

POLICY BRIEF

Importance of the Jubilee 2025 Debt Justice Campaign for Heavily Indebted Caribbean SIDS

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Introduction

Historically, the Jubilee tradition is one of restoration and release. It is a call to free those oppressed by unjust debts. The last Jubilee debt event – Jubilee 2000 – took place 25 years ago.

Following in this tradition, His Holiness Pope Francis launched Jubilee 2025 in late December 2024. This initiative is a global debt campaign aiming to promote debt justice from the beginning of 2025 and lay the foundation for the next five years leading up to 2030. Echoing the profound principles of the Jubilee year and

leveraging his strong moral leadership, Pope Francis is not only calling for the debts of Global South countries to be forgiven but also for the creation of a multinational mechanism for the resolution of sovereign debt crises, a critical pillar missing in the global financial architecture.

Like many other developing countries, Caribbean Small Island Developing States (SIDS) are facing a widespread sovereign debt crisis that reflects the deep-rooted structural flaws of the global financial architecture. Debt has ballooned due to multiple, often interlinked external shocks including the COVID-19 pandemic, wars, interest rate hikes as well as natural disasters and escalating climate extreme events. As Caribbean SIDS are trapped in a crippling debt crisis, the fight for debt justice has never been more urgent. And so is the need to build powerful, diverse advocacy movements in the Caribbean and the Global South to better meet this challenge. The Jubilee 2025 debt campaign, therefore, offers a renewed path towards hope for Caribbean SIDS burdened by onerous debt.

Jubilee 2000 was a global campaign in the late 1990s that through the enhanced Heavily Indebted Poor Countries (HIPC) Initiative led to the cancellation of more than US\$100 billion of debt owed by 35 of the world's poorest countries.

It became one of the most successful international, non-governmental movements in history.



Caribbean's Silent Debt Crisis

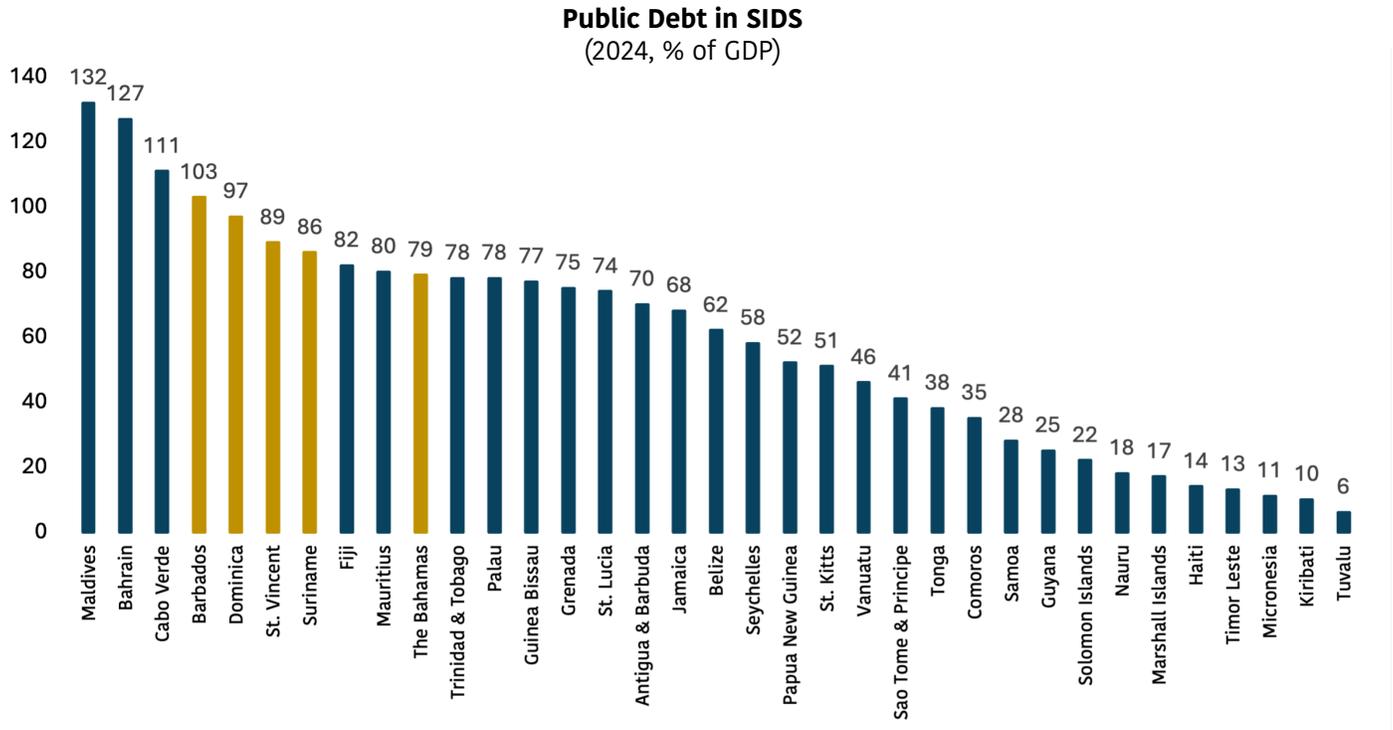
Caribbean SIDS are a special category of countries at the crossroads of a looming sovereign debt crisis. Caribbean nations have been gripped by a silent debt crisis for more than the past three decades, experiencing chronic stagnant growth and rising public debt which have placed them among the most heavily indebted SIDS worldwide.

At the end of 2024, five Caribbean countries – Barbados, Dominica, St. Vincent, Suriname, and the Bahamas – ranked in the top 10 of the world's most highly indebted SIDS, with their public debt stock beyond 80 percent of GDP

(see Figure 1).

Debt servicing has also increased substantially in Caribbean SIDS, crowding out critical development spending in health, education and climate resilience.

Figure 1: Public Debt Ratios Across SIDS Worldwide



Source: IMF World Economic Outlook (WEO) database

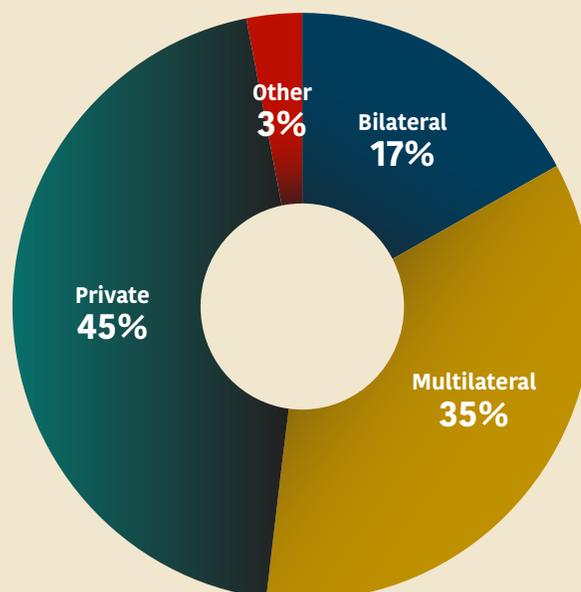
An important factor underlying the unsustainable debt overhang in the Caribbean is the link to climate change, especially more frequent and intense tropical storms and hurricanes. Many Caribbean SIDS are located within the path traversed by storms in the North Atlantic basin. Climate projections suggest that as the century progresses, the Caribbean is expected to be much warmer and drier, with higher sea levels and prone to more intense storms. Climate change may therefore increase the debt challenges of Caribbean SIDS.

For some Caribbean SIDS, the damages from natural disasters well exceed the size of the economy. In 2017, Hurricane Maria caused destruction to Dominica estimated at 225 percent of the country's GDP. In Grenada and St. Kitts and Nevis, damages were equivalent to more than one year of economic activity, after the passage of Hurricane Ivan in 2004 and Hurricane Georges in 1998, respectively. Last year, Hurricane Beryl left a trail of catastrophic destruction across the Caribbean. St. Vincent and the Grenadines suffered extensive damages equivalent to about 22 percent of the country's GDP. In Grenada's smaller northern island dependencies, damages were around 16.5 percent of GDP.

In the aftermath of these destructive natural disasters, Caribbean governments with already limited fiscal space have little choice but to reallocate budgetary resources, engage in external borrowing or wait on donor aid to fund the large and unexpected public spending required for emergency response, economic recovery and longer-term reconstruction efforts. Climate change may increase the debt challenges of Caribbean SIDS.

The ability of Caribbean countries to manage their debt is complicated by the changing composition of the debt and by the current, flawed global financial architecture. Caribbean countries now owe more money to a broader range of creditors. At the end of 2023, Caribbean SIDS had a total external debt stock of over US\$34 billion, or the equivalent of around 30 percent of their combined GDP (see Figure 2).

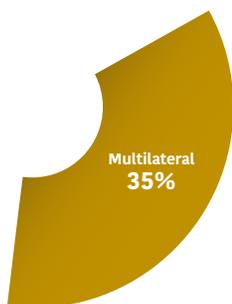
Figure 2: Caribbean SIDS: Creditor Composition of External Debt (% , 2023)



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

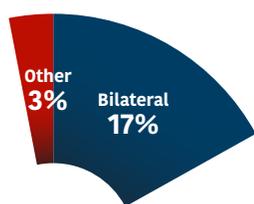


Of this total external debt, **Caribbean countries owed almost US\$15.5 billion or more than 45 percent to private creditors.** Private creditors comprise insurance companies, pension funds, hedge funds, investment banks and high-net worth individuals. The high indebtedness of Caribbean countries to 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 arguably was not successful. The debt deal includes a contingency clause linked to Suriname's future oil extraction which ensures bigger benefits for the private creditors if the country does well.



Moreover, **Caribbean SIDS owe US\$12 billion or 35 percent to multilateral creditors.** Multilateral creditors include the International Monetary Fund (IMF), the World Bank and other multilateral development banks such as the Inter-American Development Bank (IDB). 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 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. Due to their middle- to high-income designation, other Caribbean countries were considered too rich to benefit from these global debt relief deals.



The remaining **Caribbean external debt of around US\$6.5 billion (20 percent) is predominantly owed to bilateral creditors.** In the past, bilateral creditors were primarily the rich Western countries like the United States and the United Kingdom which form part of the Paris Club group. Bilateral creditors have expanded to now include non-Paris Club countries, especially China which has become the most important bilateral lending partner in the Caribbean.

China holds more than 30 percent of the region's bilateral debt and has replaced the traditional Paris Club group. 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.

Several Caribbean SIDS have restructured their debt over the past two decades, but they have not been able to lock in the durable gains of debt relief, leading to repeated debt restructuring in a few countries while others remain highly indebted. A sovereign debt restructuring exercise is likely to take place in the Caribbean nearly every year. Over the past 25 years, nineteen episodes of sovereign debt restructuring operations were concluded in eight Caribbean SIDS – Antigua & Barbuda, Barbados, Belize, Dominica, Grenada, Jamaica, and St. Kitts and Nevis and Suriname.

Without substantial debt relief, projections for the future debt sustainability in these heavily indebted Caribbean SIDS are grim, as they are likely to remain at risk of debt distress throughout the period to 2030 when the United Nations' 2030 Agenda for Sustainable Development on reducing poverty and meeting other Sustainable Development Goals (SDGs) comes to an end.

Collectively, these findings make a compelling special case for urgently resolving the looming debt crisis in Caribbean SIDS.



Jubilee 2025 Movement

Twenty-five years ago, the Jubilee 2000 movement was instrumental in achieving significant debt relief for many of the world's poorest countries, mainly in Africa, through the enhanced HIPC initiative. Jubilee 2000 was a London-based global campaign in the late 1990s that sought to eliminate the external debt of the world's poorest countries in time for the new millennium.

The campaign earned the endorsement of a diverse group of leaders such as the Pope John Paul II (then head of the worldwide Catholic Church), Bono (Irish singer-songwriter for U2, the biggest rock band in the world), Jeffrey Sachs (American economist and former Director of The Earth Institute at Columbia University), and Pat Robertson (American media mogul and former Southern Baptist minister). The campaign also earned the support of strong political allies in the governments of the United Kingdom and United States, making it harder for other official bilateral creditors such as Japan, France, and Germany to oppose debt relief.

Jubilee 2000 gathered tremendous support from over 20 million people around the world who never had any interest in the issue of debt relief. It led ultimately to the cancellation of more than US\$100 billion of debt owed by 35 of the poorest countries and became one of the most successful international debt campaigns in history. Many developing countries used the resulting savings from debt cancellation to reduce poverty and to fund essential health and education programs.

However, the Jubilee 2000 initiative fell short of bringing about necessary reforms to the global financial architecture, and this has contributed to Global South nations now facing another debt crisis. Some key facts about this current debt crisis are as follows:

- ▶ The World Bank finds that in 2023, developing countries spent a record US\$1.4 trillion just to service their debt. That amounted to nearly 4 percent of their gross national income.
- ▶ Data from UNCTAD shows that more than 54 Global South countries spend more than 10% of their tax revenues on interest payments on their debt.
- ▶ 3.3 billion people live in developing countries that spend more on debt service than on health, and 2.1 billion people live in developing countries that spend more on debt service than on education.
- ▶ Money that Global South countries must pay to service their debt is money that cannot be spent to provide education and health or to make the investments needed to address the climate crisis. Debt burdens are impeding many low- and middle-income countries from securing investments for critical infrastructure for clean energy and climate adaptation.

- ▶ The COVID-19 pandemic and the war in Ukraine were massive shocks to the global economy and the resulting aggressive tightening of monetary policy adopted by Global North countries, including high interest rates, worsened debt distress in many Global South nations.
- ▶ According to World Bank data, low- and middle-income countries now face significantly higher overall debt levels compared to the decade before the pandemic, with debt servicing placing an increasingly heavy strain on their economies and limited resources.

These facts suggest that the debt crisis is also a worsening development crisis in the Global South.



2025 is the Year of the Jubilee, a once every 25-year occasion during which the Catholic Church emphasizes its calls for justice. With recurring and mounting debt crises afflicting developing countries, including those in the Caribbean, Pope Francis has emphasized debt as a central priority for this Jubilee, recognizing that the current global financial architecture is not fit for purpose to address these mounting challenges and urgently requires global reforms to deliver timely, fair and durable debt solutions.

Although the IMF is the key global institution when it comes to sovereign debt restructuring, its negotiating position with Global South member countries 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 has been the call by global civil society groups and by Pope Francis for the creation of a new debt resolution mechanism/authority under the auspices of the United Nations. This is because 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.

Recommendations

Considering the foregoing, Caribbean civil society should:

- ▷ Support the global Jubilee Debt Justice campaign, under the leadership of His Holiness Pope Francis, in which debts should be forgiven and a multinational mechanism is created to resolve sovereign debt crises.
- ▷ Support calls for a UN Framework Convention on Sovereign Debt. This framework should at least encompass agreement on issues such as a multilateral sovereign debt resolution mechanism/authority, binding responsible sovereign lending and borrowing principles, an automatic mechanism for suspending debt payments in the wake of catastrophic external shocks to create fiscal space for development investments, creation of a global debt registry to promote debt transparency, and reforms by the IMF and World Bank to their debt sustainability analyses.
- ▷ Support development of a new bold, comprehensive debt relief initiative for Caribbean SIDS and other Global South countries, learning from the experiences of previous international debt relief programmes such as the Brady Plan and the enhanced HIPC Initiative. The embedded sovereign debt restructuring process should be predictable, fair and inclusive, involving all creditors, especially China.
- ▷ Request the Caribbean Policy Development Centre (CPDC) to link its Caribbean Emancipation 2030 debt initiative to the Jubilee debt justice campaign. In 2022, CPDC developed 'Caribbean Emancipation 2030' an ambitious sovereign debt and climate justice initiative which seeks to cancel US\$30 billion in debt of Caribbean SIDS, freeing up resources to boost climate resilience actions aligned with the Paris Agreement and to support sustainable development.
- ▷ Request CPDC to develop a Jubilee Caribbean debt campaign drawing on the Caribbean Emancipation 2030 framework and rooted in the spirit of Jubilee 2025. This campaign should champion debt justice, fairness and solidarity, inviting partner faith based and civil society organisations, to stand with people in the Caribbean and other countries in the world bearing the burden of crippling public debt levels. The Jubilee Caribbean debt campaign should have broad cultural appeal in key countries, credible messengers, an excellent inside political strategy, and a differentiated strategy for various national contexts. A successful Jubilee Caribbean advocacy campaign should result in the cancellation of at least US\$30 billion of debt owed by Caribbean SIDS by 2030.
- ▷ To advance transparency and accountability in Small Island Developing States (SIDS), governments must prioritize strengthening national legislation and regulatory frameworks, such as Freedom of Information (FOI) laws, to mandate public disclosure of debt-related expenditure and procurement processes. This includes establishing

independent oversight mechanisms to monitor compliance, audit spending, and ensure funds are allocated to high-impact public priorities (e.g., climate resilience, healthcare, or infrastructure). These reforms align with the Jubilee 2025 debt campaign by embedding FOI requirements into debt management, SIDS can empower civil society, media, and international partners to track how borrowed funds are used, reducing corruption risks and building public trust. Such measures would also amplify Jubilee 2025's call for equitable restructuring of sovereign debt and directing savings from relief into sustainable development, ensuring austerity does not undermine progress for SIDS' most marginalized communities.



**CANCEL
CARIBBEAN
DEBT**