%)**. ”



It is important to note that these observations came at the beginning of the COVID-19 pandemic. No doubt, the situation is likely several times worse, as forthcoming Caribbean Policy Development Centre (CPDC) research will demonstrate<sup>3</sup>.

Alarming, yes! But hardly surprising. In the immediate aftermath of the global financial meltdown of 2008-2009, when western capital markets virtually collapsed and credit flows dried up, the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) undertook an analysis of the then impact of the crisis on the regions SIDS

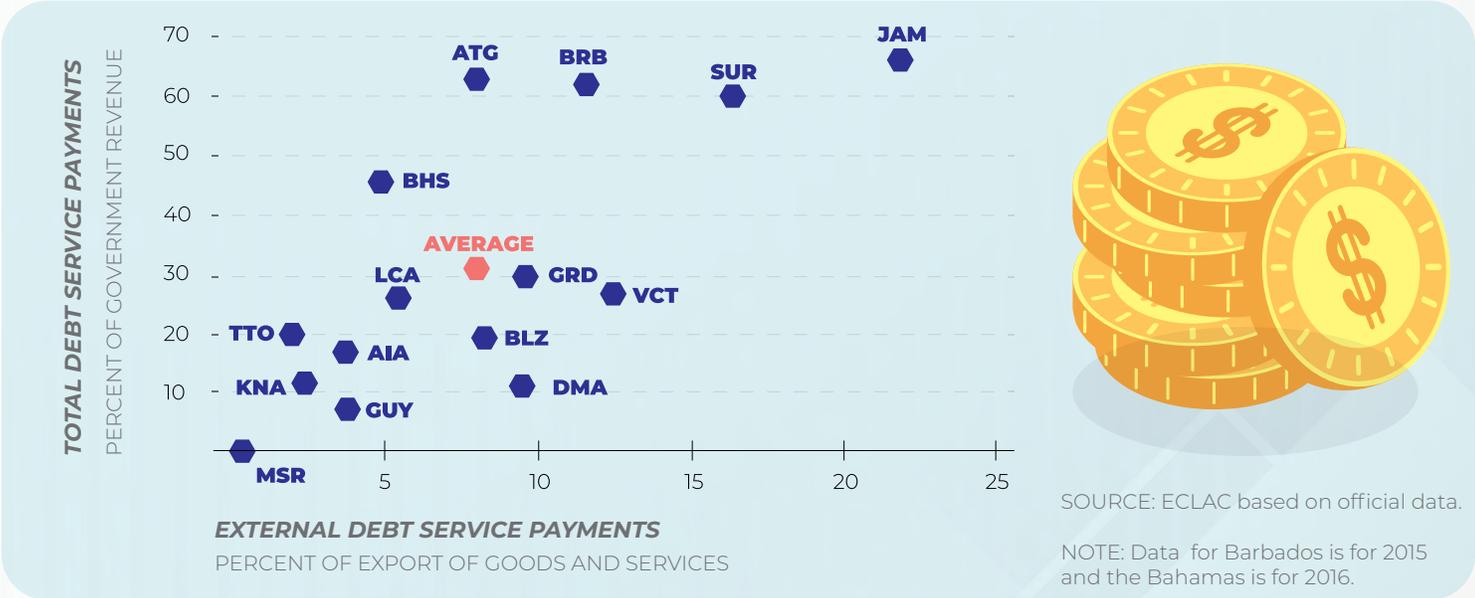
which highlighted the reality that the small and vulnerable states of the Caribbean had, up to that time (2014), been struggling to restore economic growth and stability. As they surmised, the process of recovery was slow, painful and anaemic at best. ECLAC placed a significant portion of the cause of this on the excessive and still growing levels of debt which the countries of the region were carrying at the time, and which, from the looks of it, was stymieing their ability to grow and expand their economies as an ever-increasing fiscal outlay was being diverted from financing development to servicing debt.

<sup>3</sup> CPDC has commissioned a study on the impact of Covid-19 on sovereign debt on economic development in Barbados and the Eastern Caribbean., March 2022.

# DEBT STRUCTURE

## DEBT SERVICE AND DEBT STRUCTURE

### CARIBBEAN DEBT SERVICE BURDEN, 2017



### COMPOSITION OF TOTAL PUBLIC DEBT, 2017

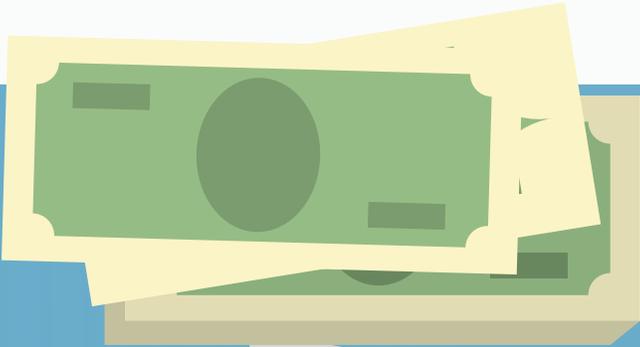
(PERCENT OF GDP)



But interestingly, the analysis also showed that even in 2014, a significant proportion of that debt was, in fact, held by multilateral and bilateral financial institutions

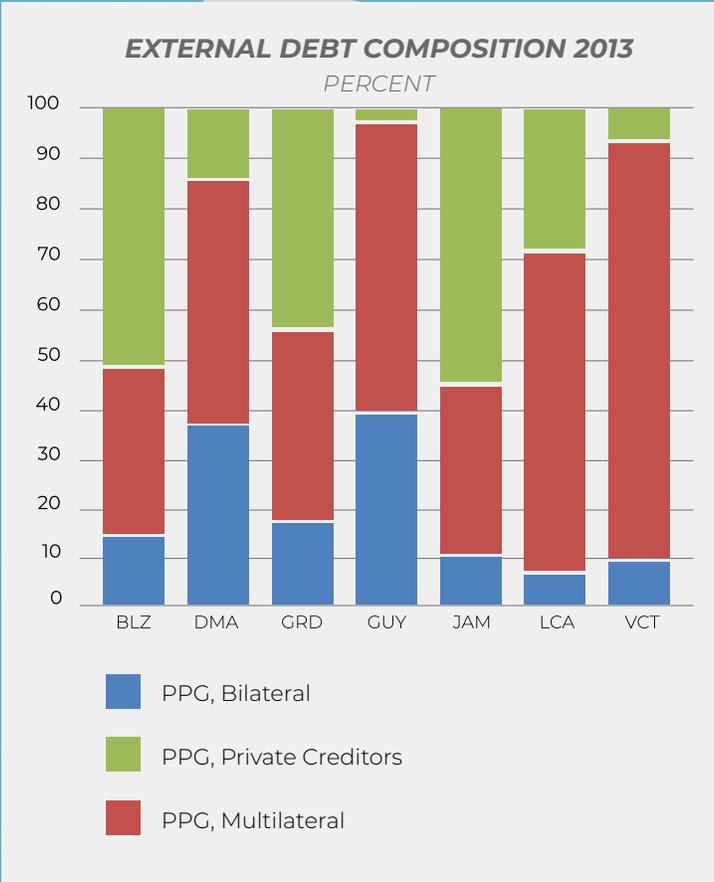
such as the IADB, World Bank, International Monetary Fund (IMF), and the China Development Bank.

FOR CARIBBEAN COUNTRIES AGGREGATED  
MULTILATERAL AND BILATERAL DEBT REPRESENT 40%  
AND 14% OF TOTAL EXTERNAL DEBT



## COMPOSTION OF TOTAL EXTERNAL DEBT, 2013

PERCENT



**46%**  
PPG, Private Creditors

**40%**  
PPG, Multilateral

**14%**  
PPG, Bilateral



SOURCE: ECONOMIC COMMISSION FOR LATINAMERICA AND THE CARIBBEAN (ECLAC), ON THE BASIS OF OFFICIAL FIGURES

## **Looks and sounds familiar, doesn't it?**

Indeed, ECLAC opined that much of what the region was facing by way of the growing “debt crisis” was due to the massive exogenous shocks these countries had to endure in the then-recent past and equally because of the structural weaknesses in their economies.

Well, since that time, both the region as a whole, as well as individual territories such as the Bahamas, Antigua and Barbuda, and Dominica, have had to contend with the devastating fallout of direct hits from massive hurricanes, while being excessively buffeted by the public health and economic crises caused by the COVID-19 pandemic. Therefore, it should not be too difficult to imagine why on aggregate, as a region, we are spending as much as 57% of our export earnings paying off debt.

As has been the tradition, most, if not all, territories across the Caribbean have had to resort to borrowing to maintain economic stability in an effort to rebuild economies that have been decimated by closures and severely constricted in their earning capacity. The process has been as expensive as it has been slow, painful, and uncertain. Preliminary estimates indicate that Caribbean territories may have borrowed in excess of USD 1 billion from the multilateral development banks to assist in the region's efforts to “build back better”. Interestingly, and perhaps for reasons we will explain at another time, the China Development Bank (CDB) has also emerged as a key financing institution

in the region (as well as globally) though its lender is still considered bilateral.

In this context, attention is once again being placed on the role of multilateral and, to some extent, bilateral creditors that have come to the “rescue” of regional states in their “hour of need”.

Back in 2014, UNECLAC, in an effort to help draw attention to this emerging debt crisis in the Caribbean, not only spoke to the increasing levels of multilateral debt in the region but very correctly also highlighted what they deemed as the central role such institutions could play in assisting regional territories in resolving the juggernaut of high debt and low growth.

Conceding that the region was stuck in an untenable position, they proposed that given the structural weaknesses and vulnerabilities of these economies, these lenders should consider a comprehensive programme for debt relief aimed at lifting the fiscal burden off Caribbean countries while redirecting the “freed-up” resources towards critical development investments needed to ensure the realisation of the 2030 UN Agenda, as outlined in the Sustainable Development Goals (SDGs). They posited that such a debt workout could be agreed upon between the state governments, bilateral donors and multilateral lenders who provided development financing for the region<sup>4</sup>.

<sup>4</sup> Please see the PPT Presentation of the ECLAC Proposal for Caribbean SIDS debt relief, Prada, Antonio, (2014) at [www.cepal.org](http://www.cepal.org)





The then proposal also included the creation of a Resilience Fund into which savings from the debt write-down would assist countries in not only managing future external economic shocks but also rebuilding their economies to make them less susceptible to the devastation caused by these periodic events.

It is disappointing (though not surprising) that even as powerful as the case was then for urgent action to be taken, the proposal seems not to have gotten any significant traction or buy-in from the development banks or even some of the governments themselves. In fact, the effort has seemingly died a natural death.

CPDC, which has been in the vanguard of this effort to get meaningful debt relief for the countries of the region from as far back as the highly successful Heavily Indebted Poor Countries (HIPC) initiative of the early 2000s, supported the proposal from UNECLAC. In fact, we are of the very firm view that such a proposal is needed now more than at any time in our region's history, given the precipice on which so many of our economies rest relative to the debt, climate, and pandemic crises facing the region.

The arguments posited by ECLAC then are just as pointed, powerful and relevant now as to why such an initiative is urgently required if policymakers and, indeed, ordinary Caribbean people are to avoid a near certain economic and social catastrophe in the Caribbean.

Today, backed by incontrovertible evidence that a serious debt crisis exists in the Caribbean, calls from Prime Ministers to peasants are growing louder for significant relief to be granted to the SIDS of the Caribbean and for such to be done in the context of a concerted global effort to significantly reform the international development finance architecture.



In this context, one of the positions which many development analysts and civil society activists have repeatedly espoused is that multilateral lenders should provide greater levels of assistance to developing countries badly in need of fiscal space by first agreeing to a far-reaching deal on debt relief/forgiveness for countries considered to be the most vulnerable to the vagaries of the global economy. This must include all Caribbean SIDS regardless of their GDP per capita income or supposed “high income” status. And secondly, to further assist by getting wealthy developed countries to utilise some of their massive IMF Special Drawing Rights (SDRs) to finance the rebuilding process in these affected nations.

Indeed CPDC, in supporting this stance, believes that the discourse on debt relief and international development finance reform should be placed on a more practical footing and makes a further and broader proposal that goes beyond ECLAC by linking the reallocation of unused SDRs of wealthy nations to cover for or underwrite any debt forgiven by multilateral lenders to Caribbean territories who qualify for access to the programme. This way, these financial institutions can account for the write-offs and still maintain their A-status credit rating in the marketplace. We already know that based on World Bank and IMF “datastats”, Caribbean external debt represents 0.1% of the total global debt, which is 55.7% of all SIDS debt, and as such, its write-down will not cause any systemic risk to the global financial system (Alleyne-ECLAC 2018).<sup>5</sup>

The Centre equally believes that all stakeholders (lenders, governments, CSO actors including labour, private sector and NGOs) can and should develop a mechanism to account for the savings made from the debt relief while ensuring that such funds are deposited into a Resilience and Development Fund to underwrite future development across the region in areas to be agreed.

Finally, it must not be left unsaid that there is definitely precedent for this type of action in some of these institutions. For example, the IADB supported the global effort to grant debt relief to those in its membership that qualified to benefit from the Highly Indebted Poorer Countries Initiative (HIPC) in 1997 and again ten years later<sup>6</sup>. So, we know it can be done with the requisite political will in the right places.

Naturally, since the Caribbean region is considered by most objective measurements to be one of the most highly indebted regions in the world, while also possibly the most economically and environmentally vulnerable, the region would stand to benefit appreciably should such a set of initiatives be embraced by multilateral donor agencies and governments.

Therefore, in these circumstances, Caribbean Civil Society Organisations can see no justifiable reason why similar relief cannot be granted to Caribbean SIDS, most, if not all, of whom ***“richly” deserve such treatment.***

5 Please see A strategy for Robust Growth and debt reduction in the Caribbean: The ECLAC perspective Dillon Alleyne, PhD. Nov 8th, 2018, [www.unctad.org](http://www.unctad.org)

6 The IDB in 2007 agreed to extend total debt relief to the five poorest countries in Latin America and the Caribbean-- Bolivia, Haiti, Honduras, Guyana, and Nicaragua-- as part of a worldwide, multilateral program to ease the financial burden on countries with the least ability to pay. The expanded IDB debt relief program, cumulatively for \$4.4 billion for the five countries, extends relief to Haiti and deepens debt relief already provided over a period of years since 1997 under the Heavily Indebted Poor Countries (HIPC) Initiative.

# About CPDC

The Caribbean Policy Development Centre was established in 1991, by Caribbean NGOs to work towards policy change in the interest of Caribbean peoples. CPDC's mandate is to help Caribbean NGOs to:

- Understand how policies affecting Caribbean people are made,
- Share information about policies and decision-making processes,
- Work to influence and bring positive change to the development process, and
- Lobby for policies which are in the interest of Caribbean people.

The CPDC is a regional network, whose membership comprises other regional development organizations, national networks, umbrella organisations, national agencies, and individuals. Since its inception, the CPDC undertaken research, analysis, advocacy and lobbying and has formulated policy positions on a variety of issues relevant to Caribbean society. With a history of lobbying and an impressive portfolio of projects and programmes implemented on behalf of Caribbean peoples, CPDC has been recognised as an important social partner in the development of the region.

## Contact Us.

### Address

Caribbean Policy Development Centre  
"Halsworth", P.O. Box 57, Welches Road, St. Michael, Barbados

### Telephone

+1 (246) 437 -6055

### Email

cpdc@caribsurf.com

[www.cpdngo.org](http://www.cpdngo.org)

For more information follow us on social media.



@CPDCngo

