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Reassessing Global Climate Financing: Exposing Neo-Colonial Dynamics in Green Investment and Resource Control

Based on the backlash from the Global South in COP negotiations and World Bank climate deals.

I. Introduction: The Price of "Green"

When wealthy nations and institutions pledge billions to help the world go green, it sounds like an act of solidarity. But to many countries in the Global South, it feels like déjà vu: the same language of support, investment, and progress that once accompanied colonial conquest, structural adjustment loans, and exploitative trade deals.

The climate crisis has become a global emergency, but the way we fund the response reveals a deeper imbalance. Countries that contributed the least to the problem are now being asked to borrow money to deal with its consequences. Meanwhile, the terms of these climate finance deals, often set by the Global North, come with strings attached: policies must align with donor expectations, private investors must be protected, and accountability flows upward, not outward.

This frustration exploded at COP27 in Egypt and resurfaced at COP28 in Dubai. In heated plenary sessions and press briefings, leaders from Barbados, Kenya, and Pakistan challenged the narrative that the Global South should simply be grateful. "This is not aid," many argued. "It's compensation. It's justice."

Behind the diplomatic speeches is a more uncomfortable truth: climate finance has become a new battleground for control. Who owns the resources that power green energy? Who decides what kind of projects get funded? And who gets to call the shots when the planet is at stake?

Welcome to the real cost of going green.

II. A Short History of Climate Finance

Climate finance wasn't born out of generosity; it was born out of guilt, pressure, and negotiation. As early as the 1990s, developing countries made one thing clear: they were not the ones who caused the climate crisis, and they should not be expected to pay for its consequences.

The 1992 UN Framework Convention on Climate Change (UNFCCC) enshrined the principle of "common but differentiated responsibilities." In theory, this meant richer nations would lead the way, cutting emissions faster and helping others adapt through financing and technology transfer. However, in practice, climate finance has often lagged behind the promises.

In 2001, the Adaptation Fund was created under the Kyoto Protocol to support vulnerable countries, but it relied mostly on a carbon market system that later collapsed. Then came the Copenhagen Accord (2009): a dramatic moment when developed nations pledged to mobilize $100 billion annually by 2020 to support developing countries. The pledge made headlines. But it wasn't legally binding. And it never fully materialized.

The creation of the Green Climate Fund (GCF) in 2010 was supposed to be a turning point. It aimed to balance mitigation (reducing emissions) and adaptation (dealing with impacts), and to make financing more accessible. But many recipient countries have found the application process bureaucratic, opaque, and painfully slow. Some say it's easier to get a commercial bank loan than GCF approval.

Over time, other tools emerged:

- Debt-for-nature swaps, where debt is forgiven in exchange for environmental protections.
- Carbon offset markets, where companies or countries pay others to reduce emissions on their behalf.
- Each was hailed as innovative. But many also raised concerns about fairness, effectiveness, and whether these tools truly shift power or just repackage it.

Today, as climate damages accelerate and resentment deepens, some developing countries are asking: What is climate finance actually financing? Adaptation, or dependency? Decarbonization, or debt?

III. Where the Tension Lies

I. Conditionality & Control

From the outside, climate finance appears to be a global good: billions of dollars pledged by wealthy nations to support climate resilience in lower-income countries. But the terms of that help often reveal a power imbalance that feels all too familiar to many governments in the Global South.

Conditionality isn't new. In the 1980s and 1990s, the IMF and World Bank imposed structural adjustment programs (SAPs) on indebted countries: demanding cuts to public spending, privatization of state enterprises, and market liberalization in exchange for financial aid. These programs had devastating impacts on healthcare, education, food security, and sovereignty in many African and Latin American countries. Today, critics argue that climate finance is replaying that dynamic, but in green. Wealthy nations, multilateral banks, and donor institutions often decide what counts as "climate action," set the reporting criteria, and attach financial conditions that deeply influence domestic policy.

After catastrophic floods in 2022, Pakistan urgently needed support for recovery. Over $9 billion was pledged at an international climate finance conference. However, nearly 90% of this money came in the form of loans, not grants, increasing the country's debt burden during a crisis it did little to cause. Some of the loans were also tied to structural reforms long demanded by the IMF, including taxation changes, energy pricing adjustments and deregulation of development approvals to attract private investment. In effect, climate vulnerability became leverage for longstanding economic reforms.

Most climate finance is channeled through institutions like the Green Climate Fund (GCF), World Bank, or regional development banks. However, proposal guidelines are written in donor countries, application processes are long and bureaucratic, and projects that appeal to Western risk metrics are more likely to be approved. For countries facing climate-induced emergencies, whether floods, heatwaves, or drought, this bureaucratic conditionality can be a barrier to urgent action. And when funding finally arrives, it often supports what donors believe is important, not what local communities have prioritized.

That said, should countries be free to define their own climate priorities, even if they don't perfectly align with donor expectations or private-sector interests? Or is there a global responsibility to ensure climate finance is "efficient," "measurable," and "bankable", even if that comes at the cost of national autonomy?

II. Greenwashing and Offsets

In today's climate discourse, few terms are as celebrated, and as contested, as "net zero." Governments and corporations across the Global North proudly announce their plans to reach carbon neutrality by 2030, 2040, or 2050. But behind these ambitious goals lies a system of carbon offsets that often shifts the burden of climate action to the Global South, without actually reducing emissions. This is the heart of the second major tension: greenwashing - appearing sustainable while engaging in practices that obscure, delay, or avoid real climate responsibility.

At its core, the offset market allows emitters to buy the right to pollute. For every ton of carbon dioxide a company or country releases, they pay someone else, often in a low- or middle-income country, to absorb or prevent the same amount of emissions. This could be through forest preservation (REDD+ programs), renewable energy projects, agricultural changes, or methane capture. In theory, this balances the global carbon budget. In practice, it's murkier. Many of these projects don't reduce emissions permanently (for example, forests can be logged or burned), and would have happened anyway, meaning the "offset" is not additional. Plus, they might infringe on local communities' rights, fueling land grabs and evictions.

The Congo Basin contains the second-largest tropical rainforest on Earth - a crucial carbon sink. International conservation groups have rushed to protect it through carbon offset initiatives funded by polluters in the Global North. However, reports from Indigenous groups and watchdog organizations reveal serious issues: local communities have lost control over ancestral lands without free, prior, and informed consent, and forests are militarized, with armed patrols enforcing conservation laws. In addition, communities can no longer access wood or hunt, even for subsistence, but receive little to no financial compensation. The result: carbon credits are sold to corporations in Europe and North America, allowing them to claim climate progress while rural Congolese communities face restrictions on survival.

At its worst, carbon offsetting turns climate justice into a financial transaction: a system where wealthy actors pay poorer ones to absorb the environmental cost of their lifestyles. Offsets can serve as a license to delay real emission reductions, especially when they're cheaper than restructuring supply chains, energy systems, or transport networks. In this way, greenwashing allows status quo economies to persist, with a fresh coat of sustainability branding. For countries in the Global South, the message is clear: their forests, soils, and people become tools in someone else's carbon strategy.

To be clear: not all offset projects are flawed. Some genuinely support sustainable development, biodiversity, and community resilience. But the problem lies in how they're framed and used: not as a complement to bold climate action, but as a substitute.

III. Carbon Colonialism

Across continents, the tools and technologies of climate mitigation (solar panels, wind turbines, lithium-ion batteries) rely on raw materials, land, and labor that are concentrated in formerly colonized nations. In this context, the race to decarbonize the world starts to look like a new kind of resource scramble. This is what critics call carbon colonialism: the reproduction of extractive and hierarchical systems under the banner of climate progress.

The "Lithium Triangle", a region spanning Argentina, Bolivia, and Chile, holds more than half of the world's lithium reserves, an essential mineral for electric vehicle batteries. International demand has skyrocketed, especially from automakers and energy companies in the Global North, but lithium extraction has serious consequences. For one, it requires massive water use in already arid regions. In Chile's Atacama Desert, Indigenous communities have reported water shortages that affect farming, drinking water, and sacred lands. Plus, local populations often have little to no say in whether or how extraction occurs; though some mining companies promote "green growth," profits largely flow outward, while environmental degradation stays local. What's marketed as sustainable transformation can look, on the ground, like the old logic of sacrifice zones: some must suffer so others can thrive.

In Uganda, the World Bank helped fund the Bujagali Hydroelectric Project, touted as a clean energy solution. But its construction displaced thousands of people and flooded culturally important land. Across Asia and Africa, large-scale renewable energy infrastructure is often imposed with limited consultation. In Ethiopia, dam projects have upended traditional agriculture and led to violent clashes between Indigenous groups and government forces. The core issue isn't just the environmental cost. It's that renewables are being pursued in ways that mimic fossil colonialism: top-down, externally driven, and indifferent to social impact.

Carbon colonialism isn't always intentional, but it's built into a system where green technologies are designed in the North, but powered by the South, and decision-making is concentrated in boardrooms and conferences far from impacted communities. In addition, the language of sustainability obscures the persistence of dependency and dispossession. And because the climate clock is ticking, there's a rush to extract, often without asking who benefits, and who bears the cost.

IV. Voices from the Global South

Walk into any climate summit, and you'll hear a familiar rhythm: pledges, panels, partnerships. But walk outside the plenary rooms - into press zones, activist circles, or side events hosted by nations often left out of the decision-making - and the tone shifts dramatically. There, the words are sharper, the urgency more personal, the critique more radical.

At COP27 in Egypt, Mia Mottley, the Prime Minister of Barbados, delivered a now-famous address that reverberated across continents. She called out the absurdity of small island states being told to "adapt" to sea level rise when they had done almost nothing to cause it. Her message wasn't just about funding: it was about fairness, dignity, and historical memory. "Loss and damage is not charity," she declared. "It is payment for a debt owed."

In Kenya, youth activists like Elizabeth Wathuti have made headlines not just for planting trees but for challenging world leaders. Her speeches don't appeal to sentimentality; they name names, highlight broken promises, and draw the line between rising emissions in the Global North and the droughts devastating the Horn of Africa. In her words, it's not about "giving back"; it's about "stepping up" and reckoning with systems that were never designed with African survival in mind.

Latin America, too, has found its voice, and it doesn't echo the talking points of Washington or Brussels. In Bolivia, Indigenous leaders have pushed back fiercely against carbon offset projects that commodify forests without consent. In Brazil, grassroots organizations have warned that the Amazon cannot be protected by cutting deals with polluters abroad. "We are not your lungs," one activist said. "We are peoples with rights, not plots of carbon."

The skepticism runs deep. Many Global South economists and scholars argue that climate finance reproduces the same structural dynamics as colonialism: control of land, labor, and decisions. They challenge the idea that "development" must follow Western models, and they ask why countries that are already paying for climate damage, in floods, heatwaves, and crop loss, must now also pay to access help.

But these critiques are also about imagining something better: from Uganda to the Philippines, communities are proposing climate action rooted in food sovereignty, land reform, and community-led energy systems. Their vision is centered around building power, rather than being centered on "resilience" to future shocks.

V. Questions To Consider

1. How can climate finance mechanisms be restructured to avoid deepening the debt burdens of developing nations? Should there be a global shift from loans to grants? And who should bear the financial risk: the donor, the recipient, or both?

2. What does “just climate finance” actually mean? Is it enough to fund clean energy and adaptation projects, or must climate finance also address historical responsibility, colonial legacies, and reparations?

3. Should donor countries have the power to attach policy conditions to climate funds? Is this a way to ensure accountability and effectiveness, or does it undermine national sovereignty?

4. How can the world ensure that green investments empower local communities, rather than displacing or exploiting them? What role should Indigenous and marginalized groups play in decision-making about land use, energy infrastructure, or conservation?

5. Do carbon offset markets have a legitimate role in climate finance, or are they inherently flawed? If they remain in use, how can they be regulated to prevent greenwashing and abuse?

6. Who should oversee global climate finance? Is the current architecture, dominated by institutions like the World Bank, IMF, and GCF, fit for purpose, or is a more democratic, inclusive model needed?

7. How can the Global South increase its influence in shaping climate finance norms and priorities? Are regional alliances like the African Group or G77 strong enough to push back against dominant narratives?

8. What should be the role of private investment in climate finance? Can public-private partnerships be truly equitable, or do they risk repeating extractive dynamics?

9. How can climate finance address the needs of countries already experiencing irreversible loss and damage? What mechanisms are in place, and are they sufficient?

10. Is the green transition compatible with the current global economic system? Or does real climate justice require rethinking trade, investment, debt, and ownership on a global scale?

FURTHER RESOURCES

Understanding Climate Colonialism
https://www.fairplanet.org/story/understanding-climate-colonialism/

Activists From Global South Protest At COP29
https://www.youtube.com/watch?v=f_ICSfWimfE

Will COP29 Address The Climate Finance Issue
https://www.youtube.com/watch?v=aMsL2lGWrpY

COP29: What Does The $300B Mean For The Global South
https://www.youtube.com/watch?v=Z0jm8nnfhSM

Dismantling Green (Neo)Colonialism: Energy & Climate Justice In The Arab Region
https://www.iemed.org/publication/dismantling-green-neocolonialism-energy-and-climate-justice-in-the-arab-region/

Global South Leaders Expose The Truth About Climate Finance Failure
https://www.youtube.com/watch?v=yOl7QsA8fcE&t=1s

Climate Refugees: Facts & Findings, And Strategies For "Loss And Damage"
https://belonging.berkeley.edu/video-climate-refugees-facts-and-findings-and-strategies-loss-and-damage

Debt Forgiveness As Climate Justice
https://www.theguardian.com/global-development/2025/jun/28/the-global-south-needs-more-than-tinkering-at-a-conference-debt-forgiveness-is-the-only-fair-way

For Indigenous Peoples, Failure To Increase Biodiversity Finance Is A Matter Of Life & Death
https://www.reuters.com/sustainability/society-equity/comment-indigenous-peoples-failure-increase-biodiversity-finance-is-matter-life-2024-12-05/

The Energy Debate Over "Green Colonialism" In Africa
https://www.axios.com/2021/12/08/africa-fossil-fuels-climate-change

Equity In Hydrogen Agreements
https://www.sciencedirect.com/science/article/pii/S0962629825000708