Another Year into the Caribbean Silent Debt Crisis

The Small Island Developing States (SIDS) of the Caribbean, like many developing nations worldwide, are struggling to finance their development and make meaningful progress toward the Sustainable Development Goals (SDGs).

Between 2022 and 2023, of the ten Caribbean SIDS[1] with available data, eight[2] experienced a decline in their SDG scores, with only Cuba achieving or being on track to meet 50% of its targets.[3]

A major driver of this developmental stagnation is the silent debt crisis, which is suffocating the region and its people. Over the last three decades, the debt burden has surged due to a combination of external shocks, including most recently the COVID-19 pandemic, geopolitical conflicts, interest rate hikes, and the persistent challenges of natural disasters and climate change.[4]

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[1] United Nations. 'Small Island Developing States | Department of Economic and Social Affairs'.

[2] United Nations. (2025). 'Rankings'. *The SDGs and the UN Summit of the Future. Sustainable Development Report*

[3] United Nations. (2025). 'Country Profiles'. *Sustainable Development Report*.

[4] Rambarran, Jwala. (2025). 'How Can the World Bank Better Support the Shared Debt, Climate, and Development Financing Challenges Facing Caribbean SIDS?' Caribbean Policy Development Centre.

As of 2023, six Caribbean SIDS ranked among the world's ten most heavily indebted SIDS. Public debt stocks exceeded 100% of GDP in Barbados and Dominica, while four other countries reported debt levels surpassing 80% of GDP.[5] Most governments in the region operate under persistent budget deficits,[6] with rising interest payments on public debt further constraining fiscal space.[7] A particularly alarming trend is the greater expenditure on debt servicing than essential public services. For example:

In Barbados, government expenditure on education accounted for only 12%[8] of total spending, while debt servicing consumed 56.3%.[9] Similarly, in Dominica, education spending constituted just 6.4%[10] of total expenditure, compared to 9.2%[11] allocated to debt servicing.

[5] IMF. (October 2024). 'Fiscal Monitor - Gross Debt Position'.
[6] IMF. (October 2024). 'Fiscal Monitor - Net Lending/Borrowing (Also Referred as Overall Balance)'.
[7] IMF. (October 2024). 'Public Finances in Modern History - Interest Paid on Public Debt, Percent of GDP'.
[8] World Bank. (2024). 'Government Expenditure on Education, Total (% of Government Expenditure) - Barbados'.
[9] IMF. (2023). 'Barbados: 2023 Article IV Consultation and Second Reviews Under the Arrangement Under the Extended Fund Facility and Arrangement Under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Executive Director for Barbados', Country Report No. 2023/436
[10] World Bank (2024), 'Government Expenditure on Education, Total (% of Government Expenditure) - Dominica'.
[11] Eastern Caribbean Central Bank. (2024). 'Economic Statistics'.

Testimonials from civil society organizations (CSOs) at the Caribbean Policy Development Centre (CPDC) national CSO Debt Consultations corroborate these statistics. Representatives report that prioritizing debt repayment over social services has increased the dependence of vulnerable groups on CSOs to fill the growing gap. However, CSOs are struggling to meet this demand due to reduced funding opportunities and dwindling donor support. Overseas development agencies, such as USAID, have cut development financing, leaving many CSOs unable to sustain operations, and communities without essential care and support. Furthermore, the burden of sovereign debt has created a cycle of "neediness and unpreparedness," hindering volunteer recruitment and reducing opportunities for community development. The weight of high indebtedness is, therefore, constricting the region from multiple angles with no apparent respite.

Recognizing the urgent need for systemic change, **the CPDC launched an advocacy campaign calling for debt relief for Caribbean SIDS and reforms in the global financial architecture to address the region's specific needs**. Through local consultations and international engagements, the Centre has emerged as a leading CSO voice, championing debt justice. Supporting the Civil Society Financing for Development (FFD) Mechanism, the CPDC is pushing for the establishment of a multilateral legal framework under the United Nations to comprehensively address unsustainable debt. The framework advocates for substantial debt relief and repositions sovereign debt discussions away from creditor-controlled forums, which have been ineffective in establishing measures to prevent unsustainable debt growth. As stated by the Civil Society FFD Mechanism, the UN must reclaim its role in addressing sovereign debt challenges, ensuring that solutions align with human rights commitments, including the right to development and gender equality.[12] Furthermore, debt sustainability metrics should consider non-economic burdens faced by nations, and financing should be provided in the form of grants where debt burdens cannot be avoided.

[12] Civil Society Financing for Development Mechanism. (2024). 'Debt and Sustainability: Civil Society FFD Mechanism Submission to FFD4 Elements Paper'. Civil Society Financing for Development Mechanism.

At the national level, governments must uphold transparency and accountability in public financial management. A 2023 study on Good Governance in Sovereign Debt Management in selected CARIFORUM nations identified some progress over the past decade but highlighted persistent challenges in debt reporting, managerial structure, legal framework, debt management strategy, and public debt audits—especially in the last three areas.[13] The prosperity of the region demands mandatory rules requiring governments to disclose loan information. A public repository should be established to detail loan principal, interest rates, project objectives, and repayment schedules. To break this cycle of debt dependence, robust accountability mechanisms must be implemented to ensure that borrowing practices are sustainable and aligned with national development priorities. This is where Eurodad's UN Framework Convention on Sovereign Debt becomes essential. Its proposals for binding responsible borrowing principles, debt audits, domestic legislation on responsible financing and debt management, and the creation of a global debt registry can help establish a new standard of financial transparency.[14] By endorsing and implementing these measures, Caribbean governments can regain control over their fiscal future and reduce their vulnerability to unsustainable debt burdens.

The urgency of these reforms cannot be overstated. **Without decisive action, Caribbean SIDS will remain trapped in a cycle of debt, unable to invest in long-term development.** Jubilee 2025, announced by Pope Francis, presents a crucial moment for global reflection on debt justice and economic transformation. The jubilee tradition, rooted in principles of debt forgiveness and economic reset, aligns with the urgent need for comprehensive debt relief for Caribbean SIDS. Addressing the unsustainable debt burdens shackling these nations is both a moral and economic imperative.

The call for a just and equitable financial system must be amplified, ensuring that Caribbean SIDS and other vulnerable nations have the fiscal space to achieve the SDGs and secure a resilient future.

[13] Cox, Delia and Spencer-Henry, Nadia. (2024). 'The Role of Good Governance in Sovereign Debt Management'. In *Equity, Transparency & Resilience*, 8–29. Policy Magazine. Caribbean Policy Development Centre.

[14] Fresnillo, Iolanda. (2024). 'UN Framework Convention on Sovereign Debt - Building a New Debt Architecture for Economic Justice'. Brussels: Eurodad.

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