

How Can the World Bank Better Support the Shared Debt, Climate, and Development Financing Challenges Facing Caribbean SIDS?



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Abstract

How Can the World Bank Better Support the Shared Debt, Climate, and Development Financing Challenges Facing Caribbean SIDS?

Since 2020, Caribbean SIDS have been grappling with a ‘polycrisis’ of multiple external shocks that have resulted in serious setbacks in their attempts to reduce poverty, eradicate hunger and meet other United Nations Sustainable Development Goals (SDGs). In addition, the Caribbean’s high indebtedness constrains the fiscal space for regional governments to respond to the escalating climate crisis, ensnaring these small island nations in a vicious debt-climate trap. This study examines how, in the context of ongoing reforms to make itself bigger, better and more effective, the World Bank can play a leadership role in rapidly scaling up public investment to help Caribbean SIDS better meet their shared debt, climate and development challenges in a timely and affordable manner. Among the major recommendations are for the World Bank to: offer analytical support on the various proposals associated with the UN Framework Convention on Sovereign Debt; develop a new debt relief initiative that includes middle- and high-income Caribbean countries learning from other global debt relief initiatives; pilot test the United Nations Multidimensional Vulnerability Index (MVI) as a complementary framework to guide its mobilisation and allocation of concessional finance for Caribbean SIDS; shift its adaptation financing from the current project-based model to being more anticipatory, strategic and transformational in the Caribbean region; carry out a once-for-all increase of the share of basic votes to the proportion that existed when they were introduced in 1979 to protect the voting power of its smaller Caribbean shareholders; and introduce weighted voting for specific issues of global or regional importance such as climate change, ensuring a more democratic decision making process for Caribbean countries on the World Bank’s Executive Board.

Introduction

Since 2020, developing countries, including Caribbean Small Island Developing States (SIDS), have been grappling with a ‘polycrisis’ of multiple external shocks over which they have little control such as the unprecedented COVID-19 pandemic, Russia’s war on Ukraine that triggered international food and fuel price shocks, and the most aggressive monetary tightening in the advanced economies in forty years. Due to the frequency and intensity of these often interlinked and cascading exogenous shocks, attempts to reduce poverty, eradicate hunger and achieve other Sustainable Development Goals (SDGs) have suffered serious setbacks. The United Nations estimates that 85 percent of the SDG targets are off track, stagnating or regressing, and that the annual SDG investment gap has widened to US\$4 trillion from US\$2.5 trillion in 2015 (UNCTAD 2023a).

To complicate the situation, a widespread sovereign debt crisis is brewing in developing countries due to the polycrisis and threatening to further erase several years of their hard-won development gains. Rising debt service costs have reduced the fiscal space for development spending. According to the United Nations, more than 3.3 billion people now live in countries that are spending more to service interest payments on their external debt than on healthcare or education (UNCTAD 2023b). Even more alarming is that since 2022, net public finance flows to low- and middle-income countries have turned negative, as more capital is moving out of the developing world through debt service than is entering through official development assistance or new debt (World Bank 2024). Additionally, the urgency of responding to the escalating climate crisis in line with the objectives of the 2015 Paris Agreement has presented an added pressure, especially for Caribbean SIDS which contribute little to global warming but are on the frontlines of climate change, as their economies endure significant loss and damages caused by more frequent and powerful hurricanes. As a result, these

small island nations have been ensnared in a vicious debt-climate trap, ranking them among the most heavily indebted SIDS worldwide (Rambarran 2022).

Because of these multiple global challenges, Caribbean SIDS urgently need a sustained push of adequate, low-cost and growth-enhancing financial support to tackle unsustainable debt, deal with the climate crisis, reduce poverty and meet other SDGs. However, their high debt burdens restrict their fiscal space to invest in meeting the SDGs while supporting the transition to low-carbon development. In this regard, the World Bank, as the largest multilateral development bank (MDB) providing both official development finance and technical support to the Caribbean region, has a leadership role to play in rapidly scaling up public investment to help Caribbean SIDS meet their shared debt, climate and development goals in a timely and affordable manner. The unique business model¹ of MDBs allows them to borrow large amounts of finance relative to the size of their capital base at significantly lower costs and longer maturities from the international capital markets than a developing member country could mobilise on its own (Humphrey 2022). In addition, MDBs not only provide essential low-cost, longer-term development financing, but they can do so in a counter-cyclical manner (Galindo and Panizza 2018) and they are supposed to catalyse financing from the private sector.

In the Caribbean, four MDBs are operating in the space – the World Bank,² two regionally-based institutions, the Inter-American Development Bank (IDB) and the Development Bank of Latin America and the Caribbean (CAF), and a smaller, sub-regional institution, the Caribbean Development Bank (CDB). As shown in Table 1, the World Bank is the world’s oldest MDB as well as the largest, by capital size, volume of lending and number of member countries. Founded in 1944, along with its sister institution, the International Monetary Fund (IMF), the World Bank’s paid-in capital stood at roughly US\$22 billion in 2023. This is almost twice the capital base of the IDB, about four times that of CAF and 55 times that of the CDB. In 2023, the World Bank’s overall volume of lending was almost 2.5 times that of the IDB and CAF and dwarfs that

¹ Member countries typically provide 5%-10% of the value of their capital share as actual payments to the MDB, called “paid-in capital.” They provide the rest of the shares in the form of a guarantee that the member country stands ready to provide to the MDB, if needed. This is called “callable capital.” To date, no MDB has ever had to draw on its callable capital.

² The World Bank Group comprises four bodies. The first, the International Bank for Reconstruction and Development (IBRD) and usually called the World Bank, was created in 1944 and provides primarily non-concessional financial assistance to low- and middle-income countries. The second institution, the International Finance Corporation (IFC), was established in 1955 and extends loans and equity investments to private firms in developing countries. In 1960, the International Development Association (IDA), was created to make concessional loans and grants to the poorest countries. The Multilateral Investment Guarantee Agency (MIGA), established in 1988, promotes cross-border investment in developing countries through guarantees (political risk insurance and credit enhancements) to investors and lenders.

of the CDB. Although the World Bank’s lending to the Caribbean region was 35 percent higher than that of the CDB, the Bank could not reach the lending volumes of CAF and the IDB, both of which were higher by multiples of three and roughly five and a half, respectively. About half of the World Bank Group’s lending to the Caribbean in 2023 comprised IDA credits to countries in the Eastern Caribbean. Regarding membership, the World Bank’s membership is near universal with some 189 member countries. This is inclusive of the 14 Caribbean SIDS covered in this study plus the Dominican Republic, all of whom are also members of the CDB along with five other Caribbean territories. Both the IDB and CAF have substantially fewer Caribbean members, at nine and four countries, respectively. In its 2023 Annual Report, however, CAF indicated that it had received requests from eight Caribbean countries to join the institution (CAF 2024a), and in November 2024 the Bahamas became CAF’s fifth Caribbean shareholder country (CAF 2024b). This suggests a potential growing influence of CAF in the Caribbean in the future.

**Table 1: Multilateral Development Banks Operating in the Caribbean:
Capital, Lending Activity and Members**

Multilateral Development Bank (US\$ bn)	Year Founded	Subscribed Capital (Dec. 2023)		Lending (2023)		# of Members (Dec. 2024)	
		Callable	Paid-in	Total	Caribbean	Total	Caribbean
World Bank	1944	296.0	21.8	35.8	0.5	189	15*
Inter-American Development Bank (IDB)	1959	164.9	11.9	14.7	2.7	48	9*
Development Bank of Latin America & the Caribbean (CAF)	1968	1.8	5.6	16.2	1.5***	22	5*
Caribbean Development Bank (CDB)	1969	1.4	0.4	-	0.4	28	19**

Source: Gallagher et al. (2024); MDBs annual reports

Notes:

* includes Dominican Republic

** includes Anguilla, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands

*** consolidated portfolio 2019-2023

Over the past few years, the World Bank, at the behest of its major shareholders, has begun to undertake reforms to better face the changing global environment of polycrisis and climate change and to position itself to support global public goods. During the World Bank's 2022 Annual Meetings, US Treasury Secretary Janet Yellen, representing the Bank's biggest and most powerful shareholder, asked the institution to develop an "evolution roadmap" to show how it planned to evolve in helping its members to better meet global challenges. At the World Bank's 2023 Annual Meetings, the Bank updated its mission and vision to "end extreme poverty and boost shared prosperity on a liveable planet," explicitly recognizing the intersection between development finance and climate finance, as part of its mandate.

Furthermore, in November 2024, the Group of Twenty (G20) leaders endorsed the G20 Roadmap Towards Bigger, Better, and More Effective MDBs (G20 2024). This roadmap builds on the G20's earlier work on MDB reform, particularly the 2022 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks (CAF review) which recommended innovative measures such as balance sheet optimisation, hybrid capital and guarantees for MDBs to potentially generate up to an additional US\$400 billion in new lending over the next decade. The "better" pillar of the roadmap involves measures such as utilizing country platforms and improving project preparation to mobilise funding for national development plans. The "more effective" pillar calls for MDBs to continue working as a system and to measure their impact in addressing regional and global challenges. Finally, the roadmap's "bigger" pillar recognizes that MDBs' lending headroom must be more ambitious to meet financing needs and encourages them to undertake regular assessments of the adequacy of their resources calibrated to achieving the SDGs and Paris targets.

Accordingly, this study examines how, in the context of ongoing reforms to make itself bigger, better and more effective, the World Bank can support Caribbean SIDS in meeting their shared debt, climate and development financing challenges. The focus is on the World Bank since it is not only a large provider of development finance to a wider group of Caribbean countries than the other MDBs, but it is also the major provider of technical, analytical and convening support to the Caribbean region. Nevertheless, when relevant, reference is made to the smaller, regional MDBs operating in the Caribbean. While this paper focuses solely on the debt, climate and development aspects of financing in the Caribbean, it does not lessen the need for country authorities, the World Bank and other regional MDBs to work together to address other pressing structural challenges facing the region such as pandemic preparedness, food security and artificial intelligence policy and governance.

The rest of this study is structured as follows:

SECTION 2

sets the context by discussing the development characteristics of Caribbean SIDS.



SECTION 5

explains why the World Bank needs to reform its climate finance lending to the Caribbean, given the extreme vulnerability of Caribbean SIDS to the impacts of climate change, which worsen their already existing development challenges.



SECTION 3

outlines what should be the World Bank's role in helping the Caribbean to address its silent debt crisis which jeopardises the region's sustainable growth and development prospects.



SECTION 6

discusses the need for reform of the World Bank's governance and decision-making structure to improve voice and representation of the group of small, middle-to high-income Caribbean SIDS while minimizing the disruptive geo-politics that stall action and ambition.



SECTION 4

discusses the Caribbean's urgent need for international concessional public financing and how the World Bank can use multi-dimensional metrics on vulnerability and resilience to better understand the region's needs for concessional funding.



SECTION 7

concludes the study with specific recommendations on how the World Bank can be more ambitious in helping the Caribbean to better meet the region's shared debt, climate and development financing challenges.



Development Characteristics of Caribbean SIDS

At the Earth Summit in 1992, the United Nations adopted the collective term SIDS to recognise a special group of mostly small islands that share a complex set of social, economic and environmental challenges (UNFCCC 1992). These challenges include their remoteness, small landmass, small population, small economic size, narrow production base, high dependence on external markets and vulnerability to external shocks and climate change. The United Nations Department of Economic and Social Affairs (UN-DESA) officially recognises 38 SIDS located across three geographic regions. Sixteen (16) SIDS are in the Caribbean; 13 in the Pacific; and 9 in the Atlantic, Indian Ocean, Mediterranean and South China Sea (AIMS) region.

The sustainable development challenges of the 14 Caribbean SIDS¹ covered in this study are apparent from their key demographic and economic characteristics, as shown in Table 2. First, small population size is a defining feature to consider when discussing the climate and other development challenges of Caribbean nations. Twelve of the 14 Caribbean SIDS have populations of fewer than 1.5 million inhabitants, while the six micro-states of the Eastern Caribbean have populations of less than 200,000 people. Small populations limit economies of scale and lead to high transaction, transportation and service delivery costs per capita.

¹ The United Nations officially recognises 16 Caribbean SIDS. In this study, however, the term 'Caribbean SIDS' refers to 14 countries that are members of the Caribbean Community (CARICOM), the regional integration movement. They are the ten island economies of Antigua & Barbuda, the Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent & the Grenadines, and Trinidad and Tobago, and the four mainland countries of Belize, Haiti, Guyana and Suriname.

Second, Caribbean SIDS have narrow production bases that depend on just a few sectors or products. The commodity exporters – Belize, Guyana, Suriname, and Trinidad and Tobago – produce oil/natural gas, gold and agricultural goods. Service-based economies, including the Bahamas, Barbados, and the Eastern Caribbean territories are heavily dependent on tourism and, in some cases, international business services. This narrow production base combined with a high openness to international trade makes Caribbean SIDS particularly vulnerable to external shocks over which they have no direct control such as increases in world interest rates, hikes in international oil prices or a slowdown in global growth. In the past two decades alone, Caribbean nations have had to grapple with multiple successive shocks, including Europe’s phasing out of its preferential trade arrangements for sugar and bananas from 1996, the 9/11 terrorist attacks in New York and Washington D.C., the 2008 global financial crisis, the COVID-19 pandemic in 2020, Russia’s invasion of Ukraine in 2022 and aggressive monetary tightening in 2022 by major global central banks, especially the US Federal Reserve.

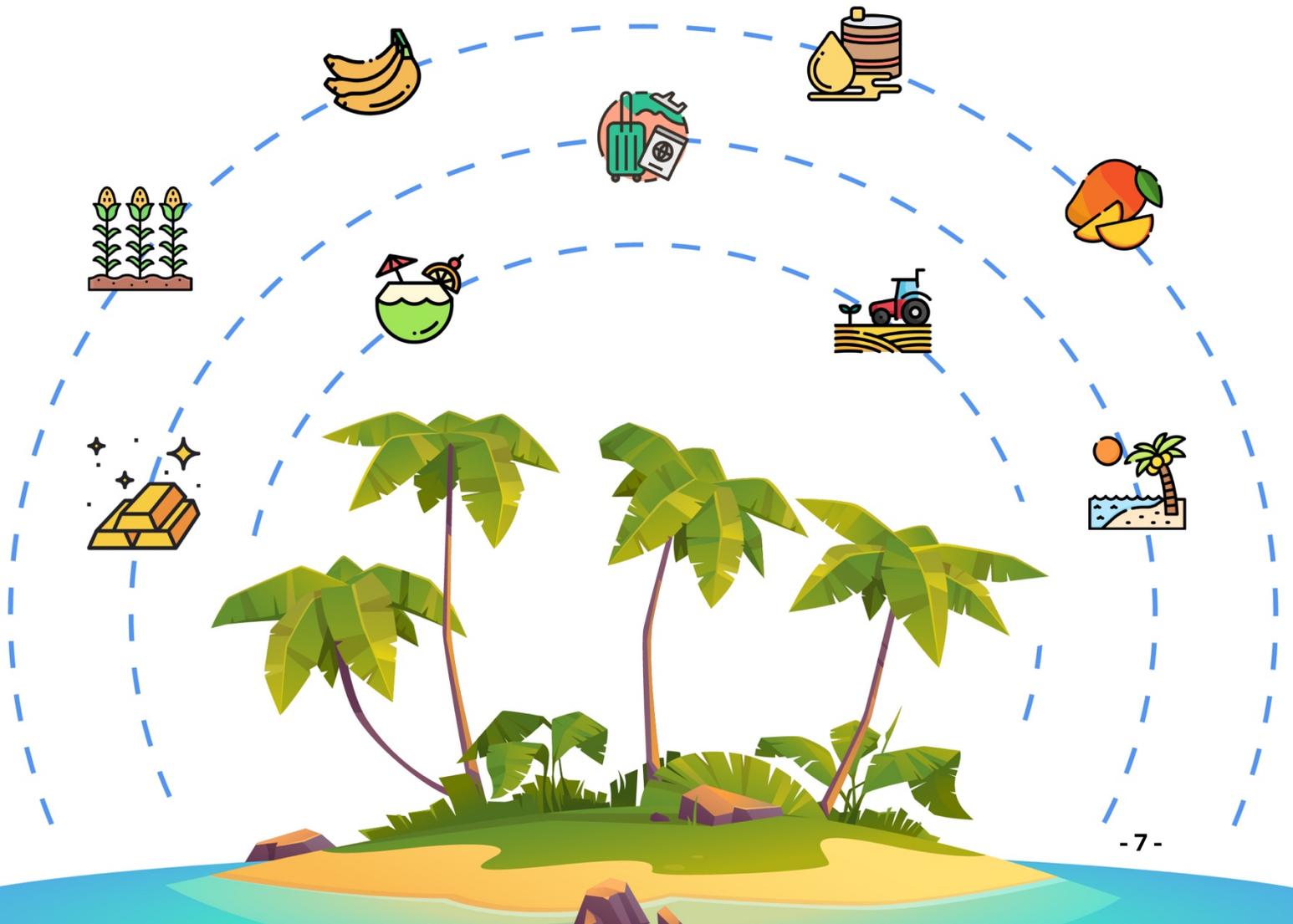


Table 2: Caribbean SIDS: Selected Economic Indicators, 2024

Country	Geography	GDP (US\$ mn)	Population (thousands)	GPD Per Capita (US\$)	Income Classification	Main Exports
Antigua & Barbuda	Island	2,292	104	22,118	High	Tourism
The Bahamas	Island	14,825	408	36,322	High	Tourism
Barbados	Island	7,201	291	24,756	High	Tourism
Belize	Mainland	3,342	411	8,133	Lower middle	Agriculture
Dominica	Island	703	75	9,392	Upper middle	Tourism
Grenada	Island	1,393	116	12,050	Upper middle	Tourism
Guyana	Mainland	23,033	796	28,921	High	Oil
Haiti	Mainland	26,274	12,391	2,120	Lower middle	Agriculture
Jamaica	Island	20,586	2,750	7,487	Upper middle	Tourism
St. Kitts & Nevis	Island	1,158	48	24,203	High	Tourism
St. Lucia	Island	2,569	183	14,034	Upper middle	Tourism
St. Vincent	Island	1,173	111	10,558	Upper middle	Tourism
Suriname	Mainland	4,918	647	7,600	Upper middle	Gold & Oil
Trinidad & Tobago	Island	28,139	1,428	19,703	High	Natural Gas

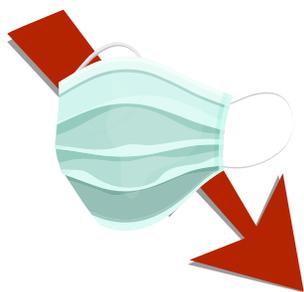
Sources: IMF World Economic Outlook Database October 2024; World Bank World Development Database

A third characteristic relates to income levels of countries in the Caribbean region. According to the World Bank's latest income classification, which is based on Gross National Income (GNI) per capita for 2023, most Caribbean SIDS belong either to the upper-middle income group, with GNI per capita levels between US\$4,516 to US\$14,005, or the high-income group, with GNI per capita levels above US\$14,005. The exceptions are Belize and Haiti which are both classified as lower-middle income countries. As a result of graduating to this upper-middle- or high-income classification, most Caribbean SIDS are not eligible to receive grants or other concessional resources such as Official Development Assistance (ODA) from the advanced economies, except on a limited Small Economy exception basis. They are also not eligible for global debt relief initiatives. Nonetheless, the income status of Caribbean SIDS is inconsistent with their high poverty rates, which vary between 18 percent and 38 percent in the Eastern Caribbean, as well as with their widening income inequality, reflecting the multidimensional vulnerability of these small island nations.

Fourth, economic growth has stagnated in Caribbean SIDS over the past three decades. Real GDP in the Caribbean region grew by an average of almost 1.5 percent per year between 2010 and 2019. This represents a significant slowdown from historical growth trends, where average regional growth reached just over 3.5 percent in the 1980s, 3.0 percent in the 1990s and 2.8 percent in the 2000s.



The Caribbean's weakening economic performance reflects the region's heavy dependence on cyclical and volatile sectors such as commodities, tourism and financial services, which have been significantly affected by multiple exogenous shocks and by natural disasters and climate extreme events.



The COVID-19 pandemic was an extraordinary growth shock, in which the Caribbean region contracted, on average, by 10 percent in 2020 with some countries registering double digit declines of between 15 percent to 25 percent.

By 2024, however, the Caribbean appeared to have fully recovered from the pandemic shock. Visitor arrivals surpassed pre-pandemic levels in tourism-based economies, reflecting robust demand from source markets, the recovery of airlift and the return of festivals and sporting events (CDB 2023). The continued expansion of Guyana's oil sector propelled extraordinary growth averaging over 40 percent between 2020-2024 and masked the aggregate regional performance. **Excluding Guyana's performance, real GDP in the Caribbean grew by an average of roughly 1 percent between 2020 and 2024, even slower than the previous decade.**

A fifth characteristic is that the Caribbean's slower economic growth has resulted in generally more unsustainable external positions. On average, the external current account deficit of Caribbean SIDS further deteriorated to 7½ percent of GDP between 2020 and 2024, from about 6 percent of GDP during 2010-2019. This has led to increased external financing needs, most of which have been met by external borrowing from multiple creditors. Extensive emigration in recent decades has created a large, highly educated Caribbean diaspora and has made remittances, the monies that the diaspora send back home, the fastest growing and most stable source of capital inflows to the Caribbean region. In 2023, remittance inflows to the Caribbean amounted to close to US\$9.5 billion, far greater than aid from traditional bilateral donors and foreign direct investment (FDI) from multinational corporations. Further research is required though to determine the feasibility of mobilising remittances to fund climate and development projects in the Caribbean.

Sixth, Caribbean SIDS contribute the least to climate change, at less than one percent of global emissions, but are extremely vulnerable to the impacts of climate change, which magnify their already existing development challenges. The "Small Islands" chapter of the Fifth Assessment Report from the Intergovernmental Panel on Climate Change (IPPC) concluded that, "current and future climate-related drivers of risk for small islands during the 21st century include sea-level rise, tropical and extratropical cyclones, increasing air and sea surface temperatures, and changing rainfall patterns" (Nurse et al. 2014). This susceptibility is driven by several factors including the proximity of dense populations to flood prone coastal zones, the location of many Caribbean islands within the Atlantic hurricane belt, and the heavy dependence on sectors vulnerable to physical risk (tourism and agriculture) and transition risk (oil and natural gas). Caribbean SIDS have been on the frontlines of climate change, especially dealing with more frequent and powerful hurricanes (Fresnillo and Crotti 2022 and UNCTAD 2022). Caribbean countries have experienced total damages of over US\$30



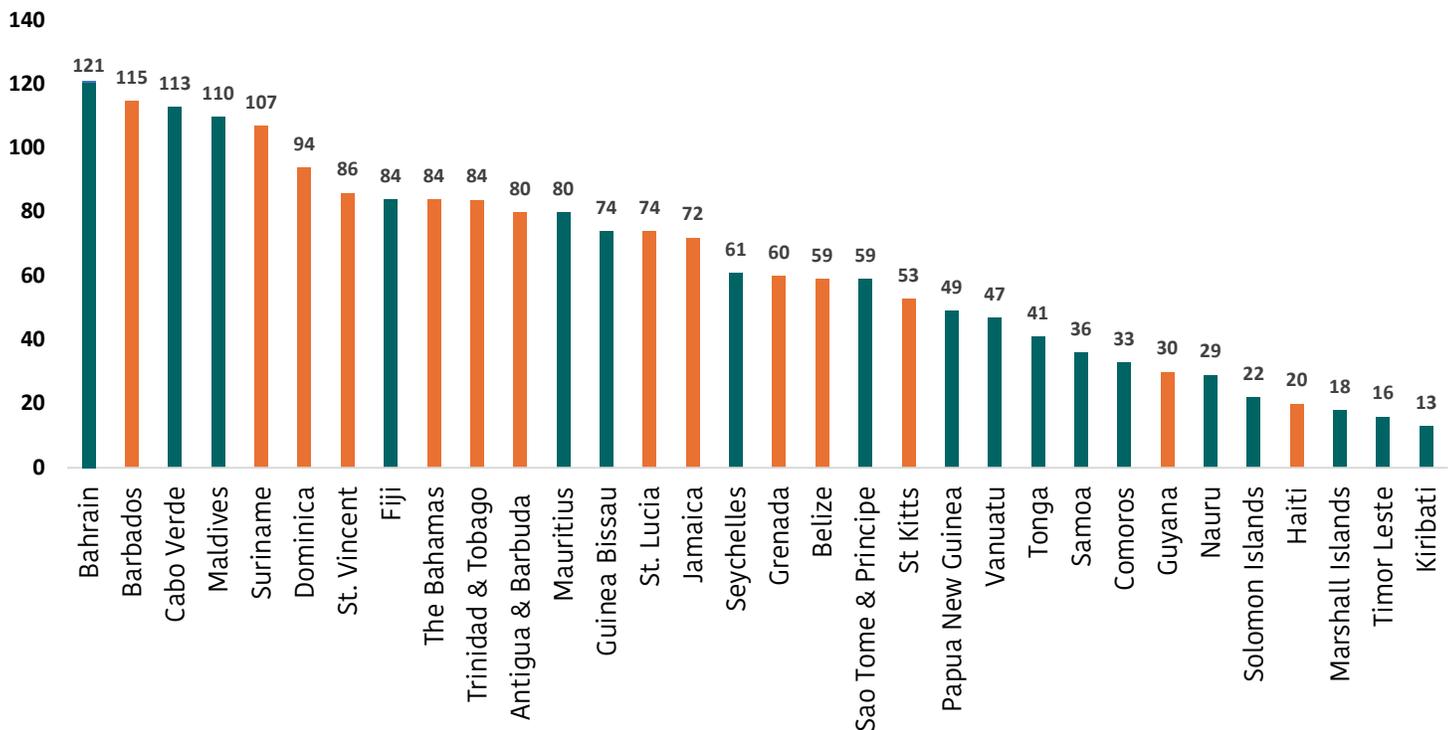
billion (in constant 2020 US\$) from hurricanes between 1950 and 2021 (Rambarran 2022). When a hurricane strikes it can wipe out the entire annual GDP of a small island. Dominica holds the unfortunate record, with damages reaching 225 percent of GDP following the devastating impact of Hurricane Maria in 2017. Climate projections suggest that as the century progresses, the Caribbean will be much warmer and drier, with higher sea levels and prone to more intense storms (CDB 2020).

Finally, most of the countries in the Caribbean region face high and rising debt to GDP ratios that jeopardize their prospects for medium-term debt sustainability and sustainable growth.

Average debt in Caribbean SIDS mushroomed from 55 percent of GDP in 1993 to 72 percent in 2023, placing them among the world's most heavily indebted SIDS.

As of 2023, six Caribbean SIDS ranked in the top 10 of the world's most highly indebted SIDS (see Figure 1). Public debt stocks exceeded 80 percent of GDP in six countries, while four additional countries have debt-to-GDP ratios of between 60 percent and 80 percent. In general, public debt exceeding 60 percent of GDP is considered high and detrimental to economic growth in the Caribbean (Sahay 2005, Greenidge et al. 2012). This suggests that not only are Caribbean SIDS at risk of significant debt distress, but they also lack sufficient fiscal space to fund their ambitious climate and development goals. Part of the Caribbean's debt build-up can be traced to the disproportionate impact of more frequent and intense natural disasters, mainly hurricanes, forcing Caribbean governments to borrow to fund relief and recovery efforts. This has trapped Caribbean SIDS in a vicious debt-climate cycle (Rambarran and Mutota 2024). The financial resources they need to invest in climate resilience are increasingly being diverted to repay rising debt, while increasing borrowing costs, partly due to climate-related shocks, contribute to further debt accumulation.

Figure 1: SIDS Worldwide: Gross Public Debt (2023, % of GDP)



Source: IMF World Economic Outlook Database

3

Addressing the Caribbean's Silent Debt Crisis

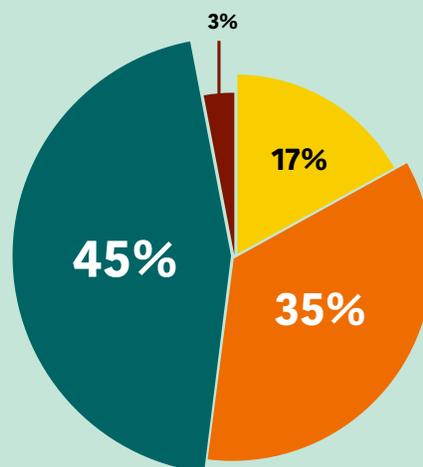
Developing countries, many of them in the Caribbean, are facing a widespread sovereign debt crisis that is symptomatic of the structural flaws of the global financial system. Debt has ballooned due to the polycrisis of external shocks from COVID-19 to wars to interest rate hikes as well as natural disasters and climate change. There are currently two views on the debt challenges facing developing countries (Bradlow 2024). One group, mainly led by the IMF, World Bank and Paris Club creditors, views the debt problem as essentially a liquidity problem. This group advocates giving countries temporary debt relief, expecting that as global economic conditions improve these countries will regain access to official funding and capital markets to fund their development needs. The second group, mainly led by international civil society and research institutions, maintains that the debt problem is fundamentally a solvency problem. They argue that developing countries require substantial debt relief especially from bondholders and multilateral creditors to emerge from debt distress and to move to a more sustainable development trajectory.

However, the World Bank's recently released 2024 International Debt Report shows a sobering reality in which a solvency crisis has been wrongly misdiagnosed as a liquidity problem. Many developing countries face unsustainable debt burdens that hinder their path to growth and stability and achieving their shared climate and sustainable development goals. In 2023 alone, debt servicing consumed almost 40 percent of budget revenues across developing countries, with low-income countries recording their highest debt payments since 1998, surpassing spending on healthcare, education and climate action. In his preface to the World Bank's 2024 International Debt Report, the Bank's Chief Economist is refreshingly frank when he acknowledges that:

It's time to face the reality: the poorest countries facing debt distress need debt relief if they are to have a shot at lasting prosperity. A twenty-first century global system is needed to ensure fair play in lending to all developing economies.

This tension between the need for debt relief and the need for more development finance is also playing out in the Caribbean region. Prospects for debt sustainability in the six heavily indebted Caribbean SIDS are sobering, as they are likely to remain at risk of debt distress throughout the period to 2030 (Rambarran 2022). However, the structure of the region's external debt complicates any attempt at sovereign debt restructuring within the current, flawed global financial architecture. At the end of 2023, the external debt of Caribbean SIDS stood at just over US\$34 billion, or the equivalent of around 30 percent of their combined GDP. The alarming growth in Caribbean debt has been accompanied by a diversification of external creditors, increasing the share of more expensive market debt. Private creditors now play an increasingly important role, holding more than 45 percent of the region's total external debt (see Figure 2). Eurobonds issued on the international capital markets comprise the largest volume of private debt. The high indebtedness of Caribbean countries to private creditors thwarts any sovereign debt restructuring process. In Suriname, for example, its debt restructuring with bondholders stretched the limited technical capacity of the country, taking three years to finalize a debt deal which Fresnillo (2024) argues was not successful. The debt deal includes a contingency clause linked to Suriname's oil extraction which ensures bigger benefits for the private creditors if the country does well.

Figure 2: Caribbean SIDS: Creditor Composition of External Debt (% , 2023)



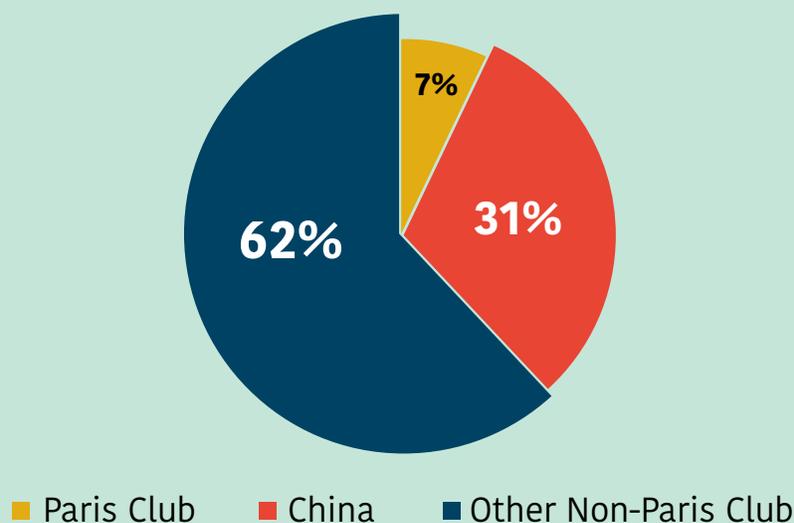
■ Bilateral ■ Multilateral ■ Private ■ Other

Sources: 2023 IMF Article IV Consultation Reports and country authorities' websites

Regarding the MDBs, these multilateral creditors, mainly the World Bank and the IDB, account for 35 percent of the Caribbean’s total external debt. Since the MDBs have preferred creditor status, any attempt at restructuring their multilateral debts can only take place under global debt initiatives like the enhanced Heavily Indebted Poor Country (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). The enhanced HIPC Initiative was designed for low-income countries, mostly in Africa, to permanently exit the process of repeated debt rescheduling. Both Guyana and Haiti were the only two Caribbean SIDS that were part of the HIPC arrangement, receiving significant debt relief from both bilateral and multilateral creditors, including from the World Bank.

In respect of bilateral debt, as shown in Figure 3, China has emerged as the dominant bilateral creditor for Caribbean SIDS, holding more than 30 percent of their bilateral debt and replacing the traditional Paris Club, an informal ad-hoc group of mainly developed countries bilateral creditors. China is now the sole bilateral creditor to both Barbados and Trinidad and Tobago, and it is the single largest non-Paris Club creditor for the Bahamas, Jamaica, and Suriname. Any debt restructuring strategy for Caribbean SIDS must recognise the critical role of China which tends to pursue ad hoc debt restructurings, with varying degrees of coordination between the Chinese government and the international community.

Figure 3: Caribbean SIDS: Creditor Composition of Bilateral Debt (% , 2023)



Sources: 2023 IMF Article IV Consultation Reports and country authorities’ websites

To their credit, Caribbean SIDS have attempted various strategies to reduce their debt burdens to more sustainable levels, including fiscal consolidation and sovereign debt restructuring exercises mainly supported by austerity-based IMF programmes, but most of them have failed to receive enough debt relief to secure debt sustainability (Munevar 2018). More recently, the G20 created two mechanisms for debt relief – the Debt Service Suspension Initiative (DSSI) and the Common Framework. The DSSI offered countries meeting IDA criteria the possibility of suspending their bilateral debt service between May 2020 and December 2021 during the COVID-19 pandemic. Thereafter, they would resume servicing their debts according to the original terms. Four Caribbean SIDS were invited to take part in the DSSI, but only Dominica and Grenada participated. When it expired at the end of 2021, the DSSI was replaced by the Common Framework to help low-income countries restructure their debts. To date, only four countries have requested Common Framework debt treatment. Only two, Ghana and Zambia, have reached agreements with their creditors. Due to their middle-to-high-income status, Caribbean countries are not eligible to be part of the Common Framework. The Debt Relief for a Green Recovery Project, which advances solutions to address the challenges of the 21st century sovereign debt crises, has criticised the Common Framework for being plagued by design inadequacies that faced long delays in delivering little debt relief (DRGR 2024).



With recurring and mounting debt crises afflicting developing countries, including those in the Caribbean, it is evident that the global debt architecture is not fit for purpose to deliver timely, fair and durable solutions. Although the IMF is the key global institution when it comes to sovereign debt restructuring, its ability to deal effectively with sovereign debt crises has declined, in line with the fall in its resources. Further, the IMF's negotiating position has been complicated by its own conflict as a major multilateral creditor. For these reasons, at the core of demands to reform the global debt system is the call for an efficient debt mechanism under the auspices of the United Nations. The UN is neither a debtor nor a creditor, provides an inclusive and democratic space, and has the core mandate to address critical global issues such as unsustainable debt. As a result, Eurodad and several other civil society organisations have proposed a UN Framework Convention on Sovereign Debt. The new framework would at least encompass agreement on issues such as a multilateral sovereign debt resolution mechanism, binding responsible lending and borrowing principles, an automatic mechanism for debt payments suspension in the wake of catastrophic external shocks, creation of a global debt registry to promote debt transparency, and new approaches to debt sustainability framework and analyses (Eurodad 2024).

The tide seems to be shifting in favour of addressing the solvency aspect of sovereign debt, as more prominent voices have begun calling for debt relief for developing countries. Mark Sobel, the US Chair of the Official Monetary and Financial Institutions Forum and a former US Treasury Official, in a recently published Op-Ed argues that the IMF (and the World Bank, by extension) needs to call for a major debt relief initiative like the enhanced HIPC Initiative of the early 1990s (Gallagher and Sobel, 2024). Sobel co-authored the piece with Kevin Gallagher who heads the influential Global Development Policy Centre at Boston University, and he is a member of the Global Debt Relief for a Green Recovery (DRGR) project, which is



also advocating for substantial debt relief for both low- and middle-income countries. Cyril Ramaphosa, President of South Africa, has made “debt sustainability for low-income countries” a priority of his country’s G20 Presidency.

Even his holiness Pope Francis has named 2025 as a Jubilee year in which debts should be forgiven and has called for the creation of a multinational mechanism for the resolution of sovereign debt crises.

(Pope Francis 2024).

As the leading global MDB, the World Bank has a key role to play in supporting the above reforms to the international debt architecture. Given its in-depth knowledge of debt and development issues facing Caribbean countries, the World Bank can offer analytical support on the various proposals associated with the UN Framework Convention on Sovereign Debt, using its tremendous convening power to highlight the potential pros and cons of each option to Caribbean governments so that the mechanisms for debt management operate in a sustainable, predictable, and timely manner. Additionally, the World Bank has a major role to play in helping to develop a new debt relief initiative for both low- and middle-income countries, learning from the experiences of previous international debt relief programmes to ensure the new framework is responsive to the pressing needs of affected countries, particularly Caribbean SIDS.

While debt relief is essential for Caribbean SIDS to meet their climate and sustainable development goals, it is not a silver bullet and needs to be supplemented by broader reforms to the global financial architecture. In this respect, Caribbean governments should collectively continue to call for a new issuance by the IMF of Special Drawing Rights (SDRs) and for the rechanneling of at least US\$500 million worth of unused SDRs through the Caribbean Development Bank (CDB) to reinforce regional liquidity and to ensure that resources are leveraged for maximum impact. The IMF has designated the CDB as a prescribed holder of SDRs, and this designation places the CDB in a unique position to marshal concessional financing to help Caribbean SIDS achieve the SDGs and fight climate. Caribbean countries should also continue to call for a stepwise increase in capital for the World Bank and other regional MDBs to strengthen the efficiency of these institutions.

4

Scaling Up Concessional Public Finance for Caribbean SIDS

In addressing the silent debt crisis in the Caribbean, the World Bank needs to couple current efforts with scaling up accessible and affordable international public finance to help Caribbean SIDS transition to low-carbon economies and to meet their development goals. However, the traditional gross national income (GNI) per capita measurement, which the World Bank, other MDBs and the international donor community primarily use to determine eligibility for aid and concessional financing, classifies Caribbean SIDS as middle-to high-income countries. As a result, most of the development finance flows to Caribbean countries come in the form of loans, which further aggravate their already unsustainable debt burdens.



Since the 1992 Earth Summit, Caribbean and other SIDS have repeatedly argued over the past three decades that these traditional income-based measurements of development do not adequately capture their multidimensional vulnerabilities. Many Caribbean nations have high GNI per capita due to their small populations, but this measurement does not account for their high poverty levels and worsening income inequality due to multiple external shocks, natural disasters and climate change. The middle- and high-income status of Caribbean SIDS not only masks their risks and vulnerabilities and overlooks their structural challenges, but it also results in them being ineligible for development assistance through grants or highly concessional financing.

At the Summit for a New Financing Pact in June 2023, MDBs committed to “...explore eligibility to concessional finance for the most vulnerable countries with a multidimensional approach to vulnerability, encompassing economic, environmental, and social dimensions. To facilitate cooperation, MDBs could explore a common definition of vulnerability, taking into account the United Nations workstream in that regard, and could develop common guidelines for the targeted use of concessional finance to address vulnerabilities” (MDBs Vision Statement 2023).

In April 2024, the above-referenced United Nations High-Level Panel of Experts submitted its final report on the Development of a Multidimensional Vulnerability Index (MVI) for SIDS (UNGA 2024a). The United Nations MVI comprises two components: (i) structural vulnerability indicator which measures the risk of recurrent adverse exogenous shocks and stressors hindering a country’s sustainable development; and (ii) structural resilience indicator, which measures the inherited capacity of a country to withstand, absorb, recover from or minimise the adverse effects of shocks or stressors. To accompany the UN MVI, the High-Level Panel also developed Vulnerability and Resilience Country Profiles (VRCs) which provide granularity on country-specific vulnerability and resilience factors. At the 4th International Conference on SIDS held in Antigua and Barbuda in May 2024, the international community agreed to “considering how best multidimensional vulnerability could be incorporated into existing practices and policies for debt sustainability and development support, including access to concessional finance, and look forward to the intergovernmental process to consider the recommendations presented in the final Report of the High-Level Panel on the Development of a Multidimensional Vulnerability Index for Small Island Developing States” (UNGA 2024b).

Analysis using the UN MVI reveals the high vulnerability of Caribbean SIDS (see Table 3). The average MVI score for Caribbean SIDS is 56.3, which is significantly higher than the 52.4 for ODA-eligible SIDS.

Table 3: United Nations Multidimensional Vulnerability Index (MVI) *

Country	MVI Score	Structural Vulnerability Index	Lack of Structural Resilience Index
Antigua & Barbuda	61.7	63.4	59.9
The Bahamas	59.9	56.4	63.1
Belize	53.0	55.6	50.3
Barbados	57.9	46.2	67.6
Dominica	55.4	62.4	47.3
Grenada	61.7	65.3	57.8
Guyana	46.4	55.1	35.8
Haiti	65.6	68.0	63.0
Jamaica	49.6	48.1	51.0
St. Kitts & Nevis	55.0	52.4	57.5
St. Lucia	66.5	73.2	59.1
St. Vincent & the Grenadines	61.8	65.1	58.2
Suriname	43.2	42.2	44.1
Trinidad & Tobago	50.3	47.7	52.7
Average	56.3	57.2	54.8

* Note: Highest score indicates most vulnerable.

Even compared to other “countries most in need”, Caribbean SIDS remain highly vulnerable, with the highest average MVI score, followed by least developed countries (LDCs) at 55.5, Fragile contexts (FCs) countries at 54.7, and Land-locked developing countries (LLDCs) at 53.



Six of the 14 Caribbean SIDS have an MVI score of approximately 60 or above, indicating higher vulnerability than the regional average. Caribbean SIDS also have high levels of structural vulnerability and notable lack of resilience.

The UN MVI should not be seen as a replacement of the GNI per capita measure, but a complementary metric that the World Bank, other MDBs and international donors can use to further inform ODA eligibility and allocations of concessional finance. In this regard, the World Bank should pilot test the UN MVI as a complementary framework to guide its mobilisation and allocation of concessional finance for Caribbean SIDS. The World Bank can also use the UN MVI scores together with the VRCs to provide a better understanding of the development needs of Caribbean SIDS, including their requirements for concessional financing. However, any scaling up of concessional public finance by the World Bank and other regional MDBs to Caribbean and other SIDS must be additional to any aid commitments made by the international community.

5

Financing the Caribbean's Climate Crisis

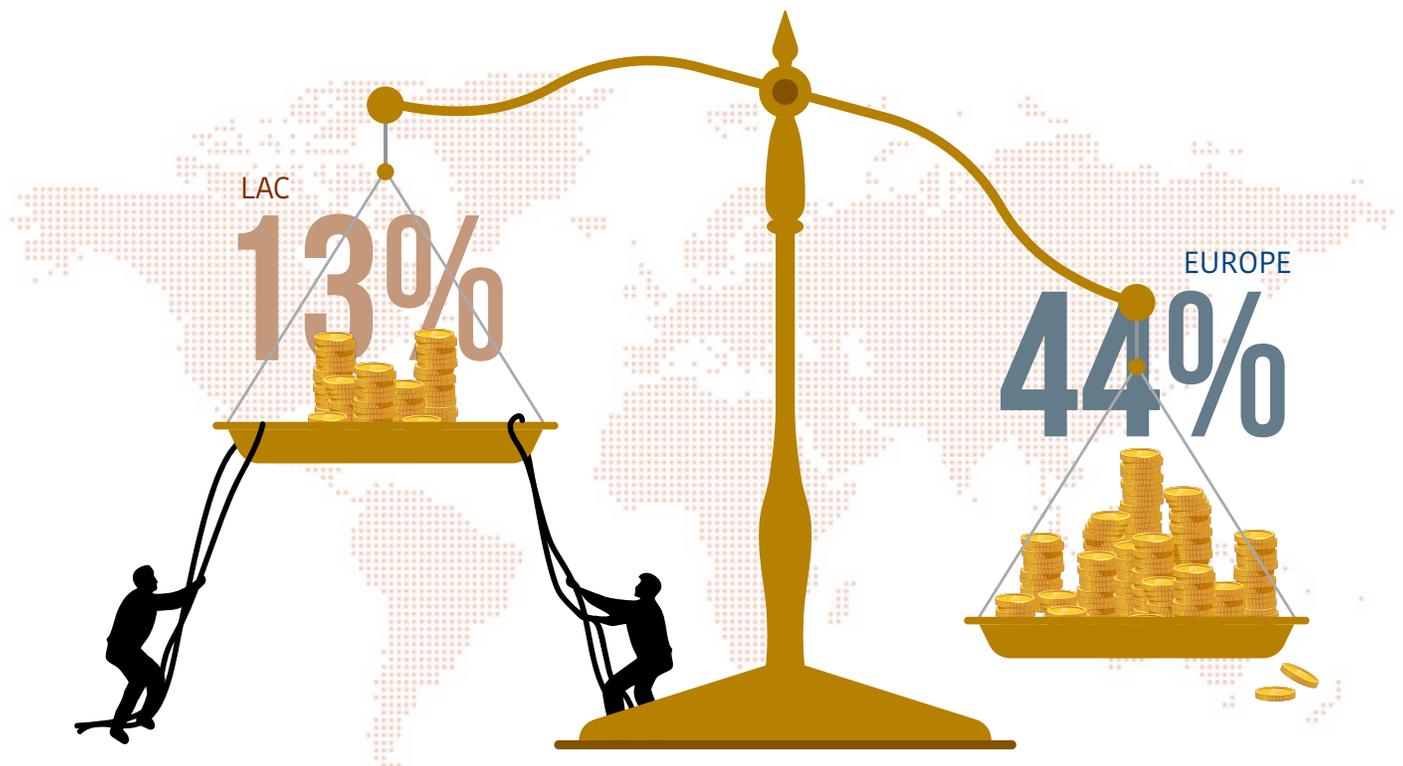
Over the past decade, MDBs have been positioning themselves as key actors in the global climate finance architecture, including through attempts to align their financial flows with the objectives of the Paris Agreement, regular joint reporting on their contributions to climate finance, and annual statements declaring their commitments to jointly increase international financial resources for climate-related projects in their membership. At the UN Framework Convention on Climate Change's (UNFCCC) 27th Conference of the Parties (COP27) held in Sharm el-Sheikh in 2022, MDBs were officially called upon to reform their “practices and priorities, align and scale up funding, ensure simplified access and mobilize climate finance from various sources” and to “define a new vision and commensurate operational model, channels and instruments that are fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens, and to address risk appetite, with a view to substantially increasing climate finance” (UNFCCC 2022).

The increased focus on MDBs to play a central role in the delivery of climate finance raises serious concerns, especially given the legacy of these institutions in financing fossil fuel projects. According to the latest MDBs' joint climate finance report, together they delivered a record high of US\$125 billion in climate finance in 2023. This was almost double the joint target of US\$65 billion per year by 2025, which they had announced in 2019. The Netherlands-based civil society group Recourse in a report on how the MDBs are failing to live up to expectations on climate finance (Recourse 2024) takes a closer look at this self-proclaimed “record” figure and argues that the number

should be interpreted with caution for several reasons. These include lack of transparency and consistency in terms of how climate finance is calculated, risks of double counting and whether the funded projects are genuinely contributing to dealing with the impacts of climate change. In addition, Petra Kjell Wright, report author and the Campaigns Manager at Recourse, said that:

“we found financing for projects involving fossil fuels, human rights violations, and environmental destruction.”

Furthermore, rather than prioritising climate vulnerable regions such as Asia, Africa and the Caribbean, Europe received the largest share of MDB climate finance in 2023, at close to half (44%). The Asia-Pacific region only received 21%, Sub-Saharan Africa was at 14%, followed by Latin America and the Caribbean at 13%.



The focus on high-income countries, mostly in Europe, meant that climate mitigation continued to dominate investments (almost 80 percent), leaving adaptation woefully under-funded. Although COP27 called on MDBs to provide climate finance as grants and non-debt instruments, the vast majority of MDB climate finance provided to low- and middle-income countries in the form of loans.



In 2023, MDBs delivered a staggering 63 percent of climate finance to LIMICs in the form of loans, and just 7 percent as grant financing (Recourse 2024), adding to the debt burden of these already highly debt-distressed countries.

Transparency and clear reporting practices that allow for independent verification of MDB climate finance flows would go a long way in ensuring that accelerated and ambitious climate finance can happen at the scale needed and in an equitable manner. Even the World Bank is often seen as the norm setter for the other MDBs and has an immense responsibility to set a high bar on its climate finance accountability standards. Oxfam International (2024) notes that there has been no evaluation by the World Bank's Independent Evaluation Group (IEG) of how the Bank calculates, justifies and reports on its climate finance portfolio.

At the start of COP29, ten MDBs², including the World Bank, announced that their **annual joint climate financing for LIMICs will rise to US\$120 billion by 2030, including US\$42 billion for adaptation, and they aim to mobilize US\$65 billion from the private sector.** COP29 closed with 'agreement' on a hugely controversial New Collective Quantified Goal (NCQG) for climate finance. The NCQG calls on developed countries to take the lead in mobilising at least US\$300 billion annually by 2035 for developing countries. This is triple the amount of the previous climate finance target, but well below the US\$900 billion per year called for by the Least Developed Countries and the Alliance of Small Island States, which represents the climate interests of Caribbean SIDS. Further, the new global climate finance goal is set within the context of a wider goal that calls on all actors to scale up financing to developing countries to at least US\$1.3 trillion per year by 2035. Even though the NCQG strengthens the role of

² The group of MDBs comprised the African Development Bank Group, the Asian Development Bank, the Asian Infrastructure Investment Bank, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the Islamic Development Bank, the New Development Bank, and the World Bank Group.

MDBs in the global climate finance architecture, this strategy to scale up and deliver climate finance through the MDBs could further worsen the debt crisis in developing countries, since there is no agreement on how much climate finance would come in the form of grants and highly concessional finance.

In this respect, Caribbean SIDS require considerable capital investments to accelerate the shift to low-carbon economies in line with the Paris Agreement, enhance resilience to climate shocks, address loss and damage, restore biodiversity loss and navigate the cross-border spillovers associated with a just global energy transition. At a High-Level Forum on the Caribbean Green Energy Transition, the IMF's Managing Director, Kristalina Georgieva, estimated the costs for resilience building in the Caribbean region at a staggering US\$100 billion over the next two decades, or an average of roughly US\$5 billion per year (IMF 2024). However, mobilising such a massive volume of funds is near impossible for the Caribbean region, particularly given its high level of indebtedness. As a result, an extremely wide climate finance gap persists. Rambarran, Mohan and Sawas (2024), for example, found that total international energy-related climate finance commitments from the OECD countries to Caribbean SIDS represented less than one-third of the region's financing needs as outlined in each country's Nationally Determined Contribution (NDC) for renewable energy projects. Notably, **most of the climate finance provided by the OECD to the region has been in the form of loans, exacerbating the high debt burden of Caribbean countries.** The World Bank, therefore, has a key role in providing sufficient volumes of mostly concessional climate financing to Caribbean SIDS, but it appears that the institution might not be fully living up to expectations.

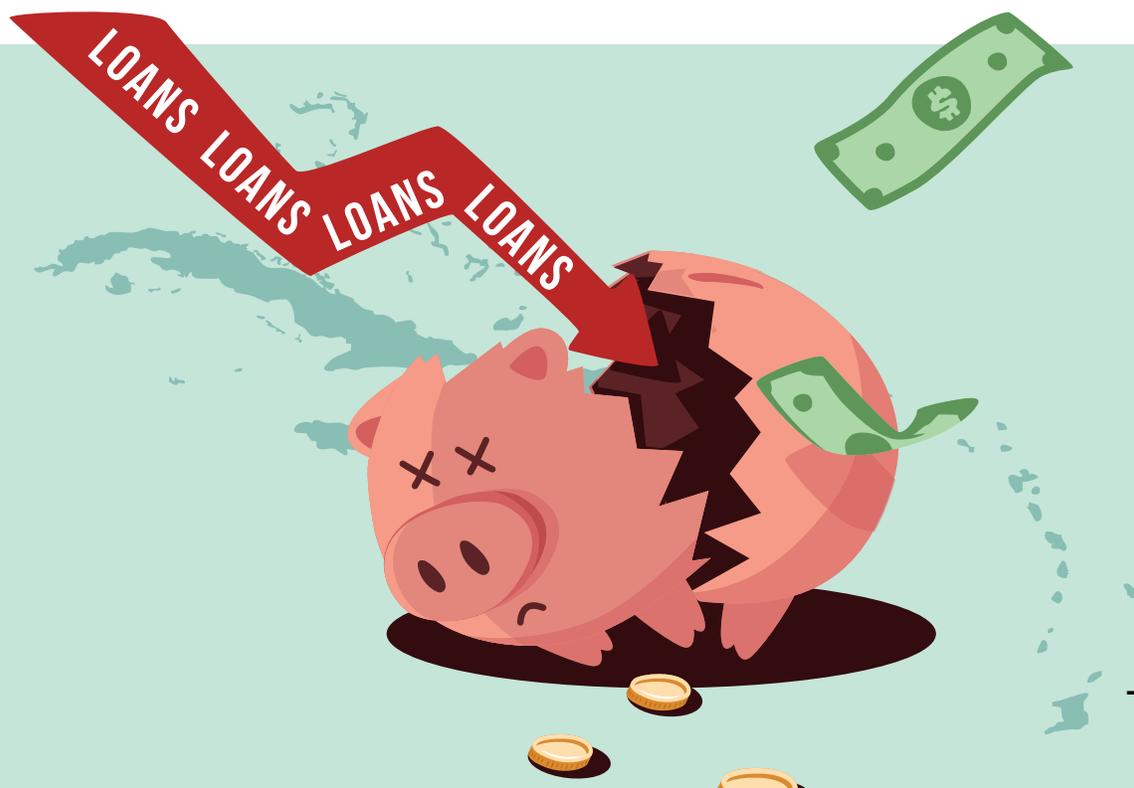


Table 4 shows the World Bank's claimed climate finance lending to the Caribbean region during fiscal years 2018 to 2024. Three major observations stand out.

1 First, unlike the general trend of increasing MDB climate finance, **the volume of climate finance provided by the World Bank to the Caribbean has been declining in recent years.** After rising from US\$104 million in FY2018 to peak at US\$344 million in FY2022, climate finance lending by the World Bank to Caribbean SIDs began falling, reaching about US\$85 million (nearly a 30 percent year-on-year contraction) in FY2024, the lowest level in the past decade. In total, the World Bank provided US\$1,164 million in climate finance to Caribbean SIDs during FY2018-2024, or an average of about US\$166 million per year, substantially below the estimated amount required for the region to undertake its green energy transition.

Table 4: World Bank's Climate Finance Lending to Caribbean SIDs, Fiscal Years 2018-2024

Fiscal Year	Climate Co-benefits (%)	Group Climate Finance Target (%)	Adaptation (US\$ mn)	Mitigation (US\$ mn)	Climate Finance (US\$ mn)
2018	51	28	99	5	104
2019	47	28	103	27	130
2020	34	28	222	32	254
2021	31	35	103	26	129
2022	48	35	252	92	344
2023	37	45	83	35	118
2024	33	45	32	52	84
Total			894	269	1,163

Source: World Bank Annual Reports on Climate Finance

Although the World Bank did not provide any specific information on the mix of instruments used to deliver this volume of climate finance to Caribbean countries, the reported names of the projects seem to suggest that these were mainly development policy loans that would have added to the debt distress problems facing the region.

While the World Bank reported that its overall mobilisation ratio – the amount of private finance mobilised for each dollar of public finance provided – stood at 1.71 in 2023, the Bank did not indicate whether a similar mobilisation ratio applies to the Caribbean region. This is important to determine whether the World Bank is indeed having a positive catalytic impact in mobilising private climate finance for the Caribbean. Recent experiences of both Jamaica and Barbados under their IMF's Resilience and Sustainability Fund (RSF) programs demonstrate the difficulty of attracting private climate finance flows, despite the overwhelming reliance on the so-called catalytic nature of RSF arrangements (Rambarran and Ahmed 2024).

2 Second, in contrast to the overall MDB trend of predominantly financing mitigation, **most of the climate finance which the World Bank delivered to the Caribbean went to funding adaptation investments**, around 77 percent during FY 2018-2024. Adaptation projects which seek to build resilience across urban and rural sector, the blue economy and food and agriculture bode well for the region, given the need to dramatically strengthen how Caribbean governments and communities prepare for and adjust to the impacts of climate change like hotter temperatures, more frequent storms and rising sea levels. Given the scale of the climate challenge facing the Caribbean, however, the World Bank should shift its adaptation financing from the current project-based model to being more anticipatory, strategic and transformational (UNEP 2024). This shift may better align adaptation activities with a pipeline of more bankable climate projects and attract private investment flows. Moreover, the World Bank needs to improve the concessionality of its adaptation funding to alleviate debt burdens in the Caribbean and to leverage innovative instruments like adaptation swaps which can foster positive adaptation outcomes in exchange for forgiving debt.

3 Third, unlike the general MDB trend of exceeding the climate finance target, **the World Bank has fallen well below its climate co-benefit finance target in relation to the Caribbean region.** The World Bank's reported climate finance is often only a proportion of its total financing for a particular project's components or activities - what it calls climate co-benefits. Without transparent reporting practices, it is difficult to know what assumptions and accounting practices the World Bank uses to determine the climate relevance of a project. Taking the data at face value, however, it shows that climate finance accounted for one-third of the World Bank's lending portfolio to Caribbean SIDS in FY2024, well below the target of 45 percent which the Bank had announced at COP28

in 2023. This also represents a sharp reversal from the previous five years. In FY2018, for instance, climate finance accounted for 51 percent of the World Bank Group's lending portfolio to Caribbean SIDS, far exceeding the 28 percent climate finance target which the World Bank had set for its total portfolio by 2020.

Beyond financing, the Caribbean faces additional challenges in responding to climate change, including the impact of cross-border spillovers that extend across various international policy domains. International partners have enacted several trade and industrial competitiveness measures in response to climate change.



The implementation by the European Union of a Carbon Border Adjustment Mechanism (CBAM) in October 2023 presents a significant challenge for Caribbean SIDS. A Border Carbon Adjustment (BCA) acts as an import charge levied on goods that cross the border based on the carbon emissions associated with their production, as an adjustment to place imported goods on a level playing field with domestic goods.

Trinidad and Tobago is the largest hydrocarbon-based economy in the Caribbean and a large exporter of ammonia, methanol and nitrogenous fertilizers. In a study done for the International Institute for Sustainable Development (IISD), Mohan and Jagessar (2024) found that **the economic impact of the CBAM would be large on Trinidad and Tobago, affecting over 80 percent of the country's exports or approximately 34 percent of its GDP.**

Other developed countries like the United States, Canada, the United Kingdom, and Japan are considering the adoption of similar CBAM measures, which are likely to prove inimical to the Caribbean which is heavily trade dependent. Here, the World Bank can use its analytical capability to carry out studies on the economic impact of CBAM and other similar mechanisms on the Caribbean, providing policy advice on potential solutions such as domestic/regional carbon pricing schemes, investment in clean technologies and the workforce transition to a low-carbon future.

6

Reforming the World Bank's Governance Structure

For the preceding suggested reforms to be effective in directing resources to address the debt, climate and development financing challenges of Caribbean SIDS, they must be implemented alongside reforms to the World Bank's governance structure, which is fundamentally unchanged from eighty years ago when the institution was created. In the aftermath of World War II, 44 countries got together in July 1944 to create what is known as the Bretton Woods twins, the World Bank and its sister institution, the International Monetary Fund (IMF). The World Bank was designed as a financial co-operative, with the capital backing of the United States and other economically powerful countries at the time, that could borrow from international capital markets at lower rates and lend to developing countries that would normally either have no market access or face higher borrowing rates. This system favoured dominant powers of that era, resulting in significantly higher voting power for certain countries. The capital structure and governance of the World Bank³ continues to reflect the colonialesque power dynamics when it was established eight decades ago, despite an expanded membership now comprising 189 countries and significant changes to the Bank's mission and activities, especially on climate change.

³ Without loss of generality, the IBRD votes and shareholdings are taken to represent the World Bank Group, although it consists of four different bodies that have different voting weights. Similar capital structure and governance structure and considerations also apply to the International Monetary Fund (IMF).

The voting power of each country in the World Bank is made up of two components: a fixed component of 250 'basic' votes which is the same for each country, and a variable component that each member country's comparative economic strength, based on reserves, international trade volumes and national income. Basic votes were introduced in 1979 to protect the voting power of the smaller shareholders. Over time, the number of basic votes has remained constant while the share-based votes have increased with later capital increases. This is a major factor in the disempowerment of many developing countries. Professor Stephany Griffith-Jones, who specialises in international finance and development, in a report on the World Bank's governance structure prepared for the UK's former Department for International Development (DFID), proposes that a simple way forward would be for the World Bank to carry out a once-for-all increase of the share of basic votes to the proportion that existed when they were introduced in 1979, and to maintain that proportion for future capital increases (Griffith-Jones 2001).

Currently, there are 189 members of the World Bank. There are five member countries with the largest quotas or shareholdings (see Table 5). The United States has by far the largest share of votes of any country, with 452,807 votes or 15.84 percent, and is still the only country that enjoys veto power over any decisions requiring a qualified majority. This is followed by Japan with 7.02 percent, and other influential European members – Germany 4.18 percent, and France and UK with 3.83 percent equally. The Caribbean's influence in decision making at the World Bank is limited by this quota system. **Currently, the number of votes of the 14 Caribbean SIDS in this study total 29,011 votes or only 1.01 percent of the total votes of the World Bank.** To give a sense of this scale, the smallest member of the World Bank is Palau with 855 votes, representing 0.03 percent of the total. Geopolitical obstacles to voting reform at the World Bank (as well as the IMF) stem from the United States and Japan, both of which prefer to maintain their status quo positions as the two largest shareholders and to limit the role and influence of China, the third largest shareholder.

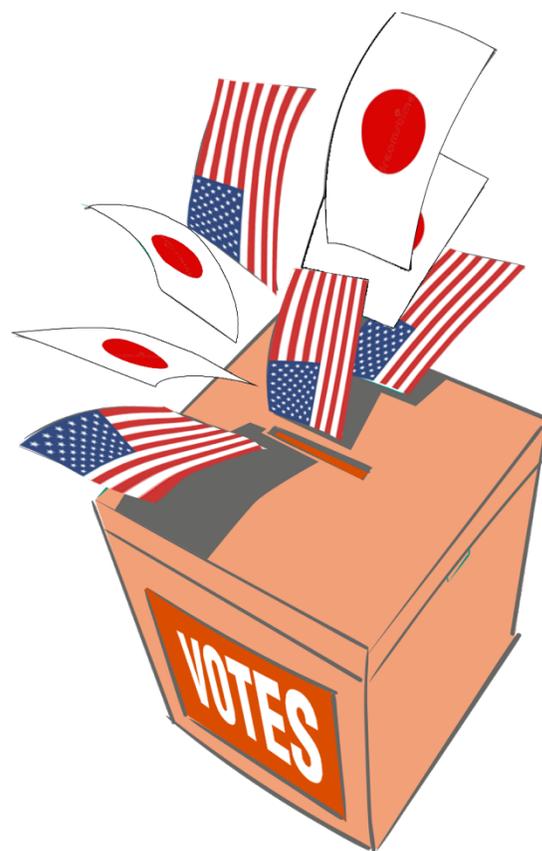


Table 5: World Bank: Voting Power of Selected Countries/Region

Country/Region (as at November 14, 2024)	Voting Power	
	Number of Votes	% of Total Votes
 United States	452,807	15.84
 Japan	200,724	7.02
 China	167,698	5.87
 Germany	119,417	4.18
 France	109,450	3.83
 United Kingdom	109,450	3.83
 Russia	79,960	2.80
 Saudi Arabia	77,806	2.72
 Caribbean	29,011	1.01
 Palau	855	0.03

Source: <https://www.worldbank.org/en/about/leadership/votingpowers>

At the highest level of the World Bank, all countries have direct representation, as members of the Board of Governors, but the management of the institution is done by its Executive Board, whose members are either appointed or elected. **The inequitable distribution of voting power is also reflected in the number of Executive Directors (or Alternates) each country or region has to represent them on the Executive Board.** In 1947, the World Bank began with 44 member countries, represented on the Executive Board by 12 Executive Directors. As membership of the World Bank grew over the next half century, with 178 member countries by 1995, the number of Board members rose to 24 but not commensurate with the increased membership.

Today, there are 25 Executive Directors on the World Bank's Executive Board representing the 189 member countries. The United States has its own Executive Director on the Board, as do Japan, China, Germany, France, Britain, Saudi Arabia and Russia. The remaining 17 Executive Directors are elected by the rest of 180 member countries which are represented in constituencies that are roughly made up according to region and that vary considerably in size.

Table 6 shows that Caribbean members in the World Bank are represented by two Executive Directors. Brazil, a very large emerging market, represents three Caribbean SIDS, while Canada, a G20 developed country, represents the other 11 Caribbean SIDS. This separation of the voice and representation of the Caribbean region into two fundamentally different constituencies means that the views of Caribbean countries on important policy issues might be rarely heard or expressed on the World Bank's Executive Board.

Table 6: World Bank: Executive Director Representation of the Caribbean Region

Executive Director	Alternate Executive Director	Caribbean Members
Brazil	Colombia	Haiti; Suriname; and Trinidad & Tobago
Canada	Ireland	Antigua & Barbuda; the Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Jamaica; St. Kitts & Nevis; St. Lucia; St. Vincent & the Grenadines

Source: <https://www.worldbank.org/en/about/leadership/directors>

The Geoeconomics Centre of the Atlantic Council recommends that one solution would be to introduce weighted voting for specific issues of global or regional importance, such as climate change, ensuring a more democratic decision-making process on the Executive Board of the World Bank. Weighted issue voting could take a formula like qualified majority voting used by the Council of the European Union. For example, voting on climate policy at the World Bank could require 55 percent of normal vote shares and 65 percent of the votes from the lowest emitters to pass. The Atlantic Council also recommends that governance reforms to the Bretton Woods institutions should be accompanied by changes in how the leaders of both institutions are selected (still the preserve of the United States for the World Bank's President and European G7 states, notably France, for the IMF's Managing Director), further promotion of diversity and inclusion in views and perspectives to truly reflect global institutions, and an increased role for development-centred accountability (Nordquist and Christoph 2024).



7

Conclusion and Recommendations

2025 offers a pivotal year to raise global ambition on debt, climate and development financing challenges. Pope Francis is personally committed to the 2025 Jubilee Debt Campaign on debt relief and creating a pathway to international financial architecture reform, building on the legacy of the Jubilee 2000 campaign which contributed to the enhanced HIPC Initiative. Through 2025, the COP29 and 30 Presidencies, Azerbaijan and Brazil, respectively, will work together on “Baku to Belém Roadmap to 1.3T” to present a menu of options at COP 30 to raise resources to get to US\$1.3 trillion for developing countries. Prime Minister Mia Mottley of Barbados is expected to continue championing the Bridgetown Initiative, an ambitious agenda to address immediate financial needs of countries facing debt distress and liquidity challenges, facilitate the accomplishment SDGs, while also starting to address systemic issues requiring transformation of the international financial architecture. Similarly, the Vulnerable Twenty (V20) Group of Ministers of Finance continues its climate advocacy on behalf of 70 climate vulnerable countries across Africa, Asia, the Caribbean, Latin America, the Middle East and the Pacific. These processes will run alongside South Africa’s G20 Presidency where there could be broad agreement on growth reforms in Africa as well as the UN’s 4th International Conference on Financing for Development, which will set the international development finance agenda for the next few years.

As the leading MDB in the Caribbean, the World Bank has a key role to play in supporting reforms to the international debt, climate and development financing architecture that can help to put Caribbean SIDS on a path to stability, growth and sustainable development.

It is crucial, however, to align global ambitions on debt, climate and development financing needs with practical actions, particularly for Caribbean countries.

In this regard, we recommend that the World Bank should undertake the following actions:



- Offer analytical support on the various proposals associated with the UN Framework Convention on Sovereign Debt, using its tremendous convening power to highlight the potential pros and cons of each option to Caribbean governments so that the mechanisms for debt management operate in a sustainable, predictable, and timely manner.



- Help develop a new debt relief initiative for middle-and high-income Caribbean countries, learning from the experiences of previous international debt relief programmes to ensure the new framework is responsive to the pressing needs of affected countries, particularly Caribbean SIDS.



- Pilot test the United Nations Multidimensional Vulnerability Index (MVI) as a complementary framework to guide its mobilisation and allocation of concessional finance for Caribbean SIDS. To accompany the MVI score, the World Bank can also use the Vulnerability and Resilience Country Profiles (VRCPs) to provide a better understanding of the development needs of Caribbean SIDS, including their requirements for concessional financing.



- Request its Independent Evaluation Group (IEG) to carry out an evaluation on how the World Bank calculates, justifies and reports on its climate finance portfolio for its Caribbean and other member countries. Transparency and clear reporting practices that allow for independent verification would help ensure that accelerated and ambitious climate finance can happen at scale and equitably. The World Bank has an immense responsibility to set a high bar on its climate finance accountability standards.

- Shift its adaptation financing from the current project-based model to being more anticipatory, strategic and transformational. This shift may better align adaptation activities with a pipeline of more bankable climate projects and attract private investment flows to the Caribbean.



- Improve the concessionality of its adaptation funding to alleviate debt burdens in the Caribbean and leverage innovative instruments like adaptation swaps which can foster positive adaptation outcomes in exchange for forgiving debt.



- Carry out studies on the economic impact of CBAM and other similar mechanisms on Caribbean SIDS, providing policy advice to government on potential solutions such as domestic/regional carbon pricing schemes, investment in clean technologies and the workforce transition to a low-carbon future.



- Carry out a once-for-all increase of the share of basic votes to the proportion that existed when they were introduced in 1979, and to maintain that proportion for future capital increases. Restoring basic votes to their original level would protect the voting power of its smaller Caribbean shareholders.



- Introduce weighted voting for specific issues of global or regional importance, such as climate change, ensuring a more democratic decision-making process for Caribbean countries on its Executive Board. Weighted issue voting could take a formula like qualified majority voting used by the Council of the European Union.





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