Climate, Coloniality and Financialization: A Decolonial Analysis of Global Climate Finance

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Abstract:

Providing adequate climate finance, meaning funding for mitigation, adaptation or loss and damage, has been very high on the global policy agenda recently. The political economy and ecology behind it are much more complex and morally multidimensional than the mainstream finance world likes to present it though, which results in grave colonial injustices, international debt crises, deepened global inequalities and heightened climate vulnerabilities.

I conducted a decolonial content and policy analysis of global climate finance to shed light on these processes and assess possible suggestions for reform. I found that the climate finance landscape is deeply infused with coloniality, across the dimensions of being, power and knowledge. Concretely, omnipresent financialization, especially with regards to risk and vulnerability accounting, is aggravating coloniality by discounting and commodifying human lives. Similarly, the continued favoring of privatization creates undemocratic power imbalances and increases sovereign debt to the detriment of social spending.

I illustrate this with the examples of the multilateral, World Bank and IMF-backed Green Climate Fund and Highly Indebted Poor Countries Initiative. Decolonizing this dangerously hubristic system is not evident, but another example, the Bridgetown Initiative, shows that well-crafted, global South-led demands for reform to address the debt burden and build climate resilience can be a step on the way towards the decoloniality of climate finance.

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List of abbreviations

BIPOC	Black, Indigenous, People of Color
CBDR	common but differentiated responsibilities and respective capabilities
COP	Conference of the Parties
CPI	Climate Policy Initiative
DSA	Debt Sustainability Analysis
EUE	ecologically unequal exchange
FDI	foreign direct investment
GCF	Green Climate Fund
GDP	gross domestic product
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
LDC	Least Developed Country
MAPA	most affected people and areas
MDB	multilateral development bank
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
PRSP	Poverty Reduction Strategy Paper
RQ	research question
SDG	Sustainable Development Goal
SIDS	Small Island Developing State
UN	United Nations
UNGA	United Nations General Assembly
UNFCCC	United Nations Framework Convention on Climate Change
US	United States of America

1 Introduction

The political climate in the room of the 77th United Nations (UN) general assembly is almost as tense as climate disaster has been all year outside of these halls in New York, when Barbadian prime minister Mia Mottley addresses the world leaders with a powerful pledge, and a far from trivial suggestion for financial reform.[1] The looming polycrisis is evident: climate, COVID-19, war, energy, debt – all of which needs funding – especially if you are a 'small island developing state' (SIDS).[2] The Caribbean has suffered from the aftermath of failed decolonization governance: heavy indebtedness, a heritage from unequal socio-economic relations, paralyzes public spending on infrastructure, climate adaptation or basic social welfare through creditor-imposed austerity measures, while the climate crisis keeps hitting in the form of hurricanes and leaves the Caribbean to grapple with ever more destruction, decay and emigration.[3]

Disaster damage costs are not a natural consequence, but a cumulative result of the coloniality of climate: a history of racialized extraction, coercion, displacement, structural poverty and underfunded infrastructure has created disproportionate vulnerabilities and undermined capacities for resilience to face intensifying climate disaster, propelled by the disproportionate amount of greenhouse gas emissions from the global North.[4]

The global financial system plays no small role in this cycle of disaster: it produces a multitude of power relations, by capitalizing on such climate destruction, silencing local voices along racial lines on the way, perpetuating imperialist power and colonial inequalities through transnational corporations and neoliberal development schemes based on extractive debt repayment contracts.[5] Climate exposure is deepened through this discriminatory financial system, for example by assigning high risk ratings to global South countries due to their already disproportionate climate change exposure, in order to risk-proof investors' derivative incomes, which in turn complicates those countries' access to affordable funding, increases their indebtedness and thus aggravates their climate vulnerability[6] – a process which is reflected in the UN-backed Highly Indebted Poor Countries (HIPC) Initiative or the Green Climate Fund (GCF).

[1] UN, 2022
[2] UN, 2022
[3] Bonilla, 2020; Perry, 2021
[4] Perry, 2021; Sultana, 2021
[5] Perry, 2021
[6] Perry, 2021

But what kind of financing counts as climate finance? Climate finance is notoriously hard to grasp, let alone quantify, with its heterogenous mix of public and private sources and lack of reporting standards. The UN currently describes it as all finance that is directed towards cutting greenhouse gas emissions and increasing resilience to climate change impacts[7] – hence essentially, funding for mitigation and adaptation.

The story of climate finance has been one of relentlessly progressing financialization (the rising prominence of finance) and was linked to sovereign debt from the start.[8] From debt-swaps in the 1980s over carbon accounting, ecosystem service payments and green bonds to sophisticated insurance- or risk-based aggregated canopy finance products – they all keep ensuring handsome returns upon investment for financiers in the form of interest payments while conveniently painting a humanist picture of progress, aid and sustainable development.[9]

Meanwhile, the global finance world is turning away when confronted with any reparatory claims or the marginalizing nature of their own terms of access, structures of decision-making or allocation policies.[10] The racialized character of financialization is kept hidden behind a neutrally declared need for capacity building in the so-called corruption-plagued global South with its 'weak institutions' – a comfortable pretext to channel development and climate finance into highly profitable investment products.[11] The dominant discourse universally fails to acknowledge that the modern global economic order is inherently formed by colonial relations, and that present inequalities are a direct consequence of that historic extractive relationship.[12] Instead, a narrative of post-colonial innocence has gained hegemony: colonization and extraction are over, they yielded to a meritocracy; free-trade globalization has provided equal opportunities for all by now. This kind of rhetoric is still dominating international development policy today.[13]

Nevertheless, voices from the global South that refuse colonial climate finance are getting louder, they point at the polycrisis-ridden reality, and demand a reform of this unequal, debt-based development system.[14] So does Mia Mottley, who is travelling around the world now to gather support for her ambitious

[7] Chowdhury and Jomo, 2022; Bertilsson and Thörn, 2020
[8] Bracking, 2019
[9] Bracking, 2019
[10] Perry, 2021
[11] Perry, 2021
[12] Bhambra, 2021
[13] Hickel et al., 2022
[14] Leeuwis et al., 2021

Bridgetown Initiative.[15] Mottley appeals to unity, soberly claims peace, love and prosperity for all as a necessity. She masters international diplomatic language, and yet calmly points to the long history of exploitation in the Caribbean, the climate frontline vulnerability of SIDS, or the lack of BIPOC representation in international finance institutions.[16] She demands basic fairness, transparency and human rights. More concretely, she proposes preventative funding instead of costly loss and damage payments when lives are already lost, and asks for temporal slack in debt repayments. Her premise is access to funding based on vulnerability, not on capacity to pay, and simply the protection of public goods by those who benefit from them.[17] All of these values and appeals are summarized in a collaboratively created one-page document – the Bridgetown Initiative – with one overarching demand: reform the post-war-dating Bretton Woods institutions (i.e., the World Bank and the International Monetary Fund (IMF)) "with the power of the pen."[18]

Although such calls for reform are nothing new and keep getting louder, the world stage of international finance is currently striking a rather opposite tone: after months of harsh criticism, the World Bank president, David Malpass, has announced that he would resign early in June this year.[19] The controversial Trump-appointed climate denialist had been under a lot of pressure to push for reform in light of the climate crisis,[20] especially in the wake of a scandal including grave ethical misconduct and manipulation within the World Bank.[21] Hopes for both a more climate-aware successor and a more democratic nomination process started to rise,[22] just to be crushed barely a few days later: the Biden administration – the US usually selects the World Bank president as the bank's largest shareholder in what some call an "archaic neocolonial gentlemen's agreement"[23] – surprisingly nominated Ajay Banga, a private finance mogul of Indian descent, with a record of 'progressive' climate and equity policy but no experience in development.[24] Critical voices from civil society and other countries were disappointed about the imperial nature and unequivocal private finance direction of this nomination.[25] However, during the Spring Meeting of the Banks this April, Banga was confirmed, overall private finance dependence cemented, debt and austerity burdens remained

[15] Farand, 2022; Lynch, 2022
[16] UN, 2022; Farand, 2022
[17] UN, 2022
[18] UN, 2022; Bridgetown Initiative, 2022
[19] Shalal et al., 2023a; Makortoff, 2023
[20] Shalal et al., 2023a; Shalal, 2023b; Reuters, 2023a
[21] Ravenscroft, 2021
[22] Elliott, 2023a
[23] Fresnillo et al., 2023
[24] Shalal et al., 2023c; Siritanu, 2023
[25] Fresnillo and Saldanha, 2023; Reuters, 2023b; Shalal et al., 2023c

unaddressed, private-sector de-risking keeps priority over human rights and voting share redistribution is not on the table.[26] No real reform is in sight, the World Bank's Evolution Roadmap is toothless; shrinking civil society space, geopolitical blocks and blame games are the order of the day instead.[27] Where all of this will lead to is a question for the annual meeting in October.[28]

In sum, we could say the current global climate finance system is problematic because it is based on a history of unequal exchange, exploitative trade and unfair development, trenched in ongoing coloniality. Hence it sits at the very intersection of culture, power and sustainability. In this thesis, I will attempt to show how the climate finance regime largely fails to help both the climate and the most affected people. Rather, it serves the continuation, manifestation and expansion of the neoliberal world order with its dominant growth, techno-modernist, privatization-financialization narratives and power maldistributions. The global finance system is complex, obscure, but deeply interrelated with people's wellbeing; and the damage to some extent irreparable – which makes the project of decoloniality difficult.

With this work, I would like to gather and add to the critical voices and arguments that are currently challenging the coloniality and injustice of the climate finance regime. Given the complexity and contradictions within this system, this thesis aims to highlight its colonial nature, and embed the idea of climate finance into the larger context of critical political economy and ecology. For illustrative purposes, I analyze a few key nodes within the climate finance landscape, zooming in on the process of financialization. By extension, I discuss potential alternatives towards a just system. To do so, and to support the project of decoloniality, I pose three research questions:

> *RQ1*: Why and how is current climate finance perpetuating colonial and climate injustices?
>
> *RQ2*: What role does financialization play in perpetuating coloniality within climate finance?
>
> *RQ3*: How could global climate finance become more decolonial?

After presenting the study's framework, providing some theoretical background and describing my methodology, a three-part analysis will follow to answer these research questions. First, I will introduce the climate finance landscape and use decolonial theory to show how this regime is brimming with coloniality (RQ1). In

[26] Fresnillo et al., 2023; Siritanu, 2023
[27] IBON International, 2023; Fresnillo et al., 2023; Siritanu, 2023; Ellmers, 2023
[28] Shalal, 2023b

the next section, I will present two climate and development finance mechanisms, namely the GCF and the HIPC Initiative, as an example for such coloniality, and to illustrate how financialization, especially regarding risk and vulnerability, is ubiquitous and devalues human lives (RQ2). Subsequently, I will consider decolonial challenge to the current climate finance system by analyzing the Bridgetown Initiative as a case study (RQ3). I will end with some concluding thoughts on decoloniality of climate finance.

2 Framework of study

To assess climate finance from a decolonial perspective and answer my research questions, I will combine some key concepts and theories, namely decolonial theory, critical political economy and ecology (including world systems theory, theory of ecologically unequal exchange, environmental justice and ecological debt) and the process of financialization.

Since my goal is to provide insights from a more holistic and global perspective, I choose to speak of climate finance as a whole, but I am aware that it is a very elusive concept, a diverse body of institutions, mechanisms and finance streams.[29] In my opinion, such an approach is much more needed at this point than another technical case study of one finance mechanism, which would exceed my capabilities for one, but would also risk depoliticizing and thus defeat the purpose of decoloniality.[30] Likewise, the way I am using the terms 'global North' and 'global South' might suggest a simplified binary. Although such a generalization is by no means my intention, I employ these terms here out of practicality and readability.

2.1 Coloniality and decoloniality

2.1.1 What is coloniality, and how does it relate to decoloniality?

Coloniality is a cultural complex, a way of expression, of producing knowledge and power relations that is based on gender, race and class hierarchies. These are shaped by colonial history and an imperial world order of globalized extraction and political, economic, social and cultural domination.[31] Crucially, coloniality recognizes that these power relations are not a thing of the past; they are constantly reproduced, and their detrimental impact is still felt today.[32]

In more theoretical terms, coloniality is based on a self-understanding of rationality which is dualistic and reductionist – it produces individualized subjects who cannot relate to 'non-rational' others unless in the form of domination.[33] It denies intersubjectivity and produces a 'natural hierarchy,' which thus justifies colonial power and social classification. This cultural hegemony has developed a certain seduction: because the colonizers' culture is mystified and inherently

[29] Chowdhury and Jomo, 2022
[30] Suárez-Krabbe, 2015
[31] Perry, 2021
[32] Maldonado-Torres, 2016
[33] Quijano, 2007

connected to power (and because it might be the only culture available or legitimized), the colonized ultimately strive to adopt it.[34]

Therefore, decoloniality means breaking with that reductionist culture of rationality and embracing diversity, heterogeneity and intersubjectivity – which allows for forming true social connections, intercultural communication and meaningful ways of being in the first place.[35] Decoloniality entails a fundamental critique of a Eurocentric production of history. This hegemonic version of history denies, or at best ignores, the deep rift of power between the global North and the global South, which naturalizes domination and exploitation.[36] In fact, Maldonado-Torres argues that modernity/coloniality distinguishes different "degrees of (not) being human (enough)" – which manifests itself in myriad ways of structural, emotional or physical violence in the quest of gatekeeping.[37] He calls this perpetual violence a naturalized war.

While the colonized experience a state of war as their reality, a source of that war is the anxiety and fear of those who have a lot to lose: any critical mention of the topic of colonialism or decolonization is likely to be met with a reactionary response that seeks to delegitimize the relevance, the value of the question or the questioner themselves.[38] If you dare to ask anyways, you "most likely [face] a decadent and genocidal modern/colonial attitude of indifference, obfuscation, constant evasion, and aggression, typically in the guise of neutral and rational assessments, postracialism, and well-intentioned liberal values."[39] It is a way of silencing and pulling away the ground of all possible agency. But if the colonized are deprived of all agency and subjectivity, how can they decolonize themselves? They need to refrain from validating coloniality and become decolonizing agents. Any decolonial turn starts with an internal decolonial attitude.[40]

The terms coloniality and decoloniality emphasize continuity. Intuitively, when we think of decolonization, we picture the historical period that came after – 'post'-colonialism. We see it as a descriptive term of a phenomenon in the past. However, decoloniality is much more than that: it is a critique, an ontology, a way of thinking and seeing the world from the perspective of the objectified 'other' during its journey of emancipation.[41]

[34] Quijano, 2007
[35] Quijano, 2007; Maldonado-Torres, 2016
[36] Bhambra, 2014
[37] Maldonado-Torres, 2016
[38] Maldonado-Torres, 2016
[39] Maldonado-Torres, 2016
[40] Maldonado-Torres, 2016
[41] Maldonado-Torres, 2016

Tragically, coloniality is the lived experience of too many – not least in the guise of climate change. By implication, decoloniality proposes an ecocentric view: both from the point of defying colonial violence in the form of climate change-induced displacement and loss of cultural or place-based identity,[42] as well as in form of the inherent search for rehumanization and reconnection, which cannot but extend to the nonhuman world as well. The historical and socio-political connections between environmental and social destruction and exploitation run deep.

2.1.2 Characteristics of decoloniality

At the base of decoloniality lies the recognition that Northern civilization – rational modernity, as we know it – is a product of colonial worldviews, logic and power distributions.[43] In fact, it postulates that Northern identity defines itself through the differentiation from others. These structures and ideas of colonial domination and othering are so deeply woven into the global North's cultural fabric and self-understanding, that they are inseparable from modernity (hence, 'modernity/coloniality') – and by implication, from perpetuating present-day inequality and injustice.[44] Thus, the starting point for decolonial thinking and practice is to recognize this conflation of coloniality and the 'modern' society, which keeps reproducing itself, unless challenged.

After this recognition, decoloniality means constructing and growing alternative worldviews, including a rehumanized mode of being. As Maldonado-Torres puts it, "decoloniality refers to efforts at rehumanizing the world, to breaking hierarchies of difference that dehumanize subjects and communities and that destroy nature, and to the production of counter-discourses, counter-knowledges, counter-creative acts, and counter-practices that seek to dismantle coloniality and to open up multiple other forms of being in the world."[45] Ultimately, decoloniality is about searching for and reconstituting inter-human and inter-species connection and understanding. It is expressed in a positive attitude of love and rage.[46] Therefore, decoloniality has an empowering and reconnecting character, which is much broader and pervasive than the mere study of history, political or ecological distribution conflicts.

Consequently, decoloniality seeks to disrupt and transform, to initiate a turn, during and by means of its counter-creation. It is not only creating alternative

[42] Whyte, 2017
[43] Maldonado-Torres, 2016
[44] Bhambra, 2014; Quijano, 2007; Maldonado-Torres, 2016
[45] Maldonado-Torres, 2016
[46] Maldonado-Torres, 2016

narratives and interpretations, but seeks to transform reality, actively disrupting and interrogating the dominant narratives and the course of modernity.[47] This is a continuous process (hence the term decoloniality instead of decolonization): the decolonial project is not over and in the past; on the contrary, as coloniality is omnipresent and structurally embedded, the decolonial counter-narrative is constantly evolving and re-emerging.[48]

2.1.3 Dimensions of decoloniality: knowledge, power, being

In his "Ten Thesis on Coloniality and Decoloniality," Maldonado-Torres outlines a model of three interconnected dimensions of (de)coloniality, building on Fanon.[49] He asserts that the coloniality of power, knowledge and being – which together include the elements of subjectivity, objectivity, structure, culture, methodology, time and space – is a transformation of these dimensions which constitutes the basis for the differentiation between inferiority and superiority (see Figure 1). Decoloniality, then, means to stop searching for recognition and validation within that world(view), it means "challenging the terms in which humanity is defined and recognition takes place."[50] Instead, decoloniality seeks to affirmatorily reframe humanity as constituted by love, understanding and interrelationality.

Concretely, within these three dimensions, a turn takes place: to leave the coloniality of knowledge behind, there needs to be an epistemic turn, whereby the colonized dares to question, think, communicate and theorize.[51] By asking questions about their untenable condition, the colonized inevitably enter into relation again and regain agency. To resist the coloniality of being, the colonized bring about an aesthetic turn. They become a creator, express themselves and their sensation through art and culture, recreating their own subjectivity. They reappropriate the dimensions of time and space, open up body and mind. Aesthetics, erotics and spirituality are crucial dimensions of all being – including embodied subjectivity, feeling, perception, consciousness, soul. Therefore, the aesthetic turn lies at the root of even the epistemic one. In this way, "decoloniality can be understood as *first philosophy*: it is the effort to restore love and understanding."[52] Finally, the coloniality of power is countered with an activist turn.

[47] Bhambra, 2014
[48] Maldonado-Torres, 2016
[49] Maldonado-Torres, 2016
[50] Maldonado-Torres, 2016
[51] Maldonado-Torres, 2016
[52] Maldonado-Torres, 2016, emphasis added

After the colonized have rediscovered their embodied subjectivity, they need to act and become agents of social change.[53]

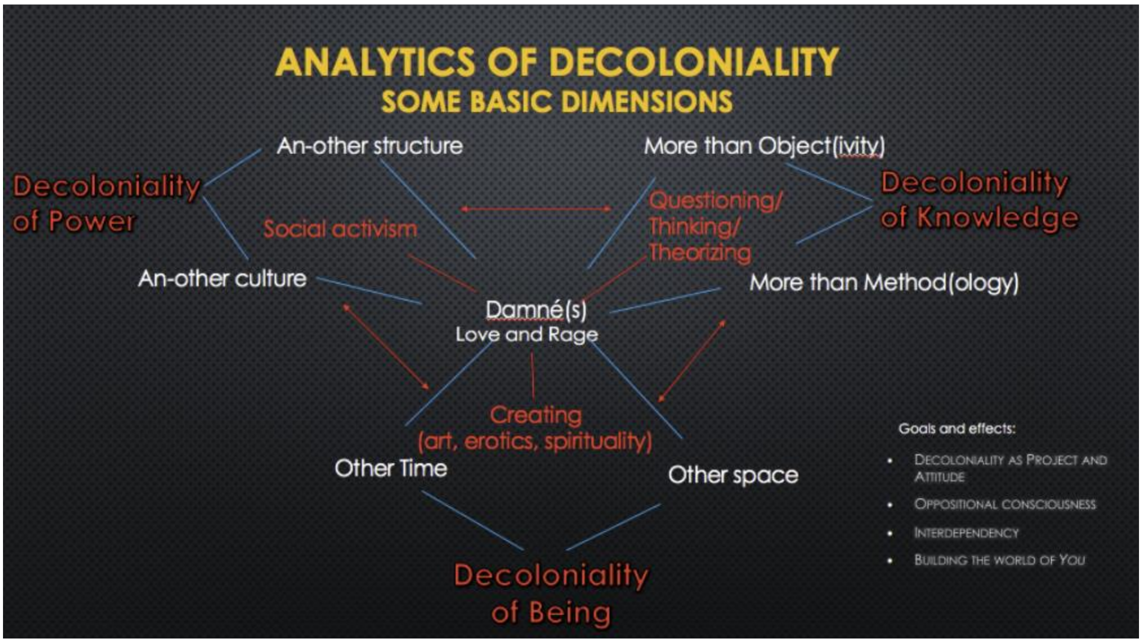

Figure 1: The dimensions of (de)coloniality and their relation to subjectivity, retrieved from Maldonado-Torres.[54]

2.1.4 Practical implications of decoloniality

Crucially, decoloniality is not just a theory. Embracing this concept means getting away from pen and paper, standing up; it is a living project. Its creative force, the attitude of love and rage, the refound agency, develop their true potential through active emancipation and reconnection, through building bridges.[55] For this study, this leaves the question what comes next. However, decoloniality will always remain unfinished and imperfect by definition, no one person can find all the questions and answers alone, which ultimately, "is why the decolonization project needs to be a collective one where subjects give themselves to each other and are receptive to each other in love, understanding, and their shared rage against modernity/coloniality."[56] With this study, I will contribute to that collective project.

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[53] Maldonado-Torres, 2016
[54] Maldonado-Torres, 2016
[55] Maldonado-Torres, 2016
[56] Maldonado-Torres, 2016

2.2 Critical political economy and ecology

In order to make sense of (de)coloniality in context, it is necessary to embed it into a wider theoretical field, which can be largely summarized as critical political economy and ecology. The key concepts in this domain presented here illustrate how coloniality is manifested throughout the socio-ecological-economic system.

2.2.1 A note on development

If we want to understand climate finance, it makes sense to take a critical look at (the history of) development and a world systems-based understanding of socio-economics first. In very simple terms, development means gaining power over nature[57] - how well humans are capable of dealing with their environment and organizing work in the process.[58] Since human societies do not exist in a vacuum, the way they develop and interact with each other through trade is crucial in this process. The fundamental differences between poverty, wealth, resource consumption and environmental exploitation are determined through these interactions and modes of development.

In mainstream neoliberal discourse, development is equal to economic growth, and poverty is often portrayed as a consequence of 'mismanagement.'[59] Development is detached from the original idea of efficient resource use and instead geared towards intensified resource use. This neoliberal development model is the root cause for socio-ecological degradation and destruction; neoclassical economics focus on monetized value only, disregarding any socio-ecological circumstances, which makes it fatally reductionist.[60] Human welfare, so the argument, will necessarily increase with more economic throughput. This story is not only terribly Eurocentric, reductionist and hubristic, it is also simply incorrect.

Nevertheless, the Eurocentric neoliberal narrative propagates the global North's societal model as the ideal norm that others should strive to reach but never fully can.[61] For example, this development narrative brushes over the fact that the universalist, neoliberal nature of the sustainable development goals (SDGs) could be problematic.[62] Even worse, whenever global North actors blame global South countries' 'lack' of development on their weaknesses, corruption and mismanagement, they conveniently overlook that their own capitalist interests and mechanisms have steered those countries into this misfortunate situation in the

[57] Quijano, 2007
[58] Rodney, 2018 [1972], p.2-3
[59] Oulu, 2016; Leeuwis et al., 2021
[60] Warlenius et al., 2015
[61] Leeuwis et al., 2021
[62] Perry, 2021

first place, all the while making resistance nearly impossible.[63] Consequently, this framework of international development reinforces existing Eurocentrism in the system.[64]

2.2.2 World Systems Theory

Eurocentrism is mirroring the key structure of world systems theory. According to this theory, which draws on Marxist analysis, the world is divided economically and geographically into a core and its periphery.[65] The core, as the seat of power, manufacture and consumption, extracts surplus value (raw materials and labor) from the periphery to its own benefit. Logically, this exploitative dynamic creates great inequalities, both within and across countries. It originates from the inner treadmill logic of capitalism: in the search for more profits, capitalists try to keep prices low, overproduce, look for new markets elsewhere, outsource. They integrate those spaces into their system, and a core-periphery dynamic is established. Thus the pursuit of profit through accumulation is incentivized through the design of the system.[66] This treadmill logic is especially vicious because it produces structural inequality and chains the periphery to exploitation and discrimination. The periphery is left exhausted and degraded, and thus cannot help itself other than by intensifying the extraction of its own natural resources, to pay for the mere cost of living.[67]

In very simplified terms, the core corresponds to the global North and countries of the global South represent the periphery.[68] This global economic order incentivizes externalizing environmental costs, putting the burden of environmental destruction onto the global South. An inverse relationship between consumption and domestic degradation follows, which de facto makes the global South a supply depot and pollution sink for the global North.[69]

Core capitalists like to invoke the free market as the driver of all economic order and development. However, the free market idea does not only obscure responsibilities, it is based on so many speculative assumptions that it resembles rather an ideology or a myth than a scientific basis.[70] Fundamentally, its idea contradicts the capitalist treadmill logic of accumulation and expansion. If there really was a free market, profit levels would be held untenably low through free

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[63] Oulu, 2016; Rodney, 2018 [1972], p.1-34
[64] Leeuwis et al., 2021
[65] Foster, 1999; Wallerstein, 2004, p.23-41
[66] Oulu, 2016; Wallerstein, 2004, p.23-41
[67] Roberts and Parks, 2009; Oulu, 2016
[68] Jorgenson, 2010
[69] Jorgenson, 2010; Warlenius et al., 2015
[70] Buller, 2022, p.36-56

bargaining and real competition. Therefore, the capitalist ideal is rather the existence of (quasi-)monopolies.[71]

The story of free trade goes similarly. Free trade is far from a win-win, contrary to how capitalists relish to proclaim: unfair competition and distribution between core and periphery, cost externalization and undermining of democracy through distant decision-making all lead to deepening inequality and injustice. All the while, capitalist institutions do not tire to call for growth and the benefits of market participation, which dangerously obscures the base of unequal exchange.[72]

2.2.3 Ecologically unequal exchange

The theory of ecologically unequal exchange (EUE) builds on the idea of this core-periphery structure. Put simply, EUE theory suggests that international trade is unequal, as it is "the exchange of more biophysical resources for less."[73] This presupposes that we acknowledge the material basis of all trade. Labor and natural resources – time and space – from the periphery are appropriated by the core.[74] It creates a biophysical imbalance, which can never be fully compensated through backward flowing money, due to the law of entropy – assuming that the prices paid for those resources and labor were actually adequate, which they are not.[75]

By using a monetary price to measure values, capitalism makes the false assumption that all values are commensurable and objective.[76] A commodity's physical properties (embodied matter and energy) are reduced to a monetary (subjective, cultural) value. However, by assigning a commodity a monetary value – which is a universal, physically detached medium of exchange – this commodity loses the connection to the time, matter and energy embodied in it.[77] This reductionist thermodynamics-economics paradox is at the core of the EUE argument. It leads to the illusion of reciprocity through market prices.[78]

The global North can maintain access to and extract those resources and labor for very cheap – socially unjust and environmentally destructive – prices, because it has the power to dictate the terms of international trade: "rich countries are able to maintain price inequalities simply by virtue of being rich. […] All else being equal, price inequalities are an artefact of power."[79] While enriching and

[71] Wallerstein, 2004, p.26-27
[72] Oulu, 2016; Jorgenson, 2010
[73] Oulu, 2016
[74] Hickel et al., 2022; Dorninger et al., 2021
[75] Hornborg and Martinez-Alier, 2016; Hornborg, 2019
[76] Hornborg, 2020
[77] Oulu, 2016; Hornborg, 2020
[78] Hornborg, 2020
[79] Hickel et al., 2022

developing the global North, those natural resources and the labor force are simply missing in the exploited regions and countries, which are thus actively hindered to use them to the benefit of their own wellbeing and development.[80]

Importantly, EUE stresses the material basis behind all trade, and urgently points out how the current system tends to conceal and detach itself from that basis.[81] The salience of the physical dimension of trade is crucial, because it determines both use value (to meet human needs) and exchange value (economic potential) of the traded commodity.

Although EUE theory is a material argument, it has an inherent moral implication: making one kind of valuation (monetary) a global standard is an exercise of power, which has paradoxical and discriminatory implications: its reductionism "undermines the social legitimacy of values such as human rights, collective territorial rights, sacredness, livelihood, indigenous rights, and ecological and aesthetic concerns."[82] The real viciousness of international trade lies in its subtle and almost invisible exploitation – as opposed to the very direct colonial violence – which forestalls any moral criticisms. Power imbalances are *naturalized* through market prices and mechanisms, inverting the blame for 'underdevelopment' onto the victims.[83] International trade distorts such inequality, it blurs the responsibility behind outsourcing, collapsed space and detached destruction. Meanwhile, the rich global North can afford to implement domestic environmental protection, greenwashing its own humanist conscience against the backdrop of misappropriation of environmental space.[84]

As a textbook example for EUE, Jorgenson paints the picture of foreign direct investment (FDI) as the motor behind a vicious cycle of poverty and environmental destruction.[85] To keep up with global markets and in the hopes of domestic growth and higher standards of living, global South countries are often desperate to attract FDI, making huge fiscal and regulatory concessions, always afraid of capital flight. Domestically, this has catastrophic consequences, before even the slightest bit of the mythical 'trickle-down effect' can materialize: indebtedness and structural adjustment programs force global South governments to pursue harsh austerity measures and over-extract their own natural resources. They are left in a poverty trap and with a heap of the global North's displaced

[80] Jorgenson, 2010; Rodney, 2018 [1972], p.167-207
[81] Hornborg, 2019; Oulu, 2016; Jorgenson, 2010; Roberts and Parks, 2009
[82] Oulu, 2016
[83] Hickel et al., 2022; Dorninger et al., 2021
[84] Jorgenson, 2010
[85] Jorgenson, 2010

environmental load.[86] Shockingly, none of this is news: Walter Rodney pointed out the connection between foreign investment, ownership, trade and EUE already 50 years ago.[87] Lastly, to illustrate the overwhelming dimensions of EUE, I would like to mention some of the recent calculations of Hickel and colleagues and let them speak for themselves. They found that "in 2015 the [global] North net appropriated from the [global] South

12 billion tons of embodied raw material equivalents,

822 million hectares of embodied land,

21 exajoules of embodied energy, and

188 million person-years of embodied labor,

worth $10.8 trillion in Northern prices – enough to end extreme poverty 70 times over."[88]

2.2.4 Environmental justice and climate justice

EUE is an example for materialized environmental injustice. Environmental justice, and by extension, climate justice, classically means a just distribution of impacts, responsibilities for and responses to environmental destruction and climate change.[89] It builds on the observation that climate change usually comes with a 'triple injustice:' those who are least responsible for climate change and environmental destruction, are simultaneously the most vulnerable and least equipped to adapt to its impacts, and are additionally disadvantaged through unequally distributed responses by others.[90]

Environmental and climate justice demand to first and foremost take power dynamics, and the social inequalities resulting from them, seriously. This includes minding differences in the effects of policy responses, such as marginalization or exploitation, but also differences in vulnerability, exposure and risk between social groups. Thus, they add a (human) rights discourse as well as the politics of gender, race and class to the question of how to respond to climate change.[91] Because, so the argument, acknowledging heterogeneity, diversity and intersectionality enables more targeted, reflexive and inclusive justice responses. These goals also require deconstructing the historical and geographical root causes behind differential injustices, like capitalism, colonialism and globalization, which still pervade the

[86] Jorgenson, 2010
[87] Rodney, 2018 [1972], p.27
[88] Hickel et al., 2022
[89] Roberts and Parks, 2009; Newell et al., 2021
[90] Newell et al., 2021
[91] Sultana, 2021; Newell et al., 2021

political economy of development.[92] One important implication of this value-based justice approach is the demand for compensation and reparation as a restorative reaction, not as a voluntary act of charity.[93]

Next to that, these concepts propose an ecocentric understanding of the world.[94] As a consequence, they advocate for multispecies perspectives, an intrinsic value of nature, which prohibits the logic of offsetting and commodification.[95] Lastly, they go beyond only distributive and restorative concerns, to also recognize procedural (e.g., participation, informed consent), recognitional (e.g., unequal capacities, historical root causes), intergenerational (e.g., structural violence), as well as cognitive and epistemic justice dimensions.[96]

2.2.5 Ecological debt

The concept of ecological debt falls under environmental justice, and can be seen as an extension of EUE theory.[97] It turns its moral argument into a simple, but bold claim: the global North has accumulated an ecological debt towards the global South.[98] The concept focuses on the space and sink capacity appropriation aspect of EUE and draws the conclusion that this socio-ecological injustice constitutes a form of debt.[99]

What makes ecological debt such a powerful concept is the hint to a powerful irony of history: the global North is indebted to the global South, not the other way around.[100] As mentioned previously, many global South countries are highly indebted to global North creditors and banks in a monetary sense of the term. Thus, to repay these sovereign debts, they are forced to intensify natural resource extraction for export (to obtain foreign liquidity) and compete with each other on an oversaturated market, making said extraction even more socially and environmentally exploitative – another vicious cycle.[101] However, if we succumb to the disputable procedure of measuring ecological debt in monetary terms, we should keep in mind that the *financial* debt of the global South is actually far less than the monetized value of the *ecological* debt of the global North.[102] The blunt irony is obvious. Put this way, the external financial debt of the global South has

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[92] Sultana, 2021
[93] Oulu, 2016; Schlosberg and Collins, 2014; Sultana, 2021
[94] Schlosberg and Collins, 2014
[95] Newell et al., 2021
[96] Newell et al., 2021; Schlosberg and Collins, 2014
[97] Roberts and Parks, 2009
[98] Oulu, 2016; Roberts and Parks, 2009
[99] Dorninger et al., 2021; Roberts & Parks, 2009; Warlenius, 2016
[100] Warlenius et al., 2015
[101] Warlenius et al., 2015
[102] Warlenius et al., 2015

already been more than repaid. The global North tends to dismiss or neglect its accountability in this respect.[103]

Ecological debt advocates call for a new, regenerative economic system in light of the non-monetizable ecological debt, which can only be made up for through a deep, structural and systemic change: "Ecology is the basis of life itself and money cannot compensate for its loss."[104] Nevertheless, even though monetizing debt is dangerous at worst, suboptimal at best, this quantified language currently is the most likely to be successful and understood by global North actors.[105]

Given the inconceivable dimensions of injustice, the sheer scale of indebtedness faced if one truly accepts the argument of ecological debt, it is not surprising that the global North does not like to conceptualize its debt as such.[106] Curiously, this is perfectly in line with Maldonado-Torres' assertion that the mere mention of colonialism spreads anxiety and fear.[107]

2.3 Financialization

When it comes to analyzing the recent advances in climate finance and their coloniality, there is a prominent phenomenon that goes even further than unequal trade or ecological debt, which merits special attention: financialization. Put simply, financialization means that finance plays an increasing role in politics, economy and society. Finance becomes outsized, there is disproportionately much credit creation and speculation.[108] Financial motivation, markets, actors and mechanisms become ubiquitous.[109] They dominate in the economy and eventually create more value than commodity production:[110] financialization means that "a greater quantity of interest-bearing capital is produced over time, and a greater proportion of capital becomes interest-bearing."[111] In other words, financialization constitutes the further subjugation of the natural world under neoliberal market power. It is an imperial project in this sense, aiming to create new markets, derivate income streams and commodify additional areas of life to extract surplus value.[112] But

[103] Sultana, 2021
[104] Hickel et al., 2022
[105] Warlenius et al., 2015; Warlenius 2016; Buller, 2022, p.10
[106] Warlenius et al., 2015
[107] Maldonado-Torres, 2016
[108] Assa, 2020; Bertilsson and Thörn, 2020
[109] Mader et al., 2020
[110] Mawdsley, 2018a
[111] Bracking, 2019
[112] Bertilsson and Thörn, 2020

financialization can signify various things; next to the political power of finance or a certain economic and societal architecture, it can also describe the effects of financial dominance on culture and relational being[113] – all of which are very much connected to coloniality. In the context of climate finance, Bertilsson and Thörn propose the more concrete definition of financialization as state-driven governance beyond aid, and towards "[making] climate projects profitable for financial investors from the private sector."[114]

For the purpose of this study, I am focusing not so much on the unproductive nature of financialization, the profiting without value creation and economic destabilization aspects, but rather on the neoliberalization and commodification aspects of it.[115] In that respect, financialization is restructuring surplus accumulation by commodifying immaterial constructs such as risk, vulnerability or liabilities, which goes beyond the well-established concept of the commodification of nature or climate through carbon trading and offsetting schemes.[116] Commodifying fundamental aspects of human wellbeing (like security and resilience) by turning them into indicators for speculation and squeeze them to shed unproductive income through interest is not only exploitative, but also colonial in the sense that it deprives the people whose lives and livelihoods are at stake of their subjectivity. Consequently, calling out financialization also means recognizing that banks and creditors have profit-seeking motives, and thus finance is not just another resource to be mobilized, but rather a very political process infused with power dynamics.[117]

Another effect of financialization is that it increases the share of privatization in the economy, which diminishes the democratic control of power and encourages monopolizing, elite building and inequality instead.[118] Last but not least, financialization in the sense of risk commodification represents the latest stage of capitalism:[119] the finance economy can be seen as an extension of unequal trade, it is an advanced stage of world system globalization and integration, ultimately reproducing imperial power.[120] Hence, it matters deeply.

113 Mader et al., 2020
114 Bertilsson and Thörn, 2020
115 Fine, 2022; Assa, 2020
116 Viganò, 2023; Bracking, 2019; Mawdsley, 2018a
117 Assa, 2020
118 Viganò 2023; Asssa, 2020
119 Mawdsley, 2018a
120 Hudson, 2017, p.1-18; Rodney, 2018 [1972], p.26-34

3 Methodology

3.1 Positionality

I am writing this thesis with the body of work and scholars in mind who aim to decolonize academia.[121] However, given my academic background and privileged position as a *white* young woman from the global North, my knowledge is influenced by my Northern socialization and education, and my understanding of coloniality will necessarily be limited. My learning is based on literature, rather than experience or exchange. Thematically, I have a broad interdisciplinary training in environmental governance, science and policy as well as critical theory. But my expertise on finance and economics I limited. Consequently, I cannot claim to competently evaluate any overtly technical aspects of climate finance. Rather, my political ecology perspective allows me to historicize and propose more critical, holistic perspectives.

3.2 Research instruments

3.2.1 Case and material selection process

Pursuing an exploratory approach, I started with scoping grey literature to better understand the field of climate finance and its current issues. Bit by bit, I complemented my scoping (i.e., sifting through, aiming to grasp and loosely map the topic) with academic literature to dive deeper into the mechanisms and their various critiques. During this process, I used snowballing to identify more relevant literature on the topic, but also on relevant theory, to review later.

The case examples I use to illustrate, namely the Green Climate Fund (GCF) and the Highly Indebted Poor Countries (HIPC) Initiative, were chosen because of their representative nature for the phenomenon of financialization, their considerable size and weight within the global climate finance regime, and their complementarity, judging from my scoping review. The Bridgetown Initiative had made recent headlines which had caught my attention and provided the initial idea for this thesis. I chose it as an example for decoloniality because of its unprecedented boldness, its global South-coalition character and astonishingly wide reach.

The transition from scoping to review was fluid; I included secondary material such as academic literature, (online) newspaper articles and media outlets,

[121] Suárez-Krabbe, 2015; Bhambra, 2014; Maldonado-Torres, 2016; Whyte, 2017

civil society reports, opinion pieces, speeches, policy documents and official reports. Regarding the time frame, I tried to use the most recent data available, since the field of climate finance is moving very quickly. But I also integrated more established theoretical contributions necessary for critically historicizing climate finance as an evolution of development finance and climate change responsibility, for example. This also helps to highlight the continuity aspect of coloniality.

3.2.2 Analysis and interpretation

In general, my approach is analytical and exploratory; I employed a loose mix of non-systematic content analysis, policy analysis and literature review. I focused on what decision-makers in climate finance intend to, pretend to, and actually do, always trying to take a critical stance.

Policy analysis classically scrutinizes a policy, looks at its design, effectiveness and impacts, with the aim of making recommendations or suggesting alternatives.[122] My policy analysis is rather descriptive. I was looking not just at the design and content of a policy, but also at the context and roots of the issue the policy aims to treat, as well as the circumstances of the policy's creation – how it works, who decides, who is affected, but also motivations, information base, heritage, framing, funding, implementation, etc.[123]

In climate finance and mainstream development policy, the focus often seems to be on the technical side of things, whereas contextualized, historicized or moral perspectives are rather marginalized. With my study, I aim to add to these alternative, more holistic perspectives. Therefore, my policy analysis is interpretive: in line with the tradition of critical theory, interpretive policy analysis acknowledges that all knowledge is situated, meaning partly subjective and embedded in a social process of sensemaking – and that knowledge, meaning and sensemaking is what ultimately shapes policy and its effects.[124] If we assume that policies can have different meanings in different (local) contexts, we should also analyze values, beliefs, feelings and (collective) identity when trying to understand policy.[125] More concretely, this means not just asking *what* the meaning of a policy is, but also *how* this meaning is communicated and operationalized. For example, various heterogenous communities of meaning highlight certain elements or traits of an issue over others, and bestow them a certain value when communicating about an issue – which is the highly political process called framing.[126]

[122] Einbinder, 2019
[123] Einbinder, 2019
[124] Yanow, 2011
[125] Yanow, 2011
[126] Yanow, 2011

Content analysis, on the other hand, means making inferences from a text about its messaging process, based on creating summarizing categories, often combined with quantitative methods such as frequency counts.[127] Despite this more material starting point, content analysis has similar goals as interpretive policy analysis pertaining to critically assessing meanings, groups, patterns, possible intentions and values.[128] It is thus equally context-dependent and partly relative by definition.

For this study, I started with selecting documents and communication sources,[129] whereby I chose the newest available versions of reports and most recent literature that I could find. This makes especially sense for a rapidly moving field like climate finance, with many of the phenomena I examine still in the middle of creation and unfolding, their repercussions only starting to fully materialize. Looking at these mostly written sources, I tried to identify broad communities of meaning, or rather stakeholders who share a common way of framing the issue, especially paying attention to the relation between mainstream hegemonic and marginalized decolonial perspectives. I present those broad narratives, how they reflect and are reflected in climate finance thinking and design, complemented by critical literature, which helped to connect them to theory. I applied theory to contextualize, assess and interpret them. In doing so, I remained exploratory; the field of climate finance is vast, rather new, fast moving and not very clearly delineated – hence I deemed an exploratory, interpretive and scoping-based approach the most useful for my endeavor.

Concretely, I used the theoretical framework of decolonial analysis. This entailed analyzing and partly deconstructing the various injustices, systemic processes (like financialization) and power relations behind the global climate finance landscape. Theoretical background in political economy and ecology provided the historical and contextual base for this deconstructive endeavor. From there, I critically assessed transformation efforts by applying and comparing them to the core tenets of decoloniality.

[127] Weber, 2011
[128] Weber, 2011
[129] Weber, 2011

3.2 Limitations

The scope of this thesis aims to set the scene and explore potential decolonial perspectives which might deserve further attention. However, a broader, more systematic analysis would certainly help to understand the different meanings and perspectives on climate finance more deeply or accurately.

Moreover, owing to the non-systematic nature of my analysis, it might be prone to inconsistency, incomprehensiveness and yet bear a risk of redundance. But given that my research focus is on connecting landscape and system level dynamics to theory with the help of some illustrative examples, rather than analyzing and quantifying certain narratives in detail, I argue that this is not existential.

Lastly, as I am employing an interpretive and critical approach, some subjectivity bias cannot be denied. Scoping and snowballing as main selection procedure has very little representative or verifiable value. Nevertheless, it may have analytical-theoretical value, and the exploratory connections drawn could serve as pointers to build on with more rigorous, in-depth case studies.

4 The coloniality of climate finance

4.1 Structure of the current climate finance landscape

To answer why and how climate finance is perpetuating colonial and climate injustices, some background on the distribution and structure of current climate finance is necessary. Climate finance is a very broad term and hard to define, there is an array of institutions, organizations, mechanisms, finance streams, political arrangements and regulations, economic tools and companies that comprise it. In fact, the lack of a universal, standardized definition and reporting standard for climate finance is part of the problem – such lack of transparency and inconsistency often help hiding inequalities and injustices behind glossy or technocratic language, and lead to contested numbers.[130] Nevertheless, the UNFCCC provides an operational – yet still ambiguous – definition, namely that "climate finance aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing the vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts."[131]

Concretely, this means that climate finance includes both public and private funding arrangements for all kinds of climate and environment related measures classified as mitigation, adaptation or loss and damage.[132] Although strictly speaking, loss and damage funding is not even officially counted as climate finance, regardless of rising death tolls and economic losses in the global South in the face of climate disaster.[133] Depending on the entities or actors involved, climate finance can take the shape of grants, (non)concessional loans, financial products such as guarantees, equities, trust funds, bonds, or development aid and even insurance or taxes.[134] Naturally, climate finance works across different governance levels; there are regional, national, bilateral and multilateral policies and mechanisms.

Despite the difficulty in defining, let alone reliably quantifying global climate finance flows, it is worth to take a look at the data available. According to the newest OECD numbers, total climate finance provided by the global North in 2020 amounted to US$ 83.3bn, of which 13.1bn came from private sources, and 58% went to mitigation.[135] However, OECD calculations tend to be on the generous side.[136] Oxfam, on the other hand, claims that a more accurate figure of climate finance for that year is around US$ 21-24.5bn.[137] They both agree that around 70%

[130] Chowdhury and Jomo, 2022
[131] Chowdhury and Jomo, 2022
[132] Weikmans, 2023; Bracking, 2019
[133] Perry, 2021
[134] Chowdhury and Jomo, 2022; Mawdsley, 2018a; Cui and Huang, 2018; Weikmans, 2023
[135] OECD, 2022
[136] Chowdhury and Jomo, 2022
[137] Oxfam International, 2022

of all climate finance was provided in the form of loans.[138] This loan-based finance distorts the overall picture – immensely high interest payments should effectively be subtracted from the finance flows to show the real picture; they often outweigh the funds received by large.[139] However, an arguably much more comprehensive estimate of global 'climate-related primary investment' comes from the advisory organization Climate Policy Initiative (CPI).[140] In their report, they state an average of US$ 632bn per year in total climate finance for 2019/20.[141] They and others also argue that this is still not enough to adequately respond to the climate crisis and people's needs, and observe tremendous shortcomings in the share of adaptation vs. mitigation finance, its intersections with public vs. private and grant vs. (concessional) loan-based finance, as well as a very unequal geographic distribution.[142] Interestingly, due to the recent wave of Ukrainian refugees, the OECD has observed that global North countries increasingly channel designated development funds back to themselves, taking away from, for example, climate-related projects in more vulnerable countries.[143] For a detailed overview of climate finance flows per source, instrument, use and sector, see the CPI's chart in Figure 2.

When talking about the current global climate finance landscape, it is essential to note that it has transformed substantially in recent years: the share of private finance and especially bonds has increased dramatically – in the case of SIDS, from 17.5% in 2010 to almost half in 2020.[144] Bondholders have become the biggest creditor group almost everywhere, although they are especially hard to find data on. But there are indications that the majority of all bond debt is held by around 20 private investment firms, such as BlackRock and PIMCO.[145] These firms have recently come under attack for not participating in debt relief negotiations and holding on to their billions of expected profits from these liabilities instead.[146] Meanwhile, the trend in climate finance towards a private, financialized complex of insurance, risk markets, new asset classes like derivatives or securities and complicated financial engineering keeps growing; often obscuring new vulnerabilities and dependencies on the way.[147]

In the following sections, I will shed further light on these and other processes in global climate finance from a decolonial perspective. To do so, I start with analyzing how the dimensions of coloniality – being, power and knowledge – are reflected in this global climate finance regime.

[138] OECD, 2022; Oxfam International, 2022
[139] Chowdhury and Jomo, 2022; Fresnillo and Crotti, 2022
[140] Chowdhury and Jomo, 2022
[141] Buchner et al., 2021
[142] Buchner et al., 2021; Weikmans, 2023; Fresnillo and Crotti, 2022
[143] Craviotto and Ravenscroft, 2023
[144] Fresnillo and Crotti, 2022
[145] Fresnillo and Crotti, 2022
[146] Elliott, 2023b
[147] Assa, 2020; Bracking, 2019; Mawdsley, 2018a

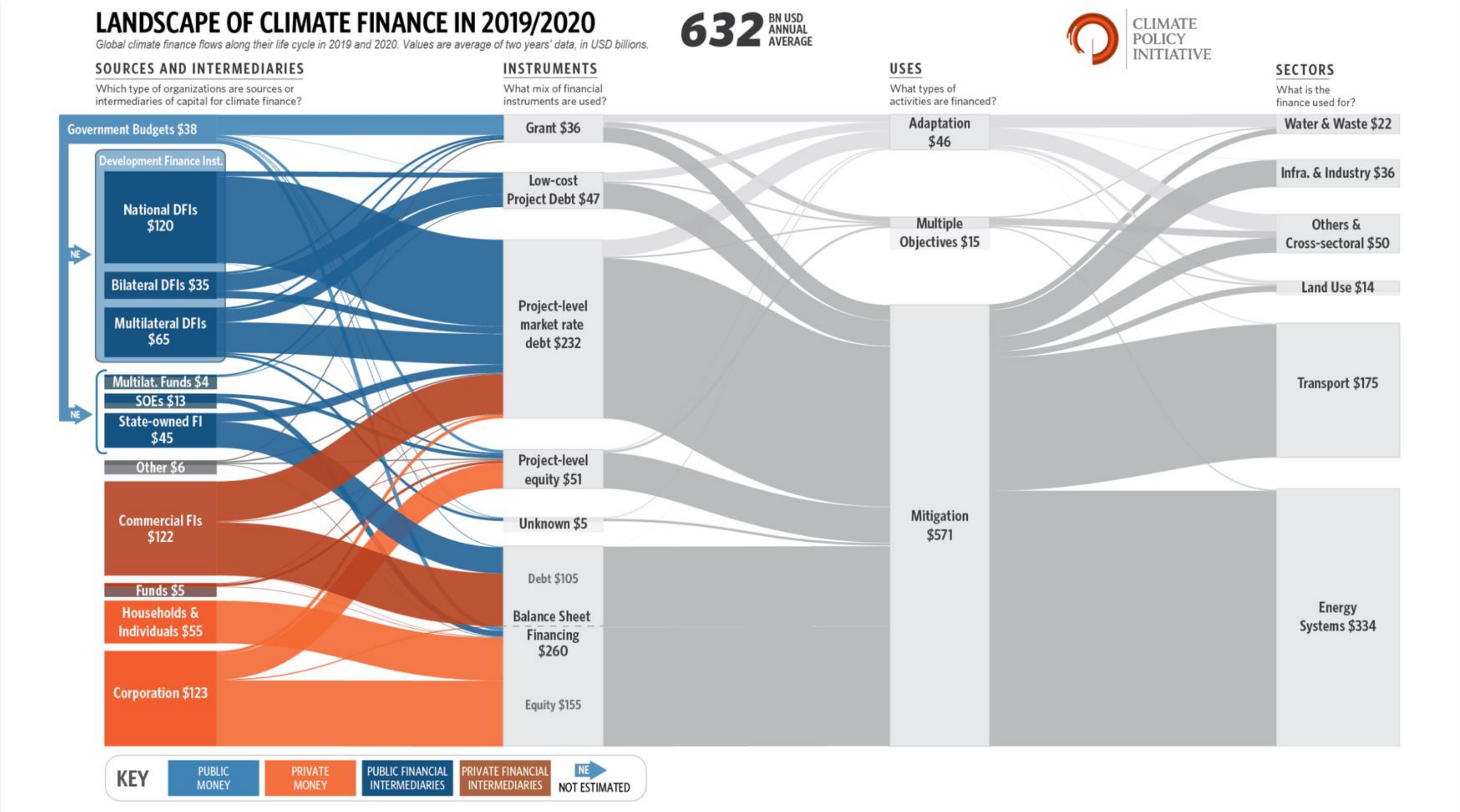

Figure 2: Conceptual overview of the global climate finance landscape, based on 2019/2020 data, retrieved from Climate Policy Initiative.[148]

[148] Buchner et al., 2021

4.2 Coloniality of being: Origins and workings of the climate finance system

According to Maldonado-Torres, coloniality of being means that the colonized are denied their humanity.[149] As we will see later, the commodification of risk and vulnerability as a calculable utilitarian measure does exactly that. Even more, it does so along racialized hierarchies, while simultaneously denying them:[150] the global financial system is the extension of a capitalist project of imperial expansion through the indirect, but externally imposed extractive governance style of 'dollar diplomacy,' that has its roots in economic policy decisions over a hundred years ago.[151] Its legacy lives on in the intensified financialization of climate finance, which creates neocolonial dependencies through investments and debt. This shows that the value of some human lives is effectively seen as worth less than others. A level playing field is far out of sight. As Mia Mottley tellingly asks: "how can a world have at its core a subcommittee that excludes more than 1.4, 1.5 billion people … and expect it to reflect fairness and transparency?"[152]

Global South countries started accumulating debt because of world economic integration on unequal terms and, in the case of SIDS, geographical disadvantages in the first place.[153] This fundamental inequality is what kicked off a cycle of disproportionately high interest payments, forced growth and destructive natural resource sale outs, which in turn locks those countries into a fossil fueled growth addiction and neoliberal development path dependencies. The consequent austerity measures to fight the debt burden make the debt trap colonialism complete. They disrespect human life along racial lines, when human needs and wellbeing (social welfare and affordable living costs) in the global South are given a lesser importance than debt repayments and derivative income streams for rich investors and countries in the global North. Imposed austerity governance has turned some global South countries into "an experimental site of neoliberal management," with the consequences of ruin, decay, slow violence and emigration.[154] Inequality, poverty, risk and climate vulnerability remain.

From a systems perspective, development finance – and by extension, climate finance – perpetuates coloniality because in its current form, it creates readily available surplus populations in the global South who are contractually tied

[149] Maldonado-Torres, 2016
[150] Sultana, 2021; Perry, 2021
[151] Hudson, 2017; p.1-18
[152] Lynch, 2022
[153] Bonilla, 2020; Fresnillo and Crotti, 2022
[154] Bonilla, 2020

to pay interest.[155] This shows that the legacy of a world system based on EUE, developmental drain and racialized ideas of cultural superiority has not only diffused into collective consciousness, but also molded the design of financial institutions and practice.

This injustice collides and perfectly intersects with the almost equally long history of unequally distributed environmental destruction and climate impact due to the disproportionate vulnerability of the global South – the legacy of ecological debt. Here the colonial continuity is reflected in unequal access to finance, especially in the form of adaptation, which is harder to capitalize on, as we will see in detail later.

Market-based, green capitalist solutions reflect coloniality of being and often exacerbate harm in a similar way by encouraging land grabbing, dispossession or pollution.[156] Moreover, governance and finance approaches tend to be very insensitive to intersectional complexity, which undermines the effectiveness of any well-intended but poorly-designed, top-down, yet apolitically framed resilience building efforts, for example.[157] Another way in which climate finance represents the coloniality of being is the framing of climate change, as well as official development assistance (ODA), as a merely economic or technical issue, depriving it of its history, and any ethical or moral dimension.[158]

By not reaching or effectively protecting the most vulnerable, both ODA and climate finance systematically fail to deliver on what they promise. Even worse, they divert from the real problem – that the current economic world order is inherently unequal and dehumanizing – as they hubristically feign humanitarian care. Avinash Persaud, the Barbadian special envoy on investment and financial services, summarizes this coloniality of vulnerability and capability in very straight terms: “40% of the world is burning and drowning and those with the greatest capacity to do something are not doing something because they are not burning and drowning.”[159]

[155] Perry, 2021
[156] Sultana, 2021
[157] Sultana, 2021
[158] Sultana, 2021
[159] Lynch, 2022

4.3 Coloniality of power: Decision-making and agenda-setting

The fact that investors and creditors come from, and multilateral institutions are dominated by global North countries is a sign for coloniality of power.[160] Echoing Fanon, the powerful determine the structure and culture in which subjects exist, and who those subjects are.[161] Decision-making and agenda-setting in global climate finance is not in the hands of the most affected or vulnerable, but of the powerful – a grave procedural injustice, reflected in delegation sizes, weighted voting mechanisms or access to expertise.[162] Thus the terms of climate finance, how much money is disbursed by whom, when and in which ways, are ultimately dictated by global North actors.[163] Also, the fact that creditor countries can utilize the (non)provision of ODA, debt relief or climate funds for political leverage to strategically impose reforms reflects a clear power imbalance.[164]

International organizations such as the IMF and World Bank have an immense global agenda-setting power: they are able to problematize an issue, frame it as urgent or not, and simultaneously sell their expertise on it.[165] They propagate that “problems are intersubjective social constructions, rather than materially objective facts,” which gives them interpretative and problem-solving power.[166]

Moreover, in a sense, climate finance is the reverse of EUE: putting unjust starting terms aside for a moment, simply giving money back in the form of climate finance cannot possibly make up for the biophysical drain the global South has been experiencing, which aggravated its climate vulnerability. This recalls the idea that “money cannot compensate for entropy.”[167] Environmental destruction, suffering and exploitation are not quantifiable in monetary terms – which actually makes the whole undertaking of climate finance imperfect and incomplete from the outset. Consequently, real restorative justice is only possible in a forward-looking sense, by allowing participatory and systemic transformation, so that ecological debt does not accumulate anew and power is redistributed. Nevertheless, speaking with Olúfémi O. Táíwò, “reparations are central to the expansive project of building a more just world, not just a mechanism of redress for past harms.”[168]

[160] Hickel et al., 2022
[161] Maldonado-Torres, 2016
[162] Newell et al., 2021
[163] Chowdhury and Jomo, 2022
[164] Carter, 2022
[165] Kranke, 2022
[166] Kranke, 2022
[167] Hornborg, 2019
[168] Fresnillo and Crotti, 2022

Furthermore, the global North demonstrates coloniality of power by determining the prices for commodified financial products, such as risk-dependent loans (even if they are concessional).

Lastly, colonial power is asserted through foreign ownership as well. Investors and creditors keep hold of their assets while harvesting interest payments.[169] In this sense, climate finance shows the very classical social relations that make up extractive capitalism.

Returning to decolonial theory, colonial power asserted through decision-making and agenda-setting takes away from that crucial intersubjectivity which opens up the space to communicate, express, and spread love and understanding. Instead, the colonized subjects are trapped in "the process of searching for recognition and validation in the modern/colonial world."[170]

4.4 Coloniality of knowledge: Hegemonic narratives and responsibility

Climate finance largely adheres to and propagates the economic mainstream narratives of green growth and ecological modernization as the means to welfare for all. This narrative is detrimental, it shows that an exclusively economic framing is all-pervasive in policy-making and society, although it cannot possibly account for something as complex as life.[171] Such reductionism forecloses the thinkable, and any chance for deeper, inclusive transformations.

We can see this in creditors' and investors' preference for mitigation over adaptation, for example, but also in the wording used by the World Bank and IMF, as shown below. However, uncertainty, complexity, diversity, ethics or EUE as a whole simply do not feature in mainstream economic discourse. Inequality is taken for granted, beneficial to progress for all, and not questioned. This perspective views the initial distribution of wealth and resources not as a historical injustice, but as naturally given, which justifies to defend business as usual with almost advocacy-driven vigor. Sadly, such economic reasoning still informs most policymaking.[172] But crucially, this forecloses any post-growth pathways by default.[173]

Another dominant narrative along the same lines is that indebtedness is a result of lacking political will or faulty policy design[174] – not of unequal terms or past

[169] Rodney, 2018 [1972], p.27
[170] Maldonado-Torres, 2016
[171] Buller, 2022, p.8-11
[172] Oulu, 2016
[173] Kranke, 2022
[174] Kranke, 2022

and present exploitation. The technocratic way of governance and assessment is seen as the only legitimate one; it is imposed, if necessary, through market integration or adjustment conditions, euphemistically called 'capacity building' or 'technical assistance' for example. The implicit, patronizing claim that the global South is incapable of managing on its own while completely disregarding the global North's historical role in this is a blunt injustice, if not outright hypocrisy. Whose knowledge is valued and spread?

Part of that governance approach is the idea of 'pacta sunt servanda,' which frames debt as something contractual and inherently unsustainable, ignoring any relational or historical dimensions. With this mere anticipation, institutions like the World Bank and IMF *make* future debt into a problem, they colonize the future so to say.[175] This is an extreme case of narrative power and coloniality of knowledge. Moreover, narratives are adapted as needed to serve the interests of the powerful, who tend to promise money whenever they expect to profit from it. In effect, "*the game itself is financialized*, and as such the poor and vulnerable can expect little from it."[176]

In fact, the irony behind which debt counts more – the financial or the ecological one – is also an expression of the global North's narrative power. From a decolonial point of view, we would ask: who is able to ask the questions? Who determines what value is? It becomes obvious that the current climate finance regime values risk, loss and damage or adaptation very differently than the most affected people and areas (MAPA). The inconsequent implementation of the CBDR (common but differentiated responsibilities) and polluter pays principles is an example that climate finance and debt relief are not seen as a moral obligation but rather as charity.

Yet, current development policies and organizations aim for empathy rather than targeting root causes or protecting rights, thus not really recognizing inequalities but maintaining a humanitarian image.[177] The global North's self-representation of care for the future serves to preserve the status quo of comfortable overconsumption with the help of humanist paint.[178] Again, coloniality is reproduced out of fear, brimming with pernicious hubris.

Contrarily, the hegemonic narrative of post-colonial innocence asserts that colonialism ended with formal independence and gave way to an economic meritocracy, whose success or failure in providing prosperity is solely dependent

[175] Kranke, 2022
[176] Bracking, 2014
[177] Oulu, 2016
[178] Oulu, 2016

on strong institutions, work ethic and 'good governance.' The globalization of free trade has supposedly levelled the playing field; market prices create an illusion of reciprocity.[179] Consequently, all responsibility can only be national, rather than systemic or historicized – an underlying narrative reflected in credit rating approaches, for example. Any world systems scholar or EUE aware person would fundamentally disagree. The fact that ecological debt is still not recognized by hegemonic actors is probably the most striking example of that.

To summarize, we can say that coloniality is perpetuated in climate finance because of historical power structures and hierarchies, hegemonic worldviews and ignored responsibilities. It appears in the form of various injustices, inequalities, hidden exploitation and vulnerability.

[179] Hickel et al., 2022; Hornborg, 2021

5 Coloniality and financialization: two exemplary cases

After looking at how the different dimensions of coloniality appear in climate finance on a theoretical level, a critical assessment of how they play out more concretely seems adequate. In order to do that, I am zooming in on how risk and vulnerability become financialized, which represents the next step in continuously colonial late capitalism, hidden behind complex finance architecture. Therefore, in the following I present and critically assess two prominent multilateral climate and development finance mechanisms in terms of their coloniality, namely the Green Climate Fund (GCF) and the Highly Indebted Poor Countries (HIPC) Initiative, before discussing them as illustration for how the financialization of risk and vulnerability has come to dominate the global finance regime and its colonial power relations.

5.1 The Green Climate Fund

5.1.1 Core tenets of the mechanism

The GCF is the largest multilateral climate fund to date, with a volume of US$8-10bn.[180] It was established at the 2009 Conference of the Parties (COP15) to the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen, to help fulfil the infamous goal of collectively mobilizing US$100bn in climate finance yearly by 2020.[181] It is thus tied and accountable to the UNFCCC.[182]

The GCF collects finance pledges by global North countries, which it then distributes to eligible global South countries via accredited entities or national agencies (country ownership), in the form of project funding or readiness support (technical assistance and capacity building to administer said project funding), according to submitted project proposals.[183] The fund is overseen by a board, which has an equal balance of global North and global South representatives, and full decision-making power over the allocation of funds.[184] Further, the GCF aims to equally divide its funding between mitigation and adaptation, and commits to prioritizing vulnerability, i.e. channeling at least half of its funds to the groups of 'least developed countries' (LDCs), SIDS and other African states, by its statute.[185] Finally, it provides funding "through a flexible combination of grant, concessional

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[180] GCF, 2023; Garschagen and Doshi, 2022
[181] Cui and Huang, 2018; Bracking, 2014
[182] GCF, 2011; Bracking, 2014; Bertilsson and Thörn, 2020
[183] GCF, 2011; Bracking, 2014
[184] GCF, 2011; Bertilsson and Thörn, 2020
[185] GCF, 2011; GCF, 2021

debt, guarantees or equity instruments to leverage blended finance and crowd-in private investment."[186] This means it actively pursues partnerships with private finance, leveraging public funding to pave the way for private investment at scale.[187]

5.1.2 Innovation and heritage of the mechanism

The GCF is remarkable not just because of its unprecedented size, explicit vulnerability focus or global South participation (albeit with very limited actual power). Since climate finance is usually biased towards mitigation,[188] another innovation of the GCF is its high share of adaptation and grant-based funding by design, as well as direct access through country ownership, which, even if contestable in their implementation and effectiveness, both echo important concerns and demands of the global South.[189] Importantly, even though it is not the first of its kind,[190] the GCF proclaims a 'paradigm shift' in terms of scaling up funding through blended finance.[191] It is in line with the UN 'billions to trillions' agenda launched in 2015, which introduced the UN's intent to tap into private investment to fund sustainable development.[192]

5.1.3 Motivation and framing behind the mechanism

The purpose of the GCF's foundation was to create a new institution backing the flagship US$100bn pledge, but also to make up for shortcomings of previous funds.[193] However, the COP negotiators were all but united on its design: Bracking traces the negotiations and the creation process of the GCF from 2011 to 2014, and finds a conundrum of contradictions, procedural injustices and regulatory capture.[194] Broadly speaking, she distinguishes two different interest groups with their visions for the GCF, reflecting the diverging views of climate change as a crisis versus climate change as "incremental need to reform by (greener) business as usual."[195] The former, represented by civil society and global South-actors, advocates for grants-based adaptation funding, whereas the powerful green-growth business-oriented group promotes private loan- and debt-based finance for mitigation.

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[186] GCF, 2021
[187] GCF, 2021.; GCF, 2011; Bracking, 2014
[188] Cui and Huang, 2018
[189] Bracking, 2014; Cui and Huang, 2018; Garschagen and Doshi, 2022; Bertilsson and Thörn, 2020
[190] Garschagen and Doshi, 2022; Perry, 2021
[191] GCF, 2011; Bracking, 2014
[192] Perry, 2021; Mawdsley, 2018b
[193] Bracking, 2014
[194] Bracking, 2014
[195] Bracking, 2014

During the creation process, civil society representatives succeeded in keeping some of their rather radical wording implying a pro-global South design, but many of the key contentious issues, like funding accountability or how to address vulnerability concretely, kept being postponed and are still not clearly regulated today.[196] Next to that, Bracking exposes various undermining lobbying techniques from the hegemonic side, based on actively disengaging and dissembling civil society advocacy, strengthening their own expert authority while discrediting other knowledges, and convincingly hinting at the idea that investments might fail to materialize if the terms of the powerful are not adhered to.[197] In the end, "a heuristic path dependence is created for private-sector-based mitigation, […] hidden in the implicit false dichotomy of 'serve the people or fix the planet.'"[198]

Today, nine years after Bracking's critique, the GCF's website clearly illustrates how green growth narratives and private finance have succeeded at dominating the institution's goal framing, when it mentions environmental benefits merely as convenient add-on to a perfect business opportunity: "Climate change offers businesses an unprecedented chance to capitalize on new growth and investment opportunities that can protect the planet as well. GCF employs part of its funds to help mobilize financial flows form the private sector to compelling and profitable climate-smart investment opportunities."[199]

5.1.4 Reception and criticisms

Next to the criticisms about the creation process and the framing used by the GCF, the fund is a scene for another widespread debate, that of additionality: does climate finance count as development aid?[200] This is a crucial point for global South-representatives, because if climate finance is classified as ODA, it comes with aid-based rules and regulations, allows for creative or double accounting and thus slows scale-up. At best, it frames climate finance as voluntary charity instead of ecological debt owed, at worst it leads to a diversion of funds from other important areas like health or education.[201]

Further, there are important operational shortcomings. The GCF's justifications rely on blackbox experts, untransparent because non-standardized

[196] Cui and Huang, 2018; Garschagen and Doshi, 2022; Bracking, 2014
[197] Bracking, 2014
[198] Bracking, 2014
[199] GCF, 2021
[200] Weikmans, 2023
[201] Weikmans, 2023; Sultana, 2021; Chowdhury and Jomo, 2022; Bracking, 2019; Bracking, 2014

‘international best practices;’ and country-ownership remains an empty signifier[202] – readiness programs, portrayed as ‘guiding’ ownership, eventually just legitimize top-down financialization.[203] Argumentation framed through opportunity costs (“which people can be forced to change at the least cost”) and implying an alleged incommensurability between attracting funding and meaningful climate action, in favor of limiting state intervention, is not convincing – but it is backed by the power of threatening to withhold funding, which also turns the GCF board’s consensus voting into a farce.[204] There is no participatory justice if consensus voting means all or nothing, since there is still no accountability for donor countries to pay.[205] This indicates that below the surface, there is no real interest in creating binding commitments through an accountability clause for the GCF – arguably out of fear to admit the real responsibility for coloniality.

5.1.5 Success of implementation

Evaluation is unanimous from various sides that the GCF has substantially failed to deliver so far: it is underfunded because no one is held accountable, private finance has not been attracted en masse as predicted, there is a congestion of funding disbursement, and it has fallen short of actually reaching the most vulnerable.[206] Even the Independent Evaluation Unit tasked with regularly reviewing the GCF’s operations, though full of praise for the GCF in principle, recently lamented its lack of transparency, efficiency and ambition.[207]

So far, the GCF has raised US$8.31bn during its initial resource mobilization period, of which about 5.4bn have been actually allocated until now,[208] and US$9.87bn during the first replenishment period[209] – nowhere near the 100bn goal, let alone the real needs of the most affected.[210] Arguably, it is bound to fail further, since there is little interest in actually defining accountability, or channeling public money through such a fund while there are other institutions, such as multilateral development banks (MDBs), where donor countries can assert more direct influence over their use.[211]

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202 Bracking, 2014; Weikmans, 2023; Chowdhury and Jomo, 2022; Bertilsson and Thörn, 2020
203 Bertilsson and Thörn, 2020
204 Bracking, 2014; Bertilsson and Thörn, 2020
205 Bracking, 2014
206 Garschagen and Doshi, 2022; Amighini et al., 2022; Cui and Huang, 2018; Huq, 2015; Cui et al., 2014; Bracking, 2014
207 GCF Independent Evaluation Unit, 2023
208 Garschagen and Doshi, 2022
209 GCF, 2023
210 Chowdhury and Jomo, 2022
211 Bracking, 2014; Chowdhury and Jomo, 2022

5.2 The Highly Indebted Poor Countries Initiative

5.2.1 Core tenets of the mechanism

The Highly Indebted Poor Countries (HIPC) Initiative was jointly launched by the World Bank and IMF in 1996, and aims at alleviating the debt burden of countries whose debt servicing severely constrains economic growth and aggravates poverty.[212] Addressing sovereign debt and social resilience, and aiming for sustainable development, it could thus be seen as an important precursor to the present climate finance situation, rooted in the development sector.

To qualify for debt relief under this scheme, countries need to meet eligibility criteria. Essentially, they have to be part of various World Bank and IMF programs already, be indebted beyond sustainability, provide a track record of good governance performance in previous programs, and, crucially, develop a Poverty Reduction Strategy Paper (PRSP), a self-produced plan for how the money will be used to help the poor, which needs to be approved by the World Bank and IMF.[213] The IMF and World Bank boards decide whether a country is eligible based on these criteria, after which it can get immediate interim debt relief by all creditors committed under the initiative. As a second step, to receive full debt cancellation, the country must prove commitment to and implementation of the reforms set in the PRSP over the following years.[214]

The idea behind the HIPC is that by means of debt relief, fiscal space is freed to fight poverty through social spending, mainly by investing in healthcare and education, which is assured through said structural reforms.[215] The unequal balance between debt servicing and social spending ought to be reversed, which creates space for sustainable development. So far, 36 out of 39 potentially eligible countries have received full debt relief via the initiative,[216] amounting to around US$100bn.[217] However, the initiative is temporally limited to countries eligible based on 2004 data.[218] As part of determining eligibility, the IMF and World Bank institutionalized debt assessment through their Debt Sustainability Analysis (DSA). It is based on technical parameters and assumptions, assigning risk ratings to countries – despite substantial unpredictability and subjectivity of debt forecasts.[219] Nevertheless, a country's DSA rating influences its credit rating, and can subsequently impact the

[212] IMF, 2023; Carter, 2022; Useree, 2021
[213] IMF, 2023; Useree, 2021
[214] IMF, 2023; Useree, 2021; Carter, 2022
[215] IMF, 2023
[216] IMF, 2023
[217] Useree, 2021; IMF, 2019
[218] IMF, 2019
[219] Kranke, 2022; Useree, 2021; Wyplosz, 2007

ratio between finance received in grants or in loans, contingent on that modelled risk; it is thus very powerful.[220]

5.2.2 Innovation and heritage of the mechanism

With the HIPC Initiative, the IMF and World Bank responded to the issue of debt sustainability and multilateral debt relief on the global development agenda against the backdrop of an escalating debt crisis in the global South in the 1990s.[221] Not only institutionalized DSAs – determining public debt is a very difficult, elusive and controversial undertaking[222] – but also the collaboration of all kinds of commercial, bilateral and multilateral creditors for this initiative were unprecedented. Even though non-Paris Club creditors eventually failed to follow suit in providing debt relief as expected. The poverty reduction conditionality approach (the creation of PRSPs) was also considered as innovative and transparent back then.[223]

5.2.3 Motivation and framing behind the mechanism

Although the HIPC Initiative was initiated by the Bretton Woods institutions upon pressure from civil society to provide multilateral debt relief,[224] it was "championed" by the G7, who "brought in strong political leadership to overcome vested interests and technical challenges."[225] Sovereign debt, and by extension, debt sustainability, are portrayed as "a problem of either political will or policy design" in such mainstream narratives, which testifies of the continued prominence of the pacta sunt servanda doctrine in international climate finance.[226]

5.2.4 Reception and criticisms

This view conveniently dismisses the legacy effects of structural exploitation, ecological debt and colonial continuities as well as procedural justice. Ultimately, by sticking to that doctrine, and seeing debt as contractual instead of relational, the World Bank and IMF make future debt into a problem through anticipation.[227]

However, the foremost criticism raised in relation to the HIPC Initiative is its conditionality. Structural adjustment programs, requiring reforms of social welfare, technocratic government and liberal economic policy not only rely on

[220] Kranke, 2022
[221] Kranke, 2020
[222] Kranke, 2022
[223] Useree, 2021
[224] Useree, 2021; Kranke, 2020
[225] Useree, 2021
[226] Kranke, 2022
[227] Kranke, 2022

"economic growth as a panacea"[228] and debt-financed consumption,[229] they also undermine the decision-making power and ownership of HIPCs over their development trajectories[230] and thus commodify basic social welfare and poverty.[231] Additionally, by imposing their own preferred development model, the IMF and World Bank arguably brush over domestic specificities and differential needs – including intersectionality or gender dimensions.[232] On top of that, negotiation periods during the HIPC Initiative were strategically lengthened to create leverage on human rights violations and corruption.[233] As Useree summarizes, "the perception that the whole approach was dictated by external partners, especially the IMF and the World Bank, was difficult to brush aside."[234]

Moreover, the HIPC Initiative's approach implies that the responsibility for domestic political outcomes lies with national governments alone, which outrightly disregards structural constraints.[235] The externally dictated assumptions merely reflect a rather arbitrary, "particular Bretton Woods style of 'common sense'" instead of analytically founded projections.[236] The weight of DSA ratings – proven to rely on flawed and universalist assumptions about something highly uncertain – in determining countries' future credit worthiness, illustrates HIPCs' dependence, vulnerability and constrained policy space in light of these power imbalances.[237] In the same way as PRSPs commodify social welfare, DSAs reify debt.[238]

5.2.5 Success of implementation

Reviewers agree that the HIPC Initiative did succeed in remitting sovereign debt, increasing social spending in comparison to interest payments, and building capacity.[239] To be exact, poverty reduction spending was four times higher than debt service payments in HIPC under the initiative.[240] Whether this had a real causal effect on decreasing poverty is hard to measure though. Yet, reducing poverty through debt relief alone was arguably an over-ambitious goal in the first place.[241]

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228 Kranke, 2022
229 Useree, 2021
230 Useree, 2021; Kranke, 2022
231 Perry, 2021
232 Weikmans, 2023; Useree, 2021
233 Carter, 2022
234 Useree, 2021
235 Kranke, 2022
236 Hjertholm, 2003
237 Hjertholm, 2003; Kranke, 2022; Wyplosz, 2007
238 Kranke, 2022
239 IMF, 2019; Useree, 2021; Carter, 2022; Kranke, 2022
240 IMF, 2019
241 Useree, 2021

The initiative's biggest weakness is that it failed to produce a long-term effect. Social spending was strictly propagated as the only 'right' poverty reduction measure, so projects were not continued after public funding stopped, and civil society and affected communities were barely involved in them, resulting in a lack of ownership which would have increased the likelihood of continuity. So, barely 20 years later, around half of the HIPC who had received funding were in severe debt distress anew.[242] The initiative has failed to address long-term debt sustainability, so new debt continues to accumulate. Any positive impacts on human rights saw a similar short-term fate.[243]

Furthermore, getting commercial creditors on board remains a problem but would be crucial for success under the 'comparability of treatment' premise.[244] Similarly, matching private investment, urgently needed for much-desired 'sustainable development' or 'inclusive growth' failed to appear.[245] Certainly, this did not help to build any meaningful social, and by extension, climate resilience.

5.3 The financialization of climate risk and vulnerability

Both the HIPC Initiative and the GCF are representative of financialization.[246] The GCF's explicit focus on leveraging private finance is indicative of a new era driven by commercialized risk and the tireless creation of new assets with derivative income streams. It grants power to financiers who capitalize on temporality.[247] The popularity of insurance bonds, financial canopy products and risk-based credit ratings testify of that shift in climate finance.[248] The GCF – a powerful, seminal entity – is no exception in this regard.[249] It aims to use public funding to cover the increased risk of and improving conditions for investing in climate-related projects and activities in the global South, thus attracting the private funding much needed for scale-up, yet with a controversial method.[250]

Taking a step back, a key development in the financialization of climate finance was the creation of carbon markets, still popular today, which evolved further into payments for ecosystem service schemes, and eventually, into more complex, aggregated green bonds. Today, climate finance is dominated by a risk-

242 Useree, 2021
243 Carter, 2022
244 IMF, 2019; Useree, 2021
245 Useree, 2021
246 Bracking, 2019; Bertilsson and Thörn, 2020
247 Mawdsley, 2018a; Bracking, 2019
248 Bracking, 2019
249 Garschagen and Doshi, 2022; Bracking, 2014
250 Amighini et al., 2022; Bertilsson and Thörn, 2020

based “reinsurance regime of tradable derivatives.”[251] This step is crucial, because it means that risk superseded carbon accounting as technology of valuation. Risk makes uncertainty calculable; it is already an integral and well-known tool in finance capitalism, which gives it high utility in the global finance world. However, using risk as a measure for complex phenomena like vulnerability or resilience ultimately commodifies human life.[252]

Whose risk is actually at play here, the MAPAs’ or the investors’?[253] The public courting of private finance allegedly shifts the risk from the project invested in onto the risk profile of the issuer (i.e., the GCF, or an MDB). This furthers financialization, by creating insurance-linked, legally bound fixed-income securities and debt instruments, that are based on approved credit ratings of the borrower[254] – which are in the hands of a few powerful issuers, as the HIPC Initiative shows. While the risk for investors to forgo high returns is kept low through public sector guarantees and insurances, the projects in the global South that receive such funding carry the burden of most of the risk if the project fails. They end up with the responsibility of “making themselves ‘investible’ to protect their livelihoods and lives.”[255] It is they who are under pressure to be very profitable (meaning, extractive) due to their low credit ratings to receive the funding in the first place, while losing all of their potential returns to the investors and suffering under increasing debt.[256] Ultimately, the obligation “to increase and diversify risk responses through financial burdens […] [creates] a vicious cycle of debt, dispossession and disaster.”[257] On top of that, creating incentives for big private investments through ‘bankable’ low-risk projects means those investors often outcompete smaller, community-oriented global South investors in receiving climate finance.[258]

Altogether, the financialization of risk creates a false impression of care, while denying historical responsibility, imposing a liberal economic model and austerity, continuing to extract surplus value from the global South, and effectively leaving vulnerable MAPA to fend for themselves in light of the climate crisis.[259] They continue to be economically marginalized and lose access to funding due to their

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[251] Bracking, 2019
[252] Bracking, 2019; Mawdsley, 2018a
[253] Mawdsley, 2018a; Bertilsson and Thörn, 2020
[254] Bracking, 2019
[255] Bertilsson and Thörn, 2020
[256] Bracking, 2019
[257] Perry, 2021
[258] Chowdhury and Jomo, 2022
[259] Bracking, 2019; Bertilsson and Thörn, 2020

risk ratings, despite their extreme climate vulnerability.[260] In fact, a recent report from Oxfam found that the IMF induced five times more in austerity cuts than they gave out in loans, despite promising to address this.[261] This colonial-extractive project has a universal scale, even climate catastrophe becomes financialized through risk calculations, and global market integration often leaves the global South no other choice than to participate.[262]

Notably, the whole financialized risk system completely ignores that *"climate change is an uninsurable event."*[263] The idea behind insurance is to pool and spread losses over many people and longer time horizons, which requires a steady, correlated risk, and an institutional environment that incentivizes risk decreasing measures. However, the climate crisis bursts any such risk framework, the only thing steady about it is its further escalation. In practice, this means that insurers would go bust and the victims end up paying for the destruction they had no fault in causing and no resilience to prevent.[264] Insuring against, and thus financializing climate risk is a lost game from the start – but a profitable one.

Nevertheless, financialization and commodification are on the rise. Development institutions are keen servants, they are actively cooperating with finance market actors to expand financialization, create new investment space and risk management, with the frontier spirit of developing emerging markets. On the other hand, financial sector growth and world economic integration have become a common goal for global South countries.[265] In summary, financialization produces a multitude of power relations, it capitalizes on climate destruction, undermines democracy and diffuses economic hegemony while perpetuating colonial othering.[266]

Furthermore, financialization withdraws the very material base which lies at the root of poverty and climate vulnerability. It is the epitome of material detachment and monetized value: financial 'products' are completely removed from any use value or biophysical basis, yet they have very real physical implications for the people who, for example, do not receive adequate health care due to austerity. This reductionist nature of financialization is not only naturalizing power imbalances, it is also a form of colonial violence, as it deprives other forms of valuation (e.g., moral, cultural, ecocentric) of their legitimacy.

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[260] Perry, 2021
[261] Oxfam International, 2023
[262] Perry, 2021
[263] Persaud, 2022, emphasis in original
[264] Persaud, 2022; Mottley, 2022
[265] Mawdsley, 2018a
[266] Perry, 2021

There has been some criticism from mainstream actors about this financialization-as-development-and-climate-panacea model in recent years.[267] Nevertheless, the hegemonic 'consensus' remains that the future of climate finance is private, and will come in the form of blended finance[268] – as reflected in the recent appointment of the new World Bank president. What makes the phenomenon of financialization so dangerous is that it is very abstract, complex and largely invisible – but has real colonial, extractive and destructive consequences, coupled with doubly pernicious climate vulnerability and lack of resilience. This is especially the case for SIDS, as we will see in the next section.

[267] Mawdsley, 2018a; Bertilsson and Thörn, 2020
[268] Amighini et al., 2022

6 Pathways to decolonizing climate finance: the Bridgetown Initiative

6.1 The Bridgetown Initiative

6.1.1 Climate vulnerability and finance in the case of SIDS

When it comes to climate finance, small island developing states (SIDS) are in an especially vulnerable position. For starters, there is an even more extreme mismatch between responsibility for and impact felt from climate change: they have caused less than 1% of global greenhouse gas emissions, but are and will be the first to be devastated, due to their geographical location and remoteness, fragile ecosystems, small, external trade-dependent economies, food insecurity and multidimensional poverty.[269] This structural lack of resilience and capacity to cope with external shocks such as hurricanes or pandemics leads to staggering levels of indebtedness: more than half of all SIDS experience debt distress, often with debt levels higher than 100% of GDP – which is also the case for Barbados.[270] More than half of this debt burden has accumulated within the last decade only, and is on its way to get much worse. Next to intensifying climate disasters, continued low interest rate policy, the COVID-19 pandemic and the rising popularity of privately-held bonds are the main reasons for this.[271]

But crucially, climate vulnerability and risk massively increase the costs of borrowing for SIDS.[272] They receive low credit ratings, because their currencies are not accepted as international safe assets – an externally imposed circumstance.[273] The difference is huge: G7 countries can borrow at 1-4% interest, whereas global South countries often have to make do with 12-14%.[274] As Avinash Persaud, Barbados' special climate finance envoy and Mia Mottley's close advisor, summarizes, "at 4%, finance isn't the problem. […] At 15%, it doesn't matter what your regulatory and tax regime is. There are few if any profitable projects. Finance is by far your biggest problem."[275] Put differently, "for every ten dollars climate vulnerable developing countries spend on interest payments, they have to pay another dollar because they are climate vulnerable."[276] This adds up to billions.

[269] Fresnillo and Crotti, 2022
[270] Fresnillo and Crotti, 2022; Espinosa et al., 2022
[271] Fresnillo and Crotti, 2022; Mottley, 2022
[272] Espinosa et al., 2022; Fresnillo and Crotti, 2022; V20 Statement, 2021
[273] Persaud, 2022
[274] Osborn, 2022
[275] Persaud, 2022
[276] V20 Statement, 2021

If more than 15% of government revenue is consumed through debt servicing, this seriously decreases social spending.[277] Equally, indebtedness prevents resilience building, which feeds into a vicious cycle of rising debt and vulnerability.[278] However, the real scandal behind this is that so far, SIDS' debt servicing outweighs any climate finance received by as much as 18 times (US$1.5bn versus US$26.6bn, between 2016 and 2020).[279] To illustrate, for Antigua, Barbuda and Dominica, interest payments were due just days after hurricanes had hit, and suspension was denied – ignoring the new heap of unsustainable debt those governments just had to take on for emergency response and reconstruction.[280] It is not far-fetched to say that renegotiating finance conditions is at order.

6.1.2 The Bridgetown demands

Coming from such a small island state, Mia Mottley, Avinash Persaud and their team started to step up their advocacy for global financial reform against the backdrop of intensifying climate- and COVID-19-related debt in 2021.[281] After some initial proposals presented at COP26 in Glasgow, they held a workshop with a range of academics, finance experts, UN officials and civil society representatives in Bridgetown in July 2022, to work out concrete, solution-oriented suggestions for reform.[282] The result was a set of ideas and demands, summarized in a simple document, which became known as the Bridgetown Initiative. Since its presentation by Mottley at the UN general assembly in September 2022, the initiative gained prominent support and has continuously caused quite some stir, even after COP27 in November, to the surprise of many.[283]

Much of what they are proposing centers around the tradable rights to borrow central bank reserves from the IMF, so-called Special Drawing Rights (SDR). It builds on the 2021 precedent of a US$650bn SDR general allocation round by the IMF to ease the global COVID-19 debts – which failed spectacularly to help the most needy countries: SIDS received only 1.52% thereof, whereas the G7 got almost half, since allocation is not based on vulnerability or indebtedness, but on the size of economy.[284] This IMF procedure is clearly out of date, which sparked a discussion about possible reallocation of idle SDRs from the G7 and G20 to vulnerable global

[277] Fresnillo and Crotti, 2022
[278] Fresnillo and Crotti, 2022; Espinosa et al., 2022
[279] Fresnillo and Crotti, 2022
[280] Fresnillo and Crotti, 2022
[281] Osborn, 2022
[282] Mottley, 2022; Osborn, 2022
[283] Ellmers, 2023; Osborn, 2022
[284] Fresnillo and Crotti, 2022; Farand, 2022; Ellmers, 2023

South countries who desperately need them.[285] However, as of today, two years later, reallocation has remained an empty promise[286] – which is where the Bridgetown demands come in. Nevertheless, IMF SDRs are a very powerful, non-debt creating, efficient liquidity tool that could be leveraged to improve climate justice.[287] The only trouble is that the US Congress, as the IMF's largest shareholder, has an effective veto power over SDR allocations beyond a certain threshold.[288]

The Bridgetown Initiative proposes three basic steps for reform, all of which include SDRs in some form. They make suggestions for how to provide emergency liquidity, fund resilience and adaptation, and address mitigation and loss and damage, respectively. The first step thus demands from the IMF to provide unconditional rapid credit as before the crisis and suspend detrimental crisis-induced SDR surcharges.[289] It further postulates to re-channel US$100bn in SDRs to the countries who actually need them, and do so by operationalizing the proposed Resilience and Sustainability Trust (designed for this purpose) by October 2022.[290] Interestingly, the latter actually happened – and Barbados was the first country to apply for funding from this trust.[291] Equally so, the initiative helped to put the surcharges issue onto the IMF agenda in December, even though it was defeated then by resistance from the US and Germany, among others.[292] Lastly, step one includes a call for comprehensive debt suspension in case of disaster.[293] This could take the form of a natural disaster and pandemic clause for all (public and private) debt instruments, which would immediately and unbureaucratically free up significant liquidity by freezing and deferring fixed-rate debt servicing for two years, if an independently determined disaster threshold is reached.[294] This suggestion has its precedent in the Barbadian hurricane clause, which made it the first country whose public debt is climate resilient.[295]

The second step proposed by the initiative is to expand multilateral lending to governments, since resilience and adaptation are public tasks that can hardly be privatized.[296] The initiative suggests to achieve that by adapting the terms for

[285] Farand, 2021; Ellmers, 2023
[286] Ellmers, 2023
[287] Fresnillo and Crotti, 2022; Farand, 2021
[288] Worley and Jerving, 2022; Farand, 2021
[289] Bridgetown Initiative, 2022
[290] Bridgetown Initiative, 2022
[291] Ellmers, 2023
[292] Ellmers, 2023
[293] Bridgetown Initiative, 2022
[294] Persaud, 2022
[295] Fresnillo and Crotti, 2022; Cleary Gottlieb, 2020
[296] Persaud, 2022

concessional MDB lending.[297] In order to prevent rivalry among the vulnerable, according to Persaud, "the cake needs to be expanded."[298] The IMF would re-channel SDRs to MDBs, who could then provide up to US$1tn in concessional AAA-rated loans to countries in need, if MDBs adapt their risk appetite as already recommended by a previous G20 independent review and callable capital is leveraged in their risk frameworks.[299] This would circumvent the lacking safe asset problem and credit rating differences, and include middle-income countries as well.[300]

As a third step, the initiative proposes to hold the private sector accountable to pay for mitigation and loss and damage, which need to come in the form of grants.[301] Invoking another precedent, the Oil Pollution Compensation Fund, they propose that fossil fuel producers pay a levy, which increases gradually as global oil and gas prices normalize again (1% levy increase per 10% price decrease), which would amount to US$200bn per year if pre-COVID-19 price levels are reached.[302] These levies, essentially taxes, would be automatically disbursed to compensate for loss and damage in case of a detrimental (> 5% of GDP loss) climate event.[303] The idea of loss and damage has indeed prominently found resonance at COP27, albeit without notable commitments or fossil sector accountability.[304] Furthermore, mitigation could be funded through another US$650bn SDR and low-interest long-term instrument trust, which aims at incentivizing further private investment into the low carbon transition, thus scaling from billions to trillions.[305] As Persaud summarizes, "this gets us out of a country-by-country squabble. It incentivizes the most efficient mix of economic adjustment, climate-impact, technology and private savings, and leverages the impact of each public sector dollar by five to tenfold."[306]

The text of the initiative ends with a call for collective action. A broad coalition would be more important than quarrels over the details of this agenda.[307] Looking at the text itself, the Bridgetown Initiative is succinct, concrete and informed. It refers to already existing mechanisms, proposals and entities, providing clear time horizons and concrete numbers. The tone is direct and demanding, but

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297 Bridgetown Initiative, 2022
298 Persaud, 2022
299 Bridgetown Initiative, 2022; Persaud, 2022; Ellmers, 2023
300 Persaud, 2022
301 Bridgetown Initiative, 2022; Persaud, 2022
302 Persaud, 2022; Osborn, 2022
303 Persaud, 2022
304 Worley and Jerving, 2022; Ellmers, 2023
305 Bridgetown Initiative, 2022; Persaud, 2022
306 Persaud, 2022
307 Bridgetown Initiative, 2022

remains analytical and diplomatic. All of this is seriously challenging the vested interests behind the status quo. Such sophistication and well-versed technical language make it hard to ignore or discredit this initiative as yet another unqualified, meaningless or utopian position paper.

6.1.3 Decolonial tenets of the Bridgetown Initiative

The text of the Bridgetown Initiative, but also the circumstances of its creation and the campaign behind it, can serve as an example of decoloniality. What is probably most striking, is that it challenges the coloniality of power by putting people before profit: it demands a low-carbon transition (naming energy, transport and agriculture), resilience building for the most vulnerable, investment in public health and education, and adherence to the SDGs and the 1.5˚C goal as primary objectives for the financial system.[308] The steps it proposes would pave the way for greater distributional, procedural and recognitional justice in global (climate) finance. Climate finance that does not create massive new debt, offers concessional rates, is ideally grant-based, provides scale without too much privatization and financialization, is largely multilateral and public, includes adaptation and loss and damage, builds resilience and cuts slack with servicing or debt relief is what many global South countries need and want – just to be able to live and survive.[309] The Bridgetown Initiative largely adheres to these lines.

But it goes further: the text asserts that "liquidity is not enough; these crises have systemic roots."[310] Mottley and her team recognize the systemic nature, historic responsibilities and unjust dependencies that are at play. They advocate for restorative justice in the form of loss and damage, for which fossil companies shall be held accountable: "How do companies make $200 billion in profits in the last three months and not expect to contribute $0.10 on every $1 of profit to a loss and damage fund?" Mottley asks challengingly.[311]

Moreover, some of Mottley's speeches on the topic reveal that the motivation behind the initiative is not only historically versed, but also morally and racially aware: she raised the examples of how Germany and the UK received generous debt cuts and huge time horizons to pay back their world war debts, which stimulated enormous growth and recovery; but now deny to do the same for SIDS.[312] She also pointed towards the fact that the Bretton Woods system was created in 1944, "but then the majority of countries here did not exist, we exist now.

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[308] Bridgetown Initiative, 2022
[309] Fresnillo and Crotti, 2022; Bertilsson and Thörn, 2020
[310] Bridgetown Initiative, 2022
[311] Worley and Jerving, 2022
[312] Osborn, 2022

The difference is we want to exist a 100 years from now," she says.[313] Hence this old system could not possibly reflect their needs and rights.[314]

Next to that, Mottley calls out ongoing imperialism,[315] which echoes the decolonial epistemic turn, whereby the colonized dares to ask questions and denounce the injustice done to them.[316] The same holds for participatory injustice in the global finance system.[317] But in a truly decolonial manner, Mottley and her initiative do not dwell on the past, they point forward as well: "let us [make a difference], recognizing, that a world that reflects an imperialistic order, and hypocrisy and lack of transparency, will not achieve that mission. One that gives us freedom, transparency, and a level playing field will make that definable difference."[318]

This leads us to another crucial decolonial trait within the initiative, the activist turn. In its introductory paragraph, it boldly states, "we must act now. We cannot be good at rescuing banks but bad at saving countries."[319] This is not only a slightly cynical fact, it also illustrates how this initiative promotes agency for social change, going beyond intellectual and creative work to move and realize change.[320] The global resonance and diverse support they received and their partial success underline that – even if there might still be a long way to go until meaningful reform.

Furthermore, the initiative's call for collective action deserves attention. The focus on broad coalition building and "unity of effort" beyond possible political divides could be seen as an example for decoloniality as a collective project.[321] Persaud explains that their reform proposals are "based around a new form of internationalism which seeks solutions that transcend national borders."[322] The initiative's text likewise speaks of "[moving] beyond country-by-country responses," instead of getting stuck behind individualized interests and playing a blame-game.[323] I dare say this resonates with the decolonial path towards a new subjectivity and way of being in love and understanding. And Mottley and her team

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313 Farand, 2021
314 Worley and Jerving, 2022
315 Worley and Jerving, 2022; UN, 2022
316 Maldonado-Torres, 2016
317 Lynch, 2022
318 UN, 2022
319 Bridgetown Initiative, 2022
320 Maldonado-Torres, 2016
321 Bridgetown Initiative, 2022; Maldonado-Torres, 2016
322 Farand, 2022
323 Bridgetown Initiative, 2022

are not alone: there are many campaigns and civil society organizations that advocate for similar demands.[324]

Last but not least, with Mia Mottley, the Bridgetown Initiative has a political figurehead who is a female person of color from the global South who led her country into independence.[325] Mottley adds charisma, oratorical and diplomatic skill to the politically elegant design of the initiative (counting on SDRs instead of toothless commitments or blaming the political incompetence of the global North).[326] She is ambitious, creative, determined, knows how to leverage her popularity and has great advisors.[327] Crucially, Mottley masters both languages: she has a "nerdy grasp of opaque international financial instruments," but also "an extraordinary ability to distill complex economic issues into plain language," the combination of which leads to sound, concrete suggestions.[328] Although the Bridgetown Initiative is more than Mottley's persona, her influence on its reception cannot be denied and underlines its creative decoloniality.

6.1.4 Is this decolonial enough?

However, what Mottley, and even more so the economist Persaud stand for, is realpolitik. They deliberately circumvent the moral argument of ecological debt when it comes to reparations for the sake of political feasibility. As Persaud soberly remarks: "I don't think reparations is an illegitimate ask. It's just not going to lead us to reach any settlements."[329] The initiative's loss and damage advocacy may be bold, but it is limited to future emergencies, leaving out accountability for past damages.

More importantly, the entire Bridgetown Initiative accepts the basic terms of the financial system as such – it demands reform, but it does not question the existence of the IMF, development finance or unequal trade conditions in the first place. Neither does it ask for debt cancellation, it merely demands suspension. No matter how concessional loans may be, without comprehensive debt relief, any new debt is untenable, even in form of re-channeled SDRs.[330] In addition, as long as the substantial lack of transparency within the World Bank remains unaddressed, which allows for unreported fossil fuel funding under its programs, the new arrangements the initiative asks for risk to indirectly increase fossil funding as well.[331]

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[324] Fresnillo and Crotti, 2022; Debtgwa, n.d.
[325] Lynch, 2022
[326] Ellmers, 2023; Lynch, 2022
[327] Farand, 2021; Ellmers, 2023
[328] Lynch, 2022
[329] Lynch, 2022
[330] Ellmers, 2023
[331] Mainhardt, 2023

Crucially, the initiative adheres to the economic growth paradigm and supports financialization. Ultimately, it advocates for a green capitalist idea of development. This is reflected in the document text itself: the SDGs are portrayed as something worth striving for, it speaks of a “low carbon transition” instead of full decarbonization, it wants to “increase risk appetite” and attract private finance for mitigation, which would lead to further financialization[332] – which undermines global South ownership and decision-making in those mitigation efforts.[333] Persaud himself does not hold back about the intention of courting investors, when he summarizes, “effectively, we’re saying to [them], here’s a big slug of demand for you to save the world at the least cost for the rich countries. I think this is actually a compelling economic case, investment case, political case.”[334] But above all, this is a very striking case of realpolitik, compromising in moral accountability and financialization.

But does that mean that he, Mottley, and the whole initiative do not deserve to be called decolonial then? I would argue that no, they are still pursuing an activist turn. They choose to do so by accepting the playing field of the hegemonic game – which proved surprisingly successful so far. The damage to the moral integrity of the decolonial narrative has arguably been smaller than the tangible positive effect on Barbados’ debt levels, let alone the global attention and diplomatic reverberations this has managed to set in motion. Using Mottley’s words, brimming with newly-found subjectivity: “We call it the Bridgetown Agenda […]. Not because Barbados has that power. We don’t, we are 166 square miles: But it is because we have that conscience and *we feel the need to speak*, even if others will call it a cry of conscience, and even if others will ask – who are they?”[335]

Nevertheless, loopholes for additional fossil fuel funding in global development institutions urgently need to be addressed to make this decoloniality credible, as should be Barbados’ own parallel, partly ‘climate’ finance-backed offshore oil projects.[336]

[332] Bridgetown Initiative, 2022
[333] Farand, 2021
[334] Farand, 2021
[335] Carrington, 2022, emphasis added
[336] Joseph, 2023; Mainhardt, 2023

6.2 Pathways to decoloniality in climate finance

The Bridgetown Initiative shows that a system so complex, entangled and morally multi-layered as climate finance is very hard to decolonize at depth. It perfectly illustrates the constant struggle between incremental change through political trade-offs, and moral-conceptual integrity with the clear goal of deep, long-term justice and equality – all against the backdrop of negotiation time running out. The material reality becomes more and more untenable for billions of people in this world, so it is necessary to build concrete alternatives to this abstract financialization, and work towards a mode of being in love and understanding now, compromised or not, across all scales. After all, decoloniality means acknowledging imperfection and building bridges.

Yet, the question remains, will this be enough? It may be possible to make concrete recommendations on how decolonial climate finance could look like, designing mechanisms and policies for it. There clearly is a need to address the dilemma of providing those who do not have them with the means for a just transition, while deconstructing harmful power dynamics and avoiding to create new ones. But there will never be just one pathway – not in this pluriverse. Neither might it be possible to truly decolonize climate finance at all, if we consider that the finance economy as such is an inherently hegemonic and reductive system, epitomized in the financialization of risk, and intricately interwoven with capitalism and its internal contradictions – no matter how inclusively it may be designed. However, it is debatable how solution-oriented this insight is. Therefore, I find it important to keep these decolonial premises and goals in mind and at heart; any meaningful response to the polycrisis needs to start with seriously recognizing coloniality, disproportionate vulnerabilities, late-stage capitalism and ecological debt at the roots.[337] But then I argue to take the step from theory to practice and engage in pragmatic, self-efficacious advocacy and activism, through efforts like the Bridgetown Initiative.

[337] Fresnillo and Crotti, 2022

7 Conclusion

Within this thesis, I applied a decolonial analysis framework to unravel the workings and intricacies behind the coloniality of global climate finance in its current state. I found that firstly, it perpetuates colonial climate injustice through capitalist world system integration on unequal, imperial terms and its one-dimensional notion of development, ignoring differentiated climate vulnerabilities (coloniality of being). It also continues coloniality through one-sided decision-making and agenda-setting power, creating deep procedural injustices and disregarding the historical, biophysical dimension of ecological debt (coloniality of power). Thirdly, the narratives and economic discourses behind climate finance are infused with the colonial concepts of meritocracy, liberalization, contractual value systems, trade reciprocity and green growth, which distorts responsibilities (coloniality of knowledge).

The examples of the GCF and the HIPC Initiative illustrate all of these dimensions of coloniality. Beyond that, they also show that risk and vulnerability, two very complex and sensitive concepts that are tangibly rooted in human livelihoods and wellbeing, become commodified and instrumentalized for extracting profits. This ultimately benefits powerful financial elites, all under the guise of humanitarian care or development aid. Lack of accountability, detrimental structural adjustments and austerity, and the unpredictability of climate change are all seen as trivial or acceptable in the wake of financialization; privatization is still hailed as the means to win the fight, which further deepens global inequalities, dependencies and vulnerabilities.

The Bridgetown Initiative is an example of how the climate finance architecture could be improved. This reform proposal suggests avenues for providing emergency liquidity, funding mitigation, adaptation, and loss and damage as well as resilience building. It puts forward concrete, well-informed mechanisms and changes, especially targeting the Bretton Woods institutions and suggesting to leverage SDRs. Despite substantial pragmatic concessions, notably with regards to restorative justice and privatization, this initiative exemplifies a decolonial activist approach to climate finance.

Earlier this year, a broad coalition of activist groups and organizations used the 70th anniversary of a remarkable event to draw attention to a very blunt global injustice. In February 1953, half of Germany's World War and reconstruction debts were cancelled, the other half restructured on very lenient terms, under a multilateral creditor agreement which became known as the London Debt Accords.[338] This

[338] Jones, 2023

cancellation played a large role in Germany's consequent 'economic miracle.' Even if there certainly was a geopolitical motivation behind this generous treatment, this precedent is striking.[339] Some of the countries who were among the creditors back then are now suffering from debt distress themselves[340] – but Germany remains firm in its unforgiving position of power (as the surcharges issue shows), while supporting the Bridgetown demands on the surface.[341]

To me, especially as a German, this story was an eye-opener for the absurd, completely morally detached and utterly hypocritical nature of how global climate finance is politically negotiated today. Let alone the undermining power tactics used, as we have seen with the GCF, the World Bank president nomination and unaddressed misconduct and human rights violation accusations, or the unimpressive excuse of geopolitical deadlock with Russia for not making progress on reallocations.[342] My disillusion only got topped when I read of Barbados' offshore oil licensing the same month Mottley spoke in front of the UNGA, and BlackRock's ridiculous claim that they could not participate in debt relief because they allegedly care about the ordinary people's pensions that make up their funds (omitting to mention their billions of profits from that).[343]

I contend that the real danger in climate finance (policy) today is that injustices are naturalized and coloniality is publicly obfuscated – with such hubris and hypocrisy that it makes one almost speechless.

All in all, this study contributes to the ongoing larger struggle of making coloniality more visible today. Climate finance is a sector at the intersection of political economy and ecology that is gaining ever more prominence these days, and rightly so – given that climate change is an outright existential threat for countries like SIDS and its peoples, while loss and damage are already on the rise worldwide. From a theoretical side, there is still a lot to unpack; it is hard to keep up with the whirlwind of events and policymaking in this field, let alone comprehensively connect them to the past. Meanwhile, the clock is ticking. The urgency of the climate crisis adds the dimension of temporality and poses whole new questions around power, democratic deadlock and the discounting of human lives. Therefore, future research should focus on devising and assessing fairer financial solutions as much as keeping the bigger picture of the coloniality of climate change and global system transformation in mind.

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339 Erlassjahr, n.d.; Jones, 2023
340 Jones, 2023
341 Gabbatiss, 2023
342 Siritanu, 2023; AWC, 2023
343 Elliott, 2023b

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