GPC FRAMEWORK PAPER

Beyond the Climate Finance Gap:

Restructuring the Global Financial System, Building Autonomous Capacity, and Supporting Green Industrialization in the Global South

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Contents

Key Points

- Global decarbonization is a development problem. The structure of the global financial system constrains green development through dollar hegemony, volatile capital flows, punishing borrowing costs, and predatory trade and IP regimes.

- The dominant international climate finance policy response, the Wall Street Consensus (WSC), attempts to mobilize private capital through derisking and assetization of green infrastructure. This is a political choice; one that treats a question of public capacity and global wealth redistribution as a technical problem of producing "bankable" projects.

- Despite a decade of WSC-framed initiatives — JETPs, GFANZ, country platforms, the World Bank Billions to Trillions agenda, the $100 billion pledge — private climate finance to the Global South remains a fraction of what is needed. Further, the WSC compounds the vulnerabilities it claims to address.

- The GPC's starting premise is that policy design should have the goal of building a global architecture of public coordination. US global green economic diplomacy should aim to build a multi-scalar system of public institutions capable of directing investment toward development needs rather than investor returns, disciplining private capital, and supporting Global South states in developing their own green industrial capacity on their own terms.

Introduction

Global decarbonization is a problem of driving and coordinating global green development and economic transformation. It requires policy action and cooperation by the US and other Global North states. Global South states need to have the capacity to rapidly and systematically invest in green capital and infrastructure stocks and to divest from fossil capital and infrastructure stocks. Global financial and economic hierarchy functions to structurally subordinate the development of Global South states by externally imposing constraints on their ability to develop and acquire capital, both physical and financial, and other key inputs which in turn determines their ability to invest in green development and abandon fossil assets and industries.

International climate finance policy recognizes the need for developed countries to provide external financing to middle income and developing countries to support decarbonization and green development. Yet, the dominant policy paradigm to address this problem rhetorically and practically marshals private finance as the solution to the problem, understood as one of closing the "finance gap". Critical microfinance scholar Daniela Gabor has dubbed this policy regime "the Wall Street Consensus" (WSC).[1]

The assumptions underpinning the WSC are:

- The state and public sector lack the financial capacity and efficiency to lead this transition themselves.
- Trillions of dollars of private financial capital are available to finance and undertake the global energy transition if the right combination of incentives can be implemented.
- Following the national or multilateral implementation of accommodative and subsidization policies to derisk private investment in green infrastructure assets, private finance will flow into the projects needed to achieve sufficient decarbonization.
- Pursuing this policy regime does not pose additional risks that might thwart meeting global decarbonization goals.

This report explains why this currently dominant global climate finance policy regime has been and will continue to be structurally insufficient to meet decarbonization and broader green development needs.

This report argues against these assumptions. The private financing and direct investment at the scale imagined by this WSC and its policy initiatives will

[1] Daniela Gabor, "The Wall Street Consensus", Development and Change, March 2021, vol. 52, pp. 429-459.

not meaningfully materialize or be at all functionally adequate to deliver global decarbonization. The WSC policy regime will exacerbate issues concerning the macrofinancial capacity of countries, further eroding their capacity to undertake the energy transition, even just relating to power sector decarbonization — let alone economy-wide green transformation.

The aim of this Green Planning Commission framework paper is to provide high level principles and policy pathways for global cooperative green development planning to inform The Green Planning Commission's work to develop a policy program of green democratic planning in the US and UK. Although developing countries are increasingly pursuing green development and electrification, indeed in response to geoeconomic and energy system instability caused by US policy, the next progressive climate agenda in the US and UK must still seek to facilitate global cooperative decarbonization and green development planning. These principles must be embedded in consideration of the politics, practice, and policy programs of democratic planning at the national level.

This report is structured as follows. First, we provide an overview of the climate finance problem: why are Global South states currently limited in their ability to undertake deep decarbonization without external financing or resources?

Second, we discuss the WSC to demonstrate the functional inadequacy of private financing to meet global decarbonization. Attempts at implementing this regime through policy at the domestic and multilateral levels may deliver some amount of real investment in renewable energy capacity, its auxiliary infrastructure, and the phase-out of investments in coal capacity in some Global South countries. However, we argue that these investments and divestments will be unsystematic, insufficient, and noncomprehensive. Further, these investments and policies risk compounding macrofinancial limitations and structures that will, in a vicious feedback loop, further inhibit necessary investments and divestments.

Third, we conclude that rather than attempting to close the finance gap with private finance, the goal of US global green economic diplomacy should be to create a dynamic multiscalar organism of generative public capacities and institutions that can coordinate global decarbonization. This should be premised on the redistribution of wealth and power, not the avoidance of it. This is not simply because it offers a fairer or more ethical path of development (though it does), but because such an approach will help to create a more resilient, dynamic global economy that supports the prosperity of all, rather than the wealth and power of a very select few. The road to radical restructuring of the global economic hierarchy is politically challenging, but, we argue, necessary to meet decarbonization targets: the rest, violent illusions.[2]

[2] Adrienne Buller, The Value of a Whale, Manchester University Press, 2022.

The Structure of the Global Financial System

International climate finance looms large in contemporary climate policy.[3] Since the beginning of formal negotiations on international climate policy in the 1990s, Global South countries — so-called “developing” (broadly, lower income) and “emerging” economies (broadly, middle-income) that experience the legacies of colonization and ongoing dynamics of neocolonialism — have rightly argued that their ability to undertake the energy transition is subject to the action of Global North states — so-called “developed” (broadly, high-income) states — to financially or economically support their commitments to reduce national emissions while they simultaneously pursue economic development.

Thirty years later, international climate finance persists as a thorny problem in climate politics. Decarbonization requires a complex program of investment and divestment in capital and infrastructure stocks that must be well-coordinated to deliver the intended investment and divestment, and to prevent socially harmful breakdowns in production and consumption networks in the process.[4] Global financial and economic hierarchy functions to subordinate the development of Global South states by externally imposing constraints on their ability to develop and acquire capital — financial and capital in the sense of machinery and equipment — which, in turn, determine their ability to abandon fossil assets and industries and development pathways.

Global South economies are characterized by a lack of income, industrialization, and economic complexity compared to the Global North.[5] This lack is no accident:

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[3] Éléonore Soubeyran and Rob Macquarie, “What is climate finance?”, LSE Grantham Research Institute on Climate Change and the Environment, 22/2/2023, https://www.lse.ac.uk/granthaminstitute/explainers/what-is-climate-finance-and-where-will-it-come-from. The Grantham Institute defines international climate finance as “new and additional financial resources provided by developed countries to developing countries so that they can meet the full and incremental costs of climate change and decarbonization. Often, international climate finance is conceptually, legally, and politically differentiated across the categories of mitigation, adaptation, and loss and damage.”

[4] Melanie Brussler, “Economic Coordination and the Barriers Private Market Coordination Poses to Realizing a Progressive Agenda”, Common Wealth, 2026, https://www.common-wealth.org/publications/economic-coordination-and-the-barriers-private-market-coordination-poses-to-realizing-a-progressive-agenda

[5] This constitutive lack of income, industrialization, and economic complexity is relative within the Global South along global economic hierarchy: G20 powers such as India and Indonesia have more economic capacity and power than Least Developed Countries (a UN classification category). However, even more powerful and wealthy actors within this category meaningfully lack wealth and economic capacity compared to the apex of the global economic hierarchy, notably the US.

the structural underdevelopment of the post-colonial world is the ongoing product of an "institutionally flexible" imperial global economy.[6]

The relative lack of industrialization and the hierarchical global regime of intellectual property rights enforcement mean such countries face an inability to produce the goods necessary for greening and growing their infrastructure systems and broader production and consumption apparatus. Likewise, revenue, shaped by the value, volume, and external demand for their current exports — largely a matter of their current endowment of natural resources, infrastructure, and capital stocks — and currency valuation limit such a project. Because their exports are typically low-value-added products such as primary goods, and the revenues from which are usually subject to the instabilities of global commodity cycles and internationally determined prices, many Global South countries suffer from structural trade deficits and a weak exchange rate, which makes the import of necessities such as food, fuel, and medicine as well as capital goods like industrial machinery and infrastructure more expensive, and thus takes a greater share of their relatively lower income.

Beyond the decarbonization imperative, countries pursue development strategies where they attempt to maintain current levels of consumption and production as well as promote the expansion of critical infrastructure systems, industrialization, and deepening of economic complexity by using their existing revenues or domestic economic capacity, attracting foreign direct investment (as opposed to financial portfolio flows) and seeking public and private external financing. Such pursuit of development is always prospective and fragile, subject to capricious markets and competition with other states for value-added manufacturing share. And countries have no guarantee that their development strategies will be a success.

These development strategies are reliant on financing and funding imports and investment in relation to the constraints of their current macrofinancial capacity. For example, a country will fund key imported inputs such as fossil gas to power manufacturing through existing revenue constituted by their existing productive base and externally determined export demand and currency value. Further, these strategies are reliant on financing imports and investment in a context of structural financial constraints: higher borrowing costs; lower debt repayment capacity given lower development; a hierarchy of monetary sovereignty and currency power; and

[6] Gabor, "The Wall Street Consensus", https://documents.worldbank.org/en/publication/documents-reports/documentdetail/602761467999349576/from-billions-to-trillions-mdb-contributions-to-financing-for-development; Baysa Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, 2024, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024

global liquidity cycles and portfolio flow volatility. The rest of this section details these constraints and the structure of the global financial system.

The global financial system is structured in outright antagonism to supporting the development of Global South countries, let alone to supporting a rapid green economic transformation. The global financial system "refers to the institutions, agreements, and markets that help to facilitate the flow of capital across the globe".[7] The global financial system is hostile to development as it inhibits productive investment and macroeconomic stability by increasing costs, structural dependencies, and vulnerabilities. Global South countries are forced to interact with the global financial system, to engage in trade outside of their currency, seek private financing of investment and consumption, and, through the Bretton Woods Institutions, the International Monetary Fund (IMF) and the World Bank, to receive development financing and balance of payments liquidity support.

The core features, structures, and institutions of the global financial order — the hierarchical structure of the global financial system, the dollar cycle and cost of financing, the weakness of this order's macro-financial institutions, and corporate power — thwart stability and development for developing countries.

Currency hierarchy, dollar hegemony

The global financial system's hierarchical structure is shaped by the dominance of a single currency — the dollar. "Dollar hegemony" names the fact that most trade and financial transactions are invoiced in dollars, compelling countries to accumulate both dollar-denominated debt and dollar reserves, which central banks use to finance trade and stabilize the value of their currencies. Dollar hegemony is predicated on and reinforced by the ever-evolving, contradictory, and expansionary logics of market-based finance: the increasing interconnection between capital and banking markets across geographies, the deepening complexity of credit systems, and the rising role of shadow banking (non-bank private credit creation) to satisfy the liquidity and yield requirements of private financial institutions.[8]

[7] Elena Almeida et al., "Global financial system", LSE Grantham Research Institute on Climate Change and the Environment, https://www.lse.ac.uk/granthaminstitute/topics/financing-a-better-future/global-financial-system

[8] Ilias Alami et al., "International financial subordination: a critical research agenda", Review of International Political Economy, July 2022, vol. 30, pp. 1360-1386; Cornel Ban and Daniel Gabor, "The political economy of shadow banking", Review of International Political Economy, November 2016, vol. 23, pp. 901-914.

Since the 1980s, the structural power of private finance — both as private actors and institutions and as a systemic force — has deepened significantly.[9] Regulation is easily avoided or even captured by the giants of modern finance, financial institutions engage in highly risky activities while remaining disengaged from productive investment, vast volumes of private capital scour the world for returns, and in a world that needs patient long-term investment, the trillions of supposedly available private capital are typically flighty and volatile, frequently leaving countries devastated and dependent on their capital flows.

Dollar cycle

As a result of the massive growth of global financial markets since the 1990s and the dominance of the US dollar in those markets, the critical variable shaping global macro-economic conditions is the dollar cycle: the cyclical fluctuations in the value of the dollar over time. The dollar cycle acts both as a fundamental constraint on the monetary sovereignty of states — the agency of a state to use available tools of monetary governance, managing money allocation and creation, to achieve its economic goals autonomously.[10] The dollar cycle, working through US monetary policy, is tightly bound to the global financial cycle, driving global liquidity conditions and access to credit; increasing dollar supply reduces borrowing costs and increases access to credit that can fuel growth, whereas a contraction of dollar supply leads to rising borrowing costs and limits financial resources, slowing growth.[11] Such dynamics are felt particularly strongly in emerging and developing economies.[12] As seen in the wake of the Covid-19 pandemic, the costs of the dollar cycle were felt disproportionately in the Global South, impacting the flows of capital and changing

[9] Susan Strange, States and Markets, Bloomsbury, 2015. This has occurred through successive waves of neoliberal market-oriented structural reform, enforced and articulated through volatile and contradictory processes of financial globalization, and structured by the emergent logics and macro-financial architectures of US-oriented market-based finance.

[10] Steffen Murau and Jens van't Klooster, "Rethinking Monetary Sovereignty: The Global Credit Money System and the State", Perspectives on Politics, December 2023, vol. 21, pp. 1319-1336.

[11] Silvia Miranda-Agrippino and Hélene Rey, "US monetary policy and the global financial cycle", The Review of Economic Studies, November 2020, vol. 87, pp. 2754-2776; Maurizio Michael Habib and Fabrizio Venditti, "The global capital flows cycle: structural drivers and transmission channels", ECB Working Paper Series, May 2019, vol. 2280, pp. 1-54; Ho-fung Hung and Mingtang Liu, "The Dollar Cycle of International Development, 1973–2017", Studies in Comparative International Development, October 2021, vol. 57, pp. 1-35.

[12] Obstfeld and Zhou, "The Global Dollar Cycle", NBER Working Paper Series.

the values of dollar-denominated debts, leading to rising risks of default and debt distress.[13]

Global South economies face significant financial instability, exchange rate volatility, and limited access to the technology and finance required for development, causing substantial macroeconomic constraints.[14] Rapid flow of money between economies, significant in scale relative to the size of Global South economies, tends to be volatile and destabilizing for domestic exchange rates and financial markets.[15] In response to changing conditions of the global financial cycle, Global South assets are quick to suffer highly pro-cyclical patterns of boom and bust in capital flows. These flows can destabilize investment and exchange rates, creating balance sheet problems for actors with foreign-denominated debts. During periods of macro-stress (lower risk appetite), they are the first to suffer private investor's flight to safety, leading to rapid exchange depreciations, while in times of boom (higher risk appetite), they experience a glut of portfolio investment (as opposed to fixed capital investment) that rapidly appreciates their exchange rate.[16]

In response to such instabilities, Global South economies have limited options. In the case of a domestic downturn or a change in monetary conditions in the US, investors seeking a safer haven in more stable markets will sell assets denominated in a Global South local currency, which can lead to dollar shortages that erode a country's capacity to repay external debts and import goods and capital equipment. In the face of a rapid outflow of investment, depreciating domestic currencies, and raising the value of dollar-denominated debts (as happened in 2022, where US interest rates rose after the pandemic), such economies are pushed to raise interest rates to try to keep investment at home, which exacerbates the pro-cyclicality of these effects and the risks of a domestic recession.[17] Accumulated international currency reserves can be used during times of volatility to stabilize exchange

[13] Declan Walsh, Keither Bradsher, and Patricia Cohen, "Behind the Deadly Unrest in Kenya, a Staggering and Painful National Debt", New York Times, 26/6/2024, https://www.nytimes.com/2024/06/26/business/kenya-tax-protests-debt.html

[14] Alami et al., "International financial subordination: a critical research agenda", Review of International Political Economy.

[15] Laurissa Mühlich and Barbara Fritz, "Dealing with global financial asymmetry: Contributions of regional monetary cooperation between emerging markets and developing countries" in Bruno Bonizzi, Annina Kaltenbrunner, and Raquel A. Ramos (eds.), Emerging Economies and the Global Financial System: Post-Keynesian Analysis, Routledge, 2021, pp. 245-257.

[16] Engelbert Stockhammer, "Financial cycles, currency hierarchy and the state", Post Keynesian Economics Society, May 2023, pp. 1-14; Luiz Fernando de Paula, Barbara Fritz, and Daniela M. Prates, "Keynes at the periphery: Currency hierarchy and challenges for economic policy in emerging economies", Journal of Post Keynesian Economics, May 2017, vol. 40, pp. 183-202.

[17] Engelbert Stockhammer, "Financial cycles, currency hierarchy and the state", Post Keynesian Economics Society.

rates, but this often leads to problematic dynamics: demanding an export-revenue generating orientation of the economy that can lead to socio-environmental harm and conflict. Due to long-term (neo)colonial exploitation, many states have been unable to build export industries that can generate the required reserves, and can involve a opportunity costs, prioritizing export oriented industries to global consumer markets rather than urgent domestic infrastructure priorities. There is a related issue of multiple countries building similar export industries, which end up competing for the same set of Global North demand. Supporting global south development would require Global North trade and investment policies that support an increase in demand as well as cooperative industrial planning to spread benefits across developing countries.

A global financial system based on the dollar creates a hierarchy of monetary sovereignty. Those states controlling or close to the dollar enjoy high levels of agency over economic policymaking, while the majority of countries lose their ability to manage money, because they are forced into using currencies that they have no control over. The position of an economy in this hierarchical system is a function of its relative economic and political power, which reflects generations of colonial rule and neocolonial plunder that paved the way for the rapid industrialization of a select few countries at the expense of the rest.[18]

Economies at or near the apex of the global financial system can issue debts in their own currency because these currencies, and assets denominated in them, are highly sought after as part of investment portfolios and to make up international reserves, reflecting investor liquidity preferences. For these economies, the emergence of a global economy in the model of market-based finance created opportunities, offering new mechanisms through internationalized debt markets by which to manage their debts, expanding access to lower cost credit even as they created new, variegated, and destabilizing issues for the global economy — notably, in the emergence of shadow money and banking, the increasing entanglement of states and financial markets, and a rising incidence of financial sector driven crises and crashes around the world.[19]

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[18] Alami et al., “International financial subordination: a critical research agenda”, Review of International Political Economy.

[19] Cameron Ballard-Rosa, Layna Mosley, and Rachel L. Wellhausen, “Contingent Advantage? Sovereign Borrowing, Democratic Institutions and Global Capital Cycles”, British Journal of Political Science, December 2019, vol. 51, pp. 353-373; Nuno Martins, “Globalisation, Inequality and the Economic Crisis”, New Political Economy, 2011, vol. 16, pp. 1-18; Benjamin Braun and Daniela Gabor, “Central Banking, Shadow Banking, and Infrastructural Power” in Philip Mader, Daniel Mertens, and Natascha van der Zwan (eds.), The Routledge International Handbook of Financialization, Routledge, 2020, pp. 105-117; Daniela Gabor, “The (impossible) repo trinity: the political economy of repo markets”, Review of International Political Economy, 2016, vol. 23, pp. 967-1000.

The capacity of a state to autonomously manage economic development, credit allocation, and productive investment depends on the position of that state (and its currency) in the global financial system. Many Global South states are unable to issue debts in their own currencies, decreasing the level of debt they can sustain without market reaction and limiting their fiscal capacity. For such states, even small changes in their balance of payments position can cause them to be cut off from external private lending, as happened to many after the global pandemic.[20] When Global South countries issue debt, they typically do so in foreign-denominated currencies, such as the dollar. This exposes them to external economic instabilities, including changes in the real exchange rate value of the dollar in response to shifting investor risk aversion or US monetary policy.[21] Even those emerging economies that are now able to issue debt in their own currency, like Brazil, Russia, India, China, and South Africa, have found that doing so has created new channels of instability. In a context of financial globalization, investors rapidly shift in and out of these local assets depending on global conditions, and are less willing to hold local currency assets during periods of macroeconomic stress.[22] The hierarchical structuring of the global financial system curtails the ability of most countries to manage credit allocation and creation is stripped away, because they are forced to use currencies over which they have no control. This is a fundamental constraint on their ability to achieve a range of policy goals autonomously, whether in economic development, meeting the UN's Sustainable Development Goals (SDGs), or energy sector decarbonization.

Raising dollars, cost of borrowing and public finance

The inequities of the global financial system have significant implications for the finance that flows to Global South economies. The finance that flows in their direction typically does so through the international network of multilateral development banks (MDBs), national development banks (NDBs), development agencies, bilateral lending, and increasingly — and as is promoted by various institutions like the UN and World Bank — through the private sector. Yet, all too often, the capital that does flow to the Global South is insufficient, expensive, and unstable.

[20] Mert Onen, Hyun Song Shin, and Goetz von Peter, "Overcoming original sin: insights from a new dataset", BIS Working Papers, 2023, https://www.bis.org/publ/work1075.pdf; Lucio Baccaro, Mark Blyth, and Jonas Pontusson (eds.), Diminishing Returns: The New Politics of Growth and Stagnation, New York, 2022.

[21] Alami et al., "International financial subordination: a critical research agenda", Review of International Political Economy.

[22] Onen, Song Shin, and von Peter, "Overcoming original sin: insights from a new dataset", BIS Working Papers, February 2023, https://www.bis.org/publ/work1075.pdf

Markets typically view Global South economies as "risky" investments. Private investments in Global South economies are highly pro-cyclical, depending on US monetary policy and global levels of risk aversion, and reflect investor perceptions that masquerade as "objective" assessments of risk. Access to finance in Global South economies is limited as a result of risk perceptions among investors and financial market actors that are deeply racialized.[23] Consequently, borrowing costs for developing economies can be three times higher than those for developed economies, meaning that the least developed countries can end up spending 14 percent of their domestic revenues on paying interest payments on debts, compared to only 3.5 percent in developed countries, despite the latter being able to take on much larger debts.[24] And it means that, as US interest rates increased in 2022 in response to post-pandemic inflationary pressures, some sixty percent of the world's poorest countries were at high risk of or in debt distress, and around a quarter of middle-income countries faced a high risk of fiscal crisis.[25]

In absence of effective institutions

Multilateral institutions like the World Bank and IMF play a crucial role in organizing flows of finance to the Global South. For many years, their financial assistance — especially since the 1970s, following the repeated contagion of financial and economic crises from the Global North to the South — was conditional on the implementation of structural adjustment programs that involved slashing labor and environmental protections, privatizing public services and state industries, unwinding industrial policy frameworks, and opening domestic markets to foreign private capital.[26]

Although institutions like the IMF now recognize that fiscal austerity can be harmful, they continue to oversee a reinvigoration of fiscal consolidations in the

[23] Ilias Alami and Vincent Guermond, "The color of money at the financial frontier", Review of International Political Economy, 2023, vol. 30, pp. 1073-1097; Alami et al., "International financial subordination: a critical research agenda", Review of International Political Economy; Bruno Bonizzi, Annina Kaltenbrunner, and Jeff Powell, "Subordinate Financialization in Emerging Capitalist Economies" in Philip Mader, Daniel Mertens, and Natascha van der Zwan (eds.), The Routledge International Handbook of Financialization, Routledge, 2020, pp. 177-187.

[24] Shari Spiegel and Oliver Schwank, "Bridging the 'great finance divide' in developing countries", Brookings, 8/6/2022, https://www.brookings.edu/articles/bridging-the-great-finance-divide-in-developing-countries/; Barbara Buchner et al., "Global Landscape of Climate Finance 2023", Climate Policy Initative, 2023, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/

[25] Ibid.

[26] Immanuel Wallerstein, "After Developmentalism and Globalization, What?", Social Forces, March 2005, vol. 83, pp. 1263-1278.

Global South.[27] Through the promotion of market-oriented reforms that increase financialization and foreign capital's penetration into Global South economies, the democratic governance and autonomy of these states have been undermined, harming efforts around sustainable economic and productivity growth.[28] Instead of offering global platforms open to all stakeholders, the World Bank and IMF primarily represent the interests of the Global North at the expense of Global South which is most dependent on the North for finance.[29] The situation is worsened, too, by cuts to USAid during Trump's presidency. USAid financing, once providing nearly four percent of global development aid. Now, it is set to become an increasingly aggressive tool for American financial power and extractivism abroad.[30]

Unequal dollar liquidity provision

Even during periods of significant macroeconomic stress, access to dollars for Global South economies is restricted.

During the Great Financial Crisis of 2008 the US Federal Reserve established dollar liquidity swap lines with some central banks to alleviate dollar shortages overseas, facilitating the exchange of dollars for foreign currencies for a short period of time, so that these foreign central banks could either hold the dollars (increasing foreign exchange) or lend to domestic banks to provide temporary liquidity.[31]

The uneven provision of these credit lines reveals the porous nature of the global financial safety net. High-income economies are more likely to have access to swaps during a crisis. Low- and middle-income countries are usually excluded,

[27] Kate Mackenzie and Tim Sahay, "The Gigant Austerity Drive Underway", The Polycrisis: Phenomenal World, 20/4/2023, https://www.phenomenalworld.org/analysis/the-gigantic-austerity-drive-underway/

[28] Francisco Catamutto, "How IMF and World Bank support for financialisation undermines human rights", Bretton Woods Project, 6/4/2022, https://www.brettonwoodsproject.org/2022/04/how-imf-and-world-bank-support-for-financialisation-undermines-human-rights/

[29] Emily Ghosh, Zoha Shawoo, and Anisha Nazareth, "Decolonial climate finance in practice: assessing proposed reforms", Stockholm Environmental Institute, 2025, https://www.sei.org/wp-content/uploads/2025/01/decolonial-climate-finance-assessing-proposed-reforms-sei2025-003.pdf; World Bank, "Investor Brief", World Bank, https://thedocs.worldbank.org/en/doc/284471507050951684-0340022017/original/investorbriefworldbank2017.pdf

[30] Drew Desilver, "What the data says about U.S. foreign aid", Pew Research, 6/2/2025, https://www.pewresearch.org/short-reads/2025/02/06/what-the-data-says-about-us-foreign-aid/; Daniela Gabor, "How to DOGE USAID", Phenomenal World, 22/2/2025, https://www.phenomenalworld.org/analysis/how-to-doge-usaid/

[31] J. Scott Davis and Pon Sagnanert, "Swap lines curbed global dollar shortages, appreciation during COVID-19 crisis", Federal Reserve Bank of Dallas, 21/5/2024, https://www.dallasfed.org/research/economics/2024/0521; Christophe Destais, "Central Bank Currency Swaps and the International Monetary System", Emerging Markets Finacne and Trade, October 2016, vol. 52, pp. 2253-2266.

reflecting the geopolitical lines of emergency credit provision that leave many Global South countries marginalized, thereby deepening systemic risks due to the reliance on a small number of central banks for dollar liquidity.[32]

A key node of influence in shaping Global South access to finance is the US-dominated and privately organized system of credit rating agencies. Sovereign credit ratings, determined by credit ratings agencies — usually, the US-based "big three", Fitch, Moody's, and Standard & Poor's — are crucial for determining the ability of a country to access international finance, directing global capital flows, and making risk assessments that support investor decision-making, impacting all investment decisions in a country.[33] In their role of monitoring bond issuers, governments, and private firms, credit rating agencies are assumed to be neutral and scientific, but this is only a veneer of technocratic impartiality. Ratings agencies influence vast sums of money, operating as private entities in an oligopolistic market, and hold significant structural power that helps maintain broader logics of market-based finance.[34] In making judgements of creditworthiness, credit rating agencies have frequently proven to be inaccurate, exhibiting notable biases towards wealthy countries, especially the US and those closely associated with it, and against Global South economies.[35] In already challenging contexts for many Global South economies, credit ratings make the task of accessing finance in general, let alone for energy decarbonization, even more difficult, because these countries face high borrowing costs and there is insufficient private appetite to finance their debts.[36]

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[32] Marina Zucker-Marques et al., "How Central Bank Swaps Reinforce Inequalities in the Global Financial Safety Net", Global Development Policy Centre, 9/7/2024, https://www.bu.edu/gdp/2024/07/09/how-central-bank-swaps-reinforce-inequalities-in-the-global-financial-safety-net/

[33] A. Talha Yalta and A. Yasemin Yalta, "Are credit rating agencies regionally biased?", Economic Systems, December 2018, vol. 42, pp. 682-694; Fatih Bahadir Haspolat, "Analysis of Moody's Sovereign Credit Ratings: Criticisms Towards Rating Agencies Are Still Valid?", Procedia Economics and Finance, 2015, vol. 30, pp. 283-293; Daniel Francois Meyer and Lerato Mothibi, "The Effect of Risk Rating Agencies Decisions on Economic Growth and Investment in a Developing Country: The Case of South Africa", Risk and Financial Management, 2021, vol. 14, pp. 1-17; Mohammed Hemraj, Credit Rating Agencies, Springer, 2015.

[34] Mingyi Hung et al., "Market power and credit rating standards: Global evidence", Journal of Accounting and Economics, April-May 2022, vol. 73, pp. 1-27; Timothy J. Sinclair, The New Masters of Capital, Cornell University Press, 2014; Eric Helleiner and Hongying Wang, "Limits to the BRICS' challenge: credit rating reform and institutional innovation in global finance", Review of International Political Economy, June 2018, vol. 25, pp. 573-595.

[35] Yalta and Yalta, "Are credit rating agencies regionally biased?", Economic Systems; Derya Gültekin-Karakaş, Mehtap Hisarcıklılar, and Hüseyin Öztürk, "Sovereign Risk Ratings: Biased Toward Developed Countries?", Emerging Markets Finance and Trade, December 2014, vol. 47, pp. 69-87; Haspolat, "Analysis of Moody's Sovereign Credit Ratings: Criticisms Towards Rating Agencies Are Still Valid?", Procedia Economics and Finance.

[36] Sinclair, The New Masters of Capital.

The instability, high costs, and biases in the global financial cycle are made even more challenging for Global South economies because there is no global regime of capital controls.[37] From the end of the Second World War till the late 1970s, capital controls under the Bretton Woods system, which placed limits on the flow of capital in and out of an economy and distinguished between speculative and productive capital, were a fundamental part of a well-functioning global financial system.[38] In a period dubbed the "golden age of capitalism" for its relative stability, reduced inequality, and high growth, capital controls improved the independence of monetary policy, reduced exchange rate pressures, and buffered against the risks posed by financial integration, such as capital flight, fragility, contagion, and currency risk.[39] Although many of these benefits still accrued to Global North states and neocolonial exploitation and unequal exchange continued during this period, the net drain of resources was less severe than the years that would follow. In this period, some newly independent post-colonial states were able to achieve a degree of economic success through the vehicle of their developmental states.[40]

After the Bretton Woods system was unilaterally unwound in 1971 by the US, the stagflation of the 1970s and the subsequent neoliberal revolution of the late 1970s led to the widespread rejection of capital controls as a policy intervention. Despite the promises of "greater efficiency" and "improved resource allocation", since the 1980s, rapid and massive flows of investment across borders have repeatedly destabilized economies around the world, particularly in the Global South, including in the 1980s debt crisis, the East Asian financial crisis in the late 1990s, and the 2008 crash.

Debts upon debts

In the wake of the pandemic, due to inflationary pressures, increasing interest rates, rising costs of borrowing, and global risk aversion, a growing number of Global South countries experienced debt distress and sought debt restructuring from their

[37] Habib and Venditti, "The global capital flows cycle: structural drivers and transmission channels", ECB Working Paper Series.

[38] Kevin P. Gallagher, "Regaining Control? Capital Controls and the Global Financial Crisis" in Wyn Grant and Graham K. Wilson (eds.), The Consequences of the Global Financial Crisis: The Rhetoric of Reform and Regulation, Oxford Academic, 2012, pp. 109-139.

[39] Nicolas Magud and Carmen M. Reinhart, "Capital Controls: An Evaluation," NBER Working Paper Series, 2006, https://ideas.repec.org/p/nbr/nberwo/11973.html; Ilene Grabel, "Averting Crisis? Assessing Measures to Manage Financial Integration in Emerging Economies," Cambridge Journal of Economics, May 2003, vol. 27, pp. 317–36.

[40] Jason Hickel, Dylan Sullivan, and Huzaifa Zoomkawala, "Plunder in the Post-Colonial Era: Quantifying Drain from the Global South Through Unequal Exchange, 1960–2018", New Political Economy, March 2021, vol. 26, pp. 1030-1047.

external creditors.[41] This was in a context where there is no effective international architecture or mechanism for debt relief. Instead, they rely on the existing patchwork of conventions, contracts, and institutions that often rearticulate the logics of market-based finance that created their issues of debt distress in the first place.[42] Global debt relief initiatives have historically been led by the US, for instance, through the Brady Bond plan in the 1980s or the Heavily Indebted Poor Countries (HIPC) in the 1990s. The HIPC program, launched in the 1990s by the World Bank and the IMF, achieved some success in reducing debt levels in eligible countries by the mid-2000s, with the Paris Club — an informal group of creditor nations working on issues of debt sustainability — collaborating to restructure debts and provide relief.[43]

In recent year, the landscape has changed significantly, with the entry of new creditors — including China (through the BRI), private bondholders, and commercial lenders — who operate under different principles and with different incentives than the bilateral lenders of the past.[44] In 2020, the Common Framework for Debt Treatments was launched by the G20 and the IMF in collaboration with the Paris Club, to streamline debt restructuring processes for debt-distressed developing economies. This framework coordinates debt relief among different lenders, sets standards, and ensures equitable relief requirements and loss sharing.[45] However, uptake has been minimal, with only Chad, Ethiopia, Ghana, and Zambia applying, and each facing slow progress.[46] The Framework has been hindered by various challenges, including a lack of clear rules for ensuring uniform treatment by creditors, the exclusion of some better-off indebted countries, its inefficiency, uncertainty, and delays due to lack of clarity in the process, and because indebted countries

[41] Vitor Gaspar, Marcos Poplawski-Ribeiro, and Jiae Yoo, "Global Debt Is Returning to its Rising Trend", International Monetary Fund, 13/9/2023, https://www.imf.org/en/Blogs/Articles/2023/09/13/global-debt-is-returning-to-its-rising-trend

[42] Rakan Aboneaaj, Jocilyn Estes, and Clemence Landers, "The ABCs of Sovereign Debt Relief", Center for Global Development, 11/10/2022, https://www.cgdev.org/publication/abcs-sovereign-debt-relief

[43] Rafael Romeu, "The Emerging Global Debt Crisis and the Role of International Aid", Center for Strategy & International Studies, 18/4/2024, https://www.csis.org/analysis/emerging-global-debt-crisis-and-role-international-aid

[44] Ibid.

[45] Kristalina Georgieva and Ceyla Pazarbasioglu, "The G20 Common Framework for Debt Treatments Must Be Stepped Up", International Monetary Fund, 2/12/2021, https://www.imf.org/en/Blogs/Articles/2021/12/02/blog120221the-g20-common-framework-for-debt-treatments-must-be-stepped-up; Romeu, "The Emerging Global Debt Crisis and the Role of International Aid", Center for Strategy & International Studies, https://www.csis.org/analysis/emerging-global-debt-crisis-and-role-international-aid; Harry Deng, "Revisiting the sovereign debt architecture", United Nations University: Centre for Policy Research, 2024, https://collections.unu.edu/eserv/UNU:9961/sovereign_debt_architecture.pdf

[46] Aboneaaj, Estes, and Landers, "The ABCs of Sovereign Debt Relief", Center for Global Development, https://www.cgdev.org/publication/abcs-sovereign-debt-relief

are usually reluctant to participate in debt relief programs because they fear losing market access in the future.[47]

Crucially, efforts are held back because a growing share of debt is held by private lenders and non-Paris Club creditors like China, complicating restructuring. These new creditors operate independently, with China typically favoring closed-door negotiations and private lenders relying on legal claims to recover funds, leading to a lack of coordination that discourages creditors from making concessions, further stalling processes.[48] While creditors debate how to recover their funds, indebted nations struggle with mounting repayment obligations, dwindling reserves, and limited market access.[49] Most fundamentally, even if in the short term, creditor coordination issues were resolved enough to provide debt relief to those in need, the vagaries of the global financial system would predispose debt-distressed economies to end up in a similar position again.

Corporate power, global trade regimes

Weak protections for Global South economies occur in a context of predatory corporate power that is maintained and enhanced through existing intellectual property (IP) and trade regimes. Since the 1970s, the global economy has experienced a rapid increase in financial and corporate power, deepening particularly since the 1990s.[50] Now, giant multinational corporations and financial institutions wield immense power over sovereign states, with production spread across complex and offshore global value chains, while decades of lobbying and economic coercion have led to an ever-deeper intermingling between state and corporate interests.

[47] Rakan Aboneaaj, Jocilyn Estes, and Clemence Landers, “The ABCs of Sovereign Debt Relief”, Center for Global Development, 2022,, https://www.csis.org/analysis/emerging-global-debt-crisis-and-role-international-aid; Georgieva and Pazarbasioglu, “The G20 Common Framework for Debt Treatments Must Be Stepped Up”, International Monetary Fund, https://www.imf.org/en/Blogs/Articles/2021/12/02/blog120221the-g20-common-framework-for-debt-treatments-must-be-stepped-up; Daniela Gabor and Crystal Simeoni, “Time to tap SDRs to boost African bond liquidity?”, Financial Times, 12/3/2021, https://www.ft.com/content/d1751724-e66b-4b00-96f1-6b13e7257e78

[48] Vasuki Shastry and Jeremy Mark, “China and private lenders are blocking a solution to the global debt crisis. The G20 must step in”, Antlantic Council, 22/3/2023, https://www.atlanticcouncil.org/blogs/new-atlanticist/china-and-private-lenders-are-blocking-a-solution-to-the-global-debt-crisis-the-g20-must-step-in/; Aboneaaj, Estes, and Landers, “The ABCs of Sovereign Debt Relief”, Center for Global Development, https://www.cgdev.org/publication/abcs-sovereign-debt-relief

[49] Ibid.

[50] Robert O. Keohane and Joseph S. Nye, “Globalization: What's New? What's Not? (And So What?)” in Leslie Budd, Julie Charlesworth and Rob Paton (eds.), Making Policy Happen, Routledge, 2006, pp. 105-113.

The global trade regime, enshrined in the articles of World Trade Organization (WTO) and successive trade agreements, has long promoted a world of "free trade" globalization that was said to have created an "even playing field". Those countries with good institutions and markets become rich, and those without, stay poor.[51] This vision of free trade has always offered more freedom to some than others.[52] While developed economies maintain high subsidies on exports in agriculture or steel, leading to dispossession, unemployment, and downward pressure on wages in the Global South, developing economies are pressured into dropping protections on nascent industries, their markets forcibly opened to powerful corporate interests, and they are prevented from effectively deploying development like strategies import substitution, which would improve export prices and drive Global North prices down.[53] Across the institutions of the global economy, developed countries exercise the most power — in the World Bank and IMF, where they hold the most votes and the US has a veto, and in the WTO, where bargaining power is based on market size — allowing them to set trade rules that reflect their own interests.[54]

The ability of Global South economies to develop industrial capacity to move beyond their subordinate place in the global economy is constrained by a combination of structural adjustment programs, bilateral trade agreements, and the WTO. As a result of these dynamics, between 1960 and 2018 — intensifying significantly from the 1980s — Global North economies have appropriated $62 trillion from the Global South, rising to $152 trillion when factoring in lost growth, constituting nearly nine percent of Southern GDP.[55] As we move into a multipolar world characterised by rising geopolitical competition, escalating trade wars, and the dwindling capabilities of international macro-institutions, there may be windows of opportunity for some emerging economies (e.g. South-South trade agreements, playing off powers against each other). However, there are also significant risks, especially for developing economies with limited access to resources, technology, or capital and who will likely be the least able to weather the worst of the macro-instabilities to come.

[51] Jason Hickel et al., "Imperialist appropriation in the world economy: Drain from the global South through unequal exchange, 1990–2015", Global Environmental Change.

[52] Meneleo D. Lintonjua, "International Free Trade, The WTO, and the Third World/Global South", Journal of Third World Studies, 2021, vol. 27, pp. 45-70.

[53] Hickel et al., "Imperialist appropriation in the world economy: Drain from the global South through unequal exchange, 1990–2015", Global Environmental Change; Thomas Bernhardt, "North-South Imbalances in the International Trade Regime: Why the WTO Does Not Benefit Developing Countries as Much as it Could", Consilience, July 2014, vol. 12, pp. 123-141.

[54] Ha-Joon Chang, Bad Samaritans: The Guilty Secrets of Rich Nations and The Threat To Global Prosperity, Random House Business Books, 2008; Hickel et al., "Imperialist appropriation in the world economy: Drain from the global South through unequal exchange, 1990–2015", Global Environmental Change.

[55] Hickel, Sullivan, and Zoomkawala, "Plunder in the Post-Colonial Era: Quantifying Drain from the Global South Through Unequal Exchange, 1960–2018", New Political Economy.

The global regime of IP rights, articulated in the WTO's 1994 Agreement on Trade-related Aspects of Intellectual Property (TRIPS), has commodified and marketized knowledge, essential medicine, and medical technologies, restricting the distribution of more affordable generic products, demanding rising debts in return for access, and widening global inequalities, all as a means of protecting the monopolies granted to transnational pharmaceutical companies.[56] Under these agreements, Global North practices on property rights are imposed on the rest of the world through economic coercion.[57]

The monopoly power of multinational corporations enables them to suppress supplier prices in the Global South while setting final goods prices artificially high, enabled by an IP regime that means that 97 percent of all patents are held by firms in developed economies.[58] IP regimes designed by states in the Global North for the benefit of Northern multinational corporations limit the sovereignty of developing economies and restrict their ability to meet their development goals.[59] The patents structured by this regime can even force states in the Global South to pay to use or access resources they could have used at otherwise affordable prices or even for free.[60] During health crises like the Covid-19 pandemic, Global South countries faced significant difficulties in accessing vaccines, creating shortages so severe as to be called a "vaccine apartheid".[61] In digital technology, American multinational corporations exercising neocolonial control over digital ecosystems in the Global South are used as a means of resource extraction through rent and surveillance.[62] In agribusiness, major agrifood multinational corporations have long controlled land in the Global South, stripping local farmers of their ability to make decisions about

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[56] Sharifah Sekalala et al., "Decolonising human rights: how intellectual property laws result in unequal access to the COVID-19 vaccine", BMJ Global Health, July 2021, vol. 6, pp. 1-9; Alan Rossi Silva et al., "Intellectual Property and Global Inequality in the Covid-19 Pandemic", International Journal on Human Rights, 2021, vol. 31, pp. 107-117.

[57] Susan K. Sell, "Introduction" in Susan K. Sell, Private Power, Public Law, Cambridge University Press, 2003, pp. 1-29; Mary Aertker, "International Copyright's Exclusion of the Global South", Michigan Journal of International Law, February 2022, https://www.mjilonline.org/international-copyrights-exclusion-of-the-global-south/

[58] Ha-Joon Chang, Bad Samaritans: The Guilty Secrets of Rich Nations and The Threat To Global Prosperity.

[59] Zosia Kmietowicz, "Patent laws are keeping poor countries in poverty", BMJ, September 2002; Bernhardt, "North-South Imbalances in the International Trade Regime: Why the WTO Does Not Benefit Developing Countries as Much as it Could", Consilience.

[60] Vandana Shiva, Biopiracy: The Plunder of Nature and Knowledge, North Atlantic Books, 2016; Vandana Shiva, Protect Or Plunder?: Understanding Intellectual Property Rights, Zed Books, 2001.

[61] Sekalala et al., "Decolonising human rights: how intellectual property laws result in unequal access to the COVID-19 vaccine", BMJ Global Health.

[62] Michael Kwet, "Digital colonialism: US empire and the new imperialism in the Global South", Race & Class, January 2019, vol. 60, pp. 3-26.

their own production, forcing them to use new technologies and genetically modified seeds patented by those companies instead of traditional or local plants.[63]

Developmental hostilities

The institutions, structures, and processes of the global economy are hostile to the autonomous economic development of the Global South. Because of their inability to perform the crucial tasks of macro-economic coordination, these features create manifold instabilities and contradictions in the system, ramping up global inequalities, precarity, and risks of exploitation for most of the world's population for the benefit of a small number of transnational capitalist elites, concentrated in the Global North.

As a result, economic development, and with it, broader hopes of achieving widespread and sustainable prosperity, become a fragile and uncertain prospect. It is a system that is highly hostile to complex processes like energy decarbonization, which requires high degrees of economic and political coordination across rapidly reducing time horizons.

In the last few years, this situation has worsened acutely because of the political economy of the pandemic response, wherein Global South countries have faced acute economic crises due to the unequal burdens of the pandemic and its recovery, subsequent supply chain emergencies, agricultural shortages, the emergence of global inflation and energy shocks, and the turning of the dollar cycle following Federal Reserve interest rate increases. This is part of a broader trend over recent decades of long-term economic stagnation and the maladaptive, extractive, and contradictory dynamics of neoliberal governance.

The Global South faces a context of increased geoeconomic rivalry among major powers and rising protectionism, which will harm them disproportionately. While the chaos from these intertwined crises unfolds, climate destabilization is set to worsen, and Global South countries are doubly vulnerable: to climate crisis and by the effect that climate crisis has on economic capacity. Global South countries possess economic capacity and agency, but are constrained by economic limitations that can be politically mitigated only through the global redistribution of wealth and power, which requires action from the Global North, particularly the US.

Climate finance is held up as a potential savior for Global South economies and green transition efforts alike, but it is unlikely to live up to this vision.

[63] War on Want, "Report: Profiting from hunger", War on Want, https://waronwant.org/resources/profiting-hunger

Climate Finance, Power, and Profit

Thirty years of climate negotiations, multilateral and bilateral diplomacy, and economic statecraft have yielded a small and ineffective patchwork of climate policy-specific public capital transfer mechanisms.[64] Faced with a refusal by Global North states to engage in public financing, wealth transfers, and cooperative industrialization policy, the UNFCCC, multilateral economic and financial institutions, and attendant climate and development policy discourse have sought to marshal private finance to fill a climate "finance gap". As energy and finance policy analyst Advait Arun describes:

> A single term stalks climate policymaking: "the finance gap". Denoting the additional investment required to meet global climate and development goals beyond what has already been committed, nearly every major report written by policymakers on the state of global green investment refers to it. Never mind that the numbers — as high as $9 trillion a year by 2030 — are incredibly fuzzy. Policymakers invoke the "finance gap" not to be accurate, but to argue that governments must "mobilize" or "catalyze" private sector investment in the interest of global welfare.[65]

"Gap-talk" shifts the understanding of the problem from understood as relating to the redistribution of wealth and power to support states and build public, global

[64] Multilateral mechanisms include the Green Climate Fund, dedicated funds within multilateral development banks (MDBs), and the pledge made by Global North countries at the 2009 Copenhagen COP to provide up to $100 billion of climate finance annually by 2020, which this bloc achieved late, in 2022, and only through dubious accounting practices, like repurposing existing finances rather than adding new.

Avait Arun, "Downward Mobilisation", The BREAK—DOWN, [65] https://www.break-down.org/post/downward-mobilisation cooperative economic planning institutions, to that of using subsidies and other derisking tools to "produce investability" or "bankability" for discrete projects for private capital. Daniela Gabor hterms this hegemonic, global decarbonization investment regime "the Wall Street Consensus" (WSC).[66] Gabor defines the WSC as an "elaborate effort to reorganize development interventions around partnerships with global finance".[67]

Efforts to martial the international response to the climate crisis, and with it, the mobilization of climate finance, occur through the United Nations Framework Convention on Climate Change (UNFCCC), its regular meetings and negotiations (the annual Conference of Parties or COP), and through a patchwork of related agreements, informal institutions, and groupings of actors, including the G7 and G20, and multilateral development institutions like the World Bank and IMF. Under the principle of "common but differentiated responsibilities", a goal was first set at the Copenhagen COP in 2009, where developed economies committed to mobilizing $100 billion by 2020 to support developing economies to engage in adaptation and mitigation interventions, reflecting a recognition that wealthier countries have responsibility for the majority of historical greenhouse gas (GHG) emissions. In 2015, this goal was reaffirmed under the Paris Agreement. However, it would not be until 2022 that this goal was achieved, and perhaps only through various dubious accounting techniques. Meanwhile, total climate finance from all sources and to all geographies reached around $1.3 trillion annually in 2021-2022.

Climate finance can be delivered in various forms, including concessional loans and debt instruments, equities, and grants, as well as more novel arrangements, such as market-based mechanisms, debt-for-climate swaps, and Just Energy Transition Partnerships (JETPs). Most (61 percent in 2021/22) of global climate finance is provided in the form of market-interest rate debt instruments.[68] Only nine percent of all finance for mitigation projects during the same period was made up of concessional capital (grants, low-cost loans). Most finance goes towards mitigation projects (e.g., energy infrastructure) rather than adaptation (e.g., flood defenses), accounting for 90 percent of projects over the same period. While the contribution of private financial actors has been growing (reaching 49 percent of all climate finance in 2023), the majority continues to come from public sources, accounting for 60 percent between 2018 and 2022.[69] Most of public finance (57 percent) flows through

[66] Gabor, "The Wall Street Consensus", Development and Change.

[67] Ibid, p. 429.

[68] Ibid.

[69] Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/

development finance institutions (DFIs), mainly at the national level through national DFIs (37 percent), while state-owned firms (17 percent), governments (16 percent), and multilateral DFIs (15 percent) provided much of the rest.[70] All of this together means that in a context where developing economies are the most vulnerable to the climate crisis, already struggling under the burden of debt distress, and finance is already resistant to flowing in their direction, not only do they receive insufficient finance, but its market-oriented form usually makes it more expensive than such countries can sustain.[71] This poses risks to the climate and development goals that climate finance is intended to address.

With efforts around the mobilization of climate finance orchestrated by a group of key multilateral institutions like the UN, IMF, and World Bank, alongside a litany of governments and private investors, the seemingly-technocratic fixation on resolving the "climate finance gap" does not pay adequate attention questions about how these financial flows are shaped, what sources and forms they come in, what patterns of ownership they reflect and reinscribe, and how they are coordinated in relation to the recipient state and its respective industries and infrastructures. Instead, the actors and institutions of global economic and climate governance promote a narrative that markets are the most efficient mechanism for allocating capital and resources, while states and public financial institutions are assumed to lack the capacity to finance or coordinate the green transition themselves.[72]

The WSC demands that states must derisk investments in the Global South to create "bankable" opportunities for Global North private capital. Global South states are required to risk-proof development assets and structurally transform their domestic financial systems toward market-based finance to accommodate portfolio investors, creating a safety net for investors in new development assets, and protecting their profits from demand risks (e.g. attached to commodified infrastructure assets), political risks (e.g. from progressive policies like nationalization of infrastructure or climate regulation) that might harm cash flows, and currency and liquidity risk.[73]

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[70] Ibid.

[71] Zylinski, "Coloniality dressed in green: in its current form, climate finance risks becoming a new tool for colonial rule", Global Political Economy.

[72] Dirk Bezemer et al., "Credit policy and the 'debt shift'in advanced economies", Socio-Economic Review, 2021, pp. 1-42; Matteo Deleidi, Mariana Mazzucato, and Gregor Semieniuk, "Neither crowding in nor out: Public direct investment mobilising private investment into renewable electricity projects", Energy Policy, May 2020, vol. 140, pp. 1-12.

[73] World Bank, "From billions to trillions : MDB contributions to financing for development", World Bank, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/602761467999349576/from-billions-to-trillions-mdb-contributions-to-financing-for-development; Gabor, "The Wall Street Consensus", Development and Change.

Although these efforts are currently stalled by the Trump administration, it is anticipated that efforts in the same spirit will recommence this decade, especially following changing US administrations. Therefore, it is important to assess this framework and build another one, even if not actionable under a Trump Administration.

The WSC approach to enabling Global South green energy transitions leaves power sector decarbonization largely to market coordination at a global scale, dependent on the investment decisions — whether financial, fixed capital, or infrastructure development — of private capital. Over the last decade, this regime has become hegemonic across the institutions of international climate governance and policy. It seeks to create potential holdings for portfolio investors out of Global South adaptation and mitigation interventions, providing new opportunities for vast pools of institutional capital — the portfolio glut — as it relentlessly searches for rent extraction opportunities without investing in the real economy, rushing across borders through portfolio flows.[74] Yet even if this worked well on its own terms, the assumption underlying this financing mechanism — that every necessary project for energy decarbonization will receive the required private investment — is, at best, overly optimistic and, at worst, outright delusional.

Many of the initiatives under this regime require blended finance, where concessional funding from the public sector is used to crowd-in private capital. This happens through the public sector absorbing project risks and the creation of create innovative financing instruments to attract private investors into new asset classes by central banks.[75] As Ilias Alami and Setch Schindler have argued, the WSC has enabled Global South governments to articulate national development plans and centralized government and administration around mobilizing state and private capital to their own ends.[76] However, the mechanisms required to facilitate these processes — derisking developmental assets and structurally transforming domestic financial systems — narrow the scope for just transitions to low [77] And, as Advait Arun has argued, “Investors’ biases, incentives, and restraints produce a hierarchy of investability, with financial assets from the Global North at the top. No matter how much project-level derisking an institutional investor can secure, they will always prioritize the perceived safety of their portfolio over the apparent necessity of any

[74] Gabor, “The Wall Street Consensus”, Development and Change, 2021,pp.429-459.

[75] Daniela Gabor, “The Wall Street Consensus at COP27”, Phenomenal World, 19/11/2022, https://www.phenomenalworld.org/analysis/the-wall-street-consensus-at-cop27/

[76] Seth Schindler, Ilias Alami, and Nicholas Jepson, “Goodbye Washington Confusion, Hello Wall Street Consensus: Contemporary State Capitalism and the Spatialisation of Industrial Strategy”, 2023, New Political Economy 28 (2): pp. 223–40.

[77] Gabor, “The Wall Street Consensus”, Development and Change.

specific infrastructure or public service investment; adequate project preparation is no match for the Federal Reserve's rate hikes. If inadequate investment in emerging markets is the collateral damage of decisions to preserve margins, so be it."[78]

The hegemonic position of the WSC has significant implications for the broader green transition, structuring the range of tools and policy frameworks available to policymakers, and centering governance on technocratic visions of mobilizing private finance to close the "climate finance gap". For example, market based approaches to regulation involve a risk-based approach to decarbonization, emphasizing interventions that seek to adjust market signals, promote information flow (disclosure) and efficiency (taxonomies), and render central banks neutral guardians of the market.[79]

Reforms to the international financial system are set by the dictates of the WSC, as affirmed by the G20 as part of its commitments to the Paris Agreement and to increasing climate finance. Little is done to raise MDB shareholder contributions, grants, or concessional finance. At the same time, all energy is given to the mobilization of private finance to meet the SDGs, creating supportive "enabling conditions" and "addressing policy and regulatory obstacles to private investment" through "risk-sharing instruments", and encouraging collaboration with the private sector to "identify and develop bankable projects".[80] Not only are such reform processes likely to be slow and challenging, given a period of global fragmentation, ongoing shocks, high levels of debt, and imposed fiscal constraints. But in being framed by the WSC, they rely on a combination of using securitization and shadow banking to expand lending capacities, promoting PPPs, privatization of public

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[78] Advait Arun, "The Investment Climate," Phenomenal World, 8/26/2023, https://phenomenalworld.org/analysis/the-investment-climate/

[79] Katie Kedward, Daniela Gabor, and Josh Ryan-Collins, "Aligning finance with the green transition: From a risk-based to an allocative green credit policy regime", UCL Institute for Innovation and Public Purpose, 2022, http://ucl.ac.uk/bartlett/publications/2022/jul/aligning-finance-green-transition; Yannis Dafermos, "Climate change, central banking and financial supervision: beyond the risk exposure approach" in Sylvio Kappes, Louis-Philippe Rochon, and Guillaume Vallet (eds.), The Future of Central Banking, Elgar Publishing, 2022, pp. 175-194.

[80] G20, "G20 Rio de Janeiro Leaders' Declaration", G20 Brasil 2024, 2024, https://www.gov.br/planalto/pt-br/media/18-11-2024-declaracao-de-lideres-g20.pdf; Nancy Lee and Samuel Matthews, "The MDB Ships Are Turning but Not Yet on Course: Results of CGD's Updated MDB Reform Tracker", Center for Global Development, 18/10/2024, https://www.cgdev.org/publication/mdb-ships-are-turning-not-yet-course-results-cgds-updated-mdb-reform-tracker; G20, "Boosting MDBs' investing capacity", G20 CAF Review Report, https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_it/news/news/CAF-Review-Report.pdf; G20, "Communique: Fourth G20 Finance Ministers and Central Bank Governors Meeting", G20 Brasil 2024, https://g20.utoronto.ca/2024/241024-finance-communique.html; COEBANK, "G20 Roadmap Towards Better, Bigger and More Effective MDBs", G20 Brasil 2024: 4th Finance Ministers and Central Bank Governors (FMCBG) Meeting, 2024, https://coebank.org/documents/1577/G20_Roadmap_towards_better_bigger_and_more_effective_MDBs.pdf, p.6.

services, the deregulation domestic financial sectors, and, increasing dependencies on external capital flows. All of which risk undermining the stability, sovereignty and prosperity that nascent development states in the Global South most need.[81]

Recent negotiations at the UNFCCC have been dominated by the interests of finance capital and apex Global North economies. For instance, the climate finance deal agreed at COP29 in Baku (2024) was branded a "betrayal": developing economies would receive at least $1.3 trillion per year by 2035, but only $300 billion would come from low-interest loans and grants, the rest from private investors and various as-yet-agreed additional sources (e.g. taxes, levies, etc.).[82] Similarly, while a loss and damage fund to support vulnerable developing economies was formally agreed at COP28, having made its way onto the agenda the year before, the fund — administered by the World Bank — has only seen $700 million pledged so far. By 2030, actual losses in vulnerable nations may reach as high as $580 billion, and the sources of finance for this fund will have to come from a wide range of unconfirmed sources, including both public and private aid, insurance, taxes, and levies.[83]

The dominance of the WSC means that public services and infrastructure in the Global South are turned into investable projects. This often takes the form of long-term contracts like public private partnerships.[84] Take Kenya's biggest wind-power energy project, Lake Turkana Wind Project. Financed by a combination of commercial debt, development finance, and private equity provided by a syndicate of lenders, upon completion, the project was sold to asset managers Anergy Turkana Investments (a state-owned South African firm) and Blackrock's Climate Finance Fund. It relies on a 20-year power purchase agreement signed by the Kenyan state that commits the state-owned power company, Kenya Power & Lighting, to purchase

[81] Lee and Matthews, "The MDB Ships Are Turning but Not Yet on Course: Results of CGD's Updated MDB Reform Tracker", Center for Global Development, https://www.cgdev.org/publication/mdb-ships-are-turning-not-yet-course-results-cgds-updated-mdb-reform-tracker; Rowden, "From the Washington Consensus to the Wall Street Consensus", Heinrich Boll Stiftung, https://us.boell.org/sites/default/files/2019-11/Rowden%20From%20Washington%20To%20Wall%20Street.pdf; Gabor, "The Wall Street Consensus", Development and Change.

[82] Fiona Harvey, "Backroom deals and betrayal: how Cop29's late $300bn deal left nobody happy", The Guardian, 26/11/2024, https://www.theguardian.com/environment/2024/nov/26/how-late-deal-left-a-sense-of-dissatisfaction-and-betrayal-at-cop29-baku; Fiona Harvey et al., "Cop29 agrees $1.3tn climate finance deal but campaigners brand it a 'betrayal'", The Guardian, 23/11/2024, https://www.theguardian.com/environment/2024/nov/23/cop29-agrees-13tn-climate-finance-deal-but-campaigners-brand-it-a-betrayal

[83] Preety Bhandari et al., "What Is 'Loss and Damage' from Climate Change? 8 Key Questions, Answered", World Resources Institute, 5/5/2025, https://www.wri.org/insights/loss-damage-climate-change

[84] Gabor, "The Wall Street Consensus", Development and Change.

the wind power generated at an agreed price.[85] In the obligation to rely on foreign capital, which dominates the state-capital relationship as Global South states seek green industrialization, the ability to discipline capital is weakened, disempowering states and threatening their sovereignty, as key public assets and infrastructures are turned into steady streams of cash flows for investors in the Global North.[86]

These dynamics shape the emergence of novel interventions like country platforms and Just Transition Energy Partnerships (JETPs). Country platforms are increasingly prominent collaborative partnerships promoted by international institutions like the UNFCCC, MDBs, and the G20 to coordinate and streamline otherwise fragmented sources of climate finance towards the self-identified sustainable development and climate needs of countries in the Global South, deploying blended finance at scale, leveraging and connecting it with those countries' climate goals.[87]

JETPs were announced at COP26 in Glasgow (2021) as cooperative financing mechanisms to help coal-dependent emerging economies participate in self-defined energy transitions while accounting for the social consequences of such processes (e.g., job training, employment, etc.).[88] Built around large pools of investors and donors, including MDBs and NDBs, development finance agencies, and the private sector, the first JETP announced was South Africa's $8.5 billion power sector decarbonization plan, followed by similar plans in Indonesia ($20 billion), Vietnam ($15.5 billion), and Senegal ($2.5 billion), collectively raising a combined $45 billion

[85] Daniela Gabor and Benjamin Braun, "Green macrofinancial regimes", Review of International Political Economy, February 2025, vol. 32, pp. 542-568.

[86] Daniela Gabor and Ndongo Samba Sylla, "Derisking Developmentalism: A Tale of Green Hydrogen", Development and Change, July 2023, vol. 54, pp. 1169-1196.

[87] Amy Cano Prentice, Shandelle Steadman, and Archie Gilmour, "Big plans for a new generation of country platforms", ODI Global, 17/2/2025, https://odi.org/en/insights/big-plans-for-a-new-generation-of-country-platforms; Melanie Robinson and Crispian Olver, "Are 'Country Platforms' the Key to Delivering Green Growth at Scale?", World Resources Institute, 19/2/2025, https://www.wri.org/technical-perspectives/country-platforms-delivering-green-growth-scale; Laura Sabogal Reyes and Viktor Ahlgren, "Has the moment come to embrace country platforms?", E3G, 15/4/2024, https://www.e3g.org/news/has-the-moment-come-to-embrace-country-platforms/; Mark Carney, "Country Platforms Action Plan", Glasgow Financial Alliance for Net Zero, 1/11/2022, https://www.gihub.org/resources/publications/country-platforms-action-plan/

[88] Katherine Kramer, "Just Energy Transition Partnerships: An opportunity to leapfrog from coal to clean energy", IISD, 7/12/2022, https://www.iisd.org/articles/insight/just-energy-transition-partnerships

in three to five years.[89] The expectation was that institutional capital would flow into newly created pipelines of bankable projects to earn returns, derisked through grants and concessional finance provided by donors, aid agencies, and development finance institutions.[90]

At first glance, JETPs appear to be a promising attempt at international cooperation to accelerate energy transitions in Global South economies, bundling finance from high-income states and investors into high-level cooperative agreements aimed at facilitating energy transitions and development plans.[91] But, quite simply, they are not providing money. Even if the funds *were* made available, the promised sums pale compared to actual need, but in reality, the money promised — as in the case of two of the flagship programs, South Africa and Indonesia — has not arrived.[92]

Without broader efforts to support green industrial policy and localized manufacturing, reparative debt cancellations and macrofinancial reform, and interventions like green credit allocation to promote a just green transition, JETPs risk reinforcing the same exploitative dynamics between Global North and South that helped to create the climate crisis in the first place.[93] Now, the US is withdrawing from international climate governance and South Africa's JETP. Whatever opportunity

[89] UK Government, "Political Declaration on the Just Energy Transition in South Africa", UN Climate Change Conference UK 2021, 2/11/2021, https://webarchive.nationalarchives.gov.uk/ukgwa/20230106144924/https://ukcop26.org/political-declaration-on-the-just-energy-transition-in-south-africa/; Kramer, "Just Energy Transition Partnerships: An opportunity to leapfrog from coal to clean energy", IISD, https://www.iisd.org/articles/insight/just-energy-transition-partnerships; Jose A. Ordonez et al., "Just Energy Transition Partnerships and the future of coal", Nature Climate Change, July 2024, vol. 14, pp. 1026-1029.

[90] Cano Prentice, Steadman, and Gilmour, "Big plans for a new generation of country platforms", ODI Global, https://odi.org/en/insights/big-plans-for-a-new-generation-of-country-platforms/

[91] Ordonez et al., "Just Energy Transition Partnerships and the future of coal", Nature Climate Change.

[92] Sean Sweeney, ""Just Energy Partnerships" Are Failing", Jacobin, 5/5/2024, https://jacobin.com/2024/05/just-energy-partnerships-climate-finance; Joseph Racman, "Indonesia Asks Where the Money Is for Green Transition", Foreign Policy, 26/9/2023, https://foreignpolicy.com/2023/09/26/indonesia-green-transition-investment-jetp-coal-united-states/

[93] Aparajita Banerjee, "Transforming the rhetoric of Just Energy Transition Partnerships into reality: The devil lies in the details", Sustainbility and Transformation, August 2024, vol. 3; IEJ, "Towards a Just Energy Transition", Institute for Economic Justice, https://www.iej.org.za/wp-content/uploads/2022/11/IEJ-policybrief-ClimateFinance1.pdf; Mazzucato, Doyle and Kuehn von Burgsdorff, "Mission-oriented Industrial Strategy: Global Insights", UCL Institute for Innovation and Public Purpose, https://www.ucl.ac.uk/bartlett/sites/bartlett/files/mission-oriented_industrial_strategy._global_insights_2024.pdf

was once offered by these new climate finance partnerships is likely slipping away.[94] Instead of climate finance salvation, JETPs seem to be a display of WSC smoke and mirrors; operating as political theatre where action appears to be happening, making noise in the climate policy community, but producing none of the money required by the Global South.

Failures in the WSC

Even by its own standard of mobilizing private finance to closing the climate finance gap, the WSC is failing: the promised money is not moving. While global climate finance flows have more than doubled between 2018 and 2022, from $674 billion to $1.46 trillion, a further fivefold increase is needed to achieve the $7.4 trillion required on average per year up to 2030 to keep within 1.5 degrees of warming, totaling nearly $200 trillion by 2050 to deliver net zero climate goals.[95] While current levels of climate finance amount to approximately one percent of global GDP, developing and emerging economies may need to allocate 6.5 percent of their GDP by 2030.[96] While the $100 billion target for climate finance to developing economies was only "passed" in 2022 — based on some dubious accounting — developing economies require approximately $2 trillion per year to achieve their climate goals.[97] In terms of energy, investments in low-carbon sources must increase significantly from current levels, around $1 trillion per year, to $4 trillion per year by 2030. Yet, financing for fossil fuels continues (barely) abated: in 2022, fossil fuel subsidies

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[94] Dharna Noor, "Trump signs order to withdraw US from Paris climate agreement for second time", The Guardian, 20/1/2025, https://www.theguardian.com/us-news/2025/jan/20/trump-executive-order-paris-climate-agreement; South African Government, "South Africa notes the decision by the United States Government to withdraw from the Just Energy Transition Partnership", South Africa Government: International Relations & Cooperation, 6/3/2025, https://dirco.gov.za/south-africa-notes-the-decision-by-the-united-states-government-to-withdraw-from-the-just-energy-transition-partnership/

[95] Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/; Buchner et al., "Global Landscape of Climate Finance 2023", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/

[96] Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/

[97] OECD, "Climate Finance and the USD 100 billion goal", Organisation for Economic Co-operation and Development, https://www.oecd.org/en/topics/sub-issues/climate-finance-and-the-usd-100-billion-goal.html; Vera Songwe et al., "Finance for climate action: scaling up investment for climate and development", LSE Grantham Research Institute on Climate Change and the Environment, https://www.lse.ac.uk/granthaminstitute/publication/finance-for-climate-action-scaling-up-investment-for-climate-and-development/

amounted to $1.4 trillion, while investments in new production and distribution stood at $1 trillion.[98]

High-profile initiatives like the Glasgow Financial Alliance for Net-Zero (GFANZ), which sought to bring institutional investors with some $130 trillion in assets under management in alignment with net zero targets and direct their assets towards SDG goals in the Global South, are falling apart under pressure from US Republicans criticizing ESG investors for their "woke" politics. Comprehensive reform efforts are being promoted centered on power sector decarbonization (as "bankable" mitigation projects). Focus on power sector decarbonization can come at the expense of efforts to decarbonize sectors like agriculture and food systems or interventions that support adaptation. The power sector is frequently invoked as being the most bankable and so can left to the private sector. Yet, even here, where the private sector is said to have the most to offer, efforts are failing. As Brett Christophers describes, the success of green energy technologies in driving down energy prices diminishes profits, in absence of massive state derisking, of the private sector, meaning that they do not get built.[99]

This report does not aim to reduce the issue of private finance for the green transition to a simple yes-or-no binary. A global Green New Deal — even, for instance, through the US issuing trillions of dollars of Treasury bonds to recapitalize the World Bank and engage in direct transfers to support climate adaptation and mitigation — would necessarily involve some private financing. This report argues that *the way* the green transition is currently being delivered,is not only a project that seeks to assetize the entire transition, it is failing dramatically and is insufficient. Specifically, this report challenges the WSC because it is based on a set of flawed assumptions. We address these below.

First, the WSC assumes that the capabilities and effectiveness of the democratic state are limited and that the state and public sector should not attempt to drive innovation, coordinate economic choices, develop projects, or raise the finance required to deliver a global green transition. Many developed Global North states face few practical financial constraints in borrowing to invest money in the productive capacity of the economy, while the capacity of the state to do so, in terms of the effectiveness of industrial policy and leading technological and economic transformations, is not only much higher than is often admitted, but is actually

[98] IEA, "Net Zero by 2050", International Energy Agency, 2021, https://www.iea.org/reports/net-zero-by-2050; Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/

[99] Brett Christophers, The Price is Wrong: Why Capitalist Won't Save The Planet.

critical to the success of these processes.[100] In the economies of the Global South, the capacities of the state look different, facing much greater constraints , but, by building on the rich traditions of successful developmental states, the right mission-led strategies, democratically coordinated industrial policies, the approaches to economic governance can prove successful in driving sustainable economic development and transformation processes.[101]

Second, the WSC assumes that there exists a private supply of money held or constituted by institutional investors that is available to be directed or incentivized towards filling this financial vacuum, the so-called climate finance gap.[102] This renders the climate finance gap simply a technical problem to be filled by the right combination of regulatory tweaks, market fixes, and as-yet-undiscovered technological innovations, where the only solutions conceived involve a progressive extension of the market into new realms, shepherding the trillions of institutional investors into SDG projects.[103] As described earlier, the narrative that trillions of dollars of private capital are ready and willing to invest in SDG projects around the world has proven to be a failure; the money is not moving. While Global South economies face routine,racialized biases that have little to do with their economic fundamentals, leading to higher costs of borrowing and more flighty investors, most financial capital flows to where it is either less urgently needed (the Global North and powerful emerging economies) and where it is harmful (high-carbon industries like fossil fuels).[104] Seemingly novel partnerships like JETPs fail to deliver the promised

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[100] Van Lerven and Jackson, "A Government Is Not a Household", New Economics Foundation, https://neweconomics.org/2018/10/a-government-is-not-a-household; Fatas and Summers, "The permanent effects of fiscal consolidations", Journal of International Economics; Mazzucato, Doyle, and von Burgsdorff, "Mission-oriented Industrial Strategy: Global Insights", UCL Institute for Innovation and Public Purpose, https://www.ucl.ac.uk/bartlett/sites/bartlett/files/mission-oriented_industrial_strategy._global_insights_2024.pdf; Mariana Mazzucato, Mission Economy: A Moonshot Guide to Changing Capitalism, Penguin, 2022.

[101] Mazzucato, "State Transformation in Brazil", UCL Institute for Innovation and Public Purpose, https://www.ucl.ac.uk/bartlett/public-purpose/publications/2025/feb/state-transformation-brazil; Jordyn Fetter and David Eaves, "India's National Urban Governance Platform", UCL Institute for Innovation and Public Purpose, 2025, https://www.ucl.ac.uk/bartlett/sites/bartlett/files/indias_national_urban_governance.pdf; Mariana Mazzucato and Lorenza Monaco, "Rethinking Industrial Strategies and the State: A Global South Perspective", UCL Institute for Innovation and Public Purpose, 2024, https://discovery.ucl.ac.uk/id/eprint/10198989/1/Mazzucato_Mazzucato%20and%20Monaco%202024_Manuscript.pdf

[102] Gabor, "The Wall Street Consensus", Development and Change.

[103] Nicholas Stern, "The Economics of Climate Change: The Stern Review", LSE Grantham Research Institute on Climate Change and the Environment, 2006, https://www.lse.ac.uk/granthaminstitute/publication/the-economics-of-climate-change-the-stern-review/; Jason Hickel and Giogos Kallis, "Is green growth possible", New Political Economy, 2020, vol. 25, pp. 469-486; Nick J. Fox, "Green capitalism, climate change and the technological fix: A more-than-human assessment", The Sociological Review, September 2022, vol. 71, pp. 1115-1134.

[104] Naran et al., "Global Landscape of Climate Finance 2024", Climate Policy Initative, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/

funds and instead offer a new front for the advancement of the WSC.[105] Indeed, on current trends of low global growth, looming trade war- and Iran-war induced stagflation and energy crises, and high interest rates global liquidity conditions look unlikely to improve in the near term, meaning private investors will remain unwilling (even with massive state derisking) to invest their trillions in the Global South any time soon.

Third, the WSC assumes that following the privatization, assetification, and state or multilateral subsidization ("derisking") of necessary green infrastructure and capital stocks, private capital will comprehensibly finance and undertake most of the projects required to achieve global decarbonization targets. Regardless of whether this is desirable in place of a just transition enabled through global redistribution of wealth and power, it should be attempted. (Because it will generate sufficient green investment to meet decarbonization targets, and because it will not thwart our capacity to meet these aggregate targets.) The evidence has repeatedly shown that private capital is poorly suited to the challenge of delivering the required investment for the green transition on its own.[106]

Even in a country like the UK, renewables struggle in wholesale markets because they are capital-intensive and are structurally vulnerable to various market instabilities and price risks, leading to lower profit margins, undermining the "bankability" of such projects that are otherwise vital to decarbonization and green development, as they typically have zero-marginal operational costs but high upfront costs. Given the significant scaling of investment in low-carbon energy required by the green transition and that these pressures and risks become even more acute in more "unstable" contexts like the Global South, this threat to bankability — that the renewable power sector, being more volatile, capital intensive, and competitive, will provide inadequate returns for investors without massive public sector support — is a threat to the global green transition itself, leading to significant underinvestment and systemic fragility.

Where the WSC demands the increasing marketisation and liberalization of energy systems and electricity markets worldwide, with private capital increasingly taking a leading role in unbundled and privatized markets, the rollout of low-carbon

[105] John O'Neill, Markets, Deliberation and Environment, Routledge, 2007; Rebecca Pearse and Steffen Bohm, "Ten reasons why carbon markets will not bring about radical emissions reduction", Carbon Management, February 2015, vol. 5, pp. 325-337.

[106] Brusseler et al., "The Greatest Generation: How Public Power Can Deliver Net Zero Faster, Fairer and Cheaper", Common Wealth, https://www.common-wealth.org/publications/the-greatest-generation-how-public-power-can-deliver-net-zero-faster-fairer-and-cheaper

energy, without significant state intervention or derisking, is put at risk.[107] In the Global South , as many economies are targeted by more concerted versions of the WSC, projects like JETPs often advocate for reforms like unbundling and privatization of electricity and power markets. Developing countries have agency to shape the structure of policy in these development planning processes and are not simply subject to Global North dictate. Indeed, the Indonesian government has used its JETP to empower its state-owned infrastructure fund, PT SMI, to be the central institution transitioning Indonesia to a low-carbon emissions pathway.[108]

However, by pushing for WSC-inspired reforms, as in the case of Eskom in the South African JETP or in Indonesia's JETP, the WSC still urges the unwinding of the capacity, i.e. the presence of the state in electricity sectors, that might have enabled these economies to transition to low carbon sources of energy.[109] Across such cases, from the Global North to the South, under the WSC, derisking is necessary to bring private renewables online, relative to zero policy support, but it does not work well. The UK example is salient because it is considered to be the global standard of a derisking regime and a developed economy without acute fiscal constraints. However, while the UK has enjoyed impressive renewables growth, it will not achieve power sector decarbonization by 2030, despite this target having been stated as a government priority, and is developing in a way that creates dysfunctions for the system's operation.[110]

Despite these failures, private investment and derisking are often still presented as if they do not incur any costs to the macroeconomy. However, derisking and the WSC logics underpinning these processes pose significant macro-economic risks that ultimately constrain decarbonization efforts. For Global South economies, derisking approaches are likely to increase their exposure to instabilities of the global

[107] Christophers, The Price is Wrong: Why Capitalist Won't Save The Planet.

[108] "What is the Role of PT SMI as the Manager of ETM Country Platform in JETP Implementation?", JETP Indonesia, https://jetp-id.org/about/what-is-the-role-of-pt-smi-as-the-manager-of-etm-country-platform-in-jetp-implementation

[109] Bretton Woods Project, "World Bank and IMF influence casts shadow over South Africa's Just Energy Transition Partnership", Bretton Woods Project, 8/12/2022, https://www.brettonwoodsproject.org/2022/12/world-bank-and-imf-influence-casts-shadow-over-south-africas-just-energy-transition-partnership/; Bretton Woods Project, "Indonesia JETP's promotion of renewable energy privatisation opposed by unions and civil society", Bretton Woods Project, 9/4/2024, https://www.brettonwoodsproject.org/2024/04/indonesia-jetps-promotion-of-private-ownership-of-renewable-energy-creates-opposition-from-unions-and-civil-society

[110] Brusseler et al., "The Greatest Generation: How Public Power Can Deliver Net Zero Faster, Fairer and Cheaper", Common Wealth, https://www.common-wealth.org/publications/the-greatest-generation-how-public-power-can-deliver-net-zero-faster-fairer-and-cheaper

financial system.[111] Derisking may increase capital flows to these economies, but this could transmit cross-border stress, exacerbating pre-existing vulnerabilities and increasing capital outflow risks, putting green infrastructure finance at risk over time. Exposure to already destabilizing global financial cycles may be worsened through an increased reliance on local currency bond markets and foreign investors to derisk climate finance, weakening monetary policy autonomy. Public guarantees, linked to market prices and external ratings, could leave such economies exposed to currency and collateral risks. High debt distress in lower-income economies, already at high levels, reduces fiscal space, leading investors to demand higher premiums. This, in turn, undermines the feasibility of projects and increases macro-risks, often leading to the socialization of losses. Demand-side derisking mechanisms, such as public-private partnerships (PPPs), can lead to budgetary timebombs by imposing significant fiscal costs, as they are more expensive than direct public investments, thereby worsening poverty, access, and inequality.[112]

Even though policy development on the WSC has stalled to some extent, especially under the current Trump Administration, its implementation would be actively harmful. Global South economies that need development finance are placed between a rock and a hard place; caught between the inequities of a global financial system that strips them of monetary sovereignty and a hegemonic approach to development finance that seeks to find innovative ways to exploit their resources.

[111] Ananthakrishnan Prasad et al., “Mobilizing Private Climate Financing in Emerging Market and Developing Economies”, International Monetary Fund, 2022, https://www.imf.org/en/Publications/staff-climate-notes/Issues/2022/07/26/Mobilizing-Private-Climate-Financing-in-Emerging-Market-and-Developing-Economies-520585

[112] Samba Sylla and Gabor, “Planting budgetary time bombs in Africa: the Macron Doctrine En Marche”, Committee for the Abolition of Illegitimate Debt, https://www.cadtm.org/Planting-budgetary-time-bombs-in-Africa-the-Macron-Doctrine-En-Marche;

Conclusion: a New Way Forward?

We cannot rely on the long arc of the universe bending us inch by inch towards green development and climate finance mobilization. Instead, we must meet concrete and temporal targets, recognizing that relying on private climate finance flows is not enough.

Rapid scaling of climate finance through redistribution of wealth must work as part of a coordinated cooperative global green development strategy that aligns climate goals with clear government actions to shift output across sectors, not simply picking winners and losers but shaping the missions that should galvanize economic transformation, precisely because "the market" is so radically failing to do so.[113] Well-designed, mission-oriented, and democratically coordinated industrial strategy offers the potential to transform economies and spur cross-sectoral investment and innovation, acting as an engine of sustainable economic growth.[114] For credit-scarce and monetary sovereignty-constrained Global South economies, external financing and redistribution are necessary features of this effort. Such financing and redistribution not only demand revenues being provided to support sustainable development in the Global South but a step-change in a global financial system that remains highly extractive and structured by dominance and neocolonialism. In absence of reform, the global financial system will only continue to drive the climate crisis that currently threatens to swallow the world whole.

Many policy developers take global economic hierarchy as an unchangeable fact to which approaches to decarbonization policy must respond. But there is no alternative to radically restructuring a fundamentally hierarchical global economic and financial system. Policy design for the global green transition must, therefore, begin from the premise that the international financial architecture is not a fixed parameter to which decarbonization strategy must adapt, but a site of political contestation and institutional transformation.

The goal of US and Global North green economic diplomacy should be to build a multiscalar system of generative public capacities and institutions — from the

[113] Mazzucato, Doyle, and von Burgsdorff, "Mission-oriented Industrial Strategy: Global Insights", UCL Institute for Innovation and Public Purpose, https://www.ucl.ac.uk/bartlett/sites/bartlett/files/mission-oriented_industrial_strategy._global_insights_2024.pdf

[114] Ibid.

domestic to the multilateral level — capable of coordinating global decarbonization on terms that redistribute wealth and power. Such redistribution is the condition of possibility for a transition that is both rapid enough and just enough to succeed. The Green Planning Commission's work to develop policy frameworks and tools for a green democratic economic planning architecture begins from this premise.

Beyond The Climate Finance Gap: The Global Financial System, Decarbonization, and the Failure of the Wall Street Consensus

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