Indebting the Green Transition:

Civil Society and Academic Priorities at the Nexus of Sovereign Debt and the Climate Crisis

April 2025

Patrick Bigger, Federico Sibaja, Giedre Jokubauskaite, and Tomaso Ferrando

Discussions about the sovereign debt-climate crisis nexus are grinding on in formal spaces like the United Nations Framework Convention on Climate Change (UNFCCC), other United Nations (UN) processes like the Summit of the Future and the Financing for Development, and the Bretton Woods Institutions reform process. However, systemic and transformative change appears to remain a distant prospect even as the need for urgent action intensifies. The impacts of the climate, deforestation, and biodiversity crises are intensifying, but Global North emissions remain well above what is necessary to keep global temperatures below 1.5 degrees of warming while fiscal space for most countries of the Global South to invest in low carbon development, adaptation, and biodiversity conservation remains scarce-to-non existent. It is critical to build a shared and cohesive evaluation of existing proposals on reform of the international financial architecture and attendant climate and ecological finance, while building alternatives that can achieve more substantial change that aspire to climate and debt justice.

To take steps toward these critical objectives, the authors of this document organized a series of three virtual calls to gather leading civil society organizations and academic researchers on global political economy and the climate crisis, leading to an in-person convening in Washington, DC on April 20-21, 2024 immediately following the IMF/World Bank Spring Meetings. The results of the in-person convening will be offered in a subsequent report and shorter briefing outputs; the purpose of this document is to offer insight into where some of the world's most dedicated scholars and activists see critical issues arising (or festering) in terms of the challenges of confronting both onerous sovereign debt and of enabling just transitions to the climate crisis, the key concepts necessary to interpret those issues, and research and advocacy pathways toward achieving structural changes that sum to climate and fiscal justice.

Meeting one: Indebting the green transition

Scene setting:

The first workshop was animated by the need to analyze processes and dynamics of the 'green transition' as closely linked with the central tension of capitalism between capital's structural need to reproduce and expand itself on the one hand, and the ability of people to socially reproduce themselves and to maintain a healthy, livable environment.

Perversely, the dominant international institutional response to the climate transition has exacerbated this tension by extending the signal financial relationship of capitalism- debt- deeper into policy responses that are supposed to contend with the climate crisis[1]. This suite of responses from multilateral and bilateral actors and institutions is accelerating even as many Southern countries are already mired in debt as one aspect of a hierarchical system of international financial subordination, and ecological conditions are rapidly deteriorating. This policy direction is manifestly ineffective and unjust.[2] Contesting it is a big lift, but a vital one.

No one contests that the green transition needs to be funded, and it will be expensive. But it is crucial to identify and unpack alternatives to the mainstream approach, pathways that may intervene in different, more just, and more inclusive ways that at the very least do not escalate the tension between capital and life. Likewise, there is no doubt that Global South's countries needs for climate resources, around US$5-7 trillion per year,[3] is several orders of magnitude more than currently available climate finance, debt bearing or otherwise, and at least 60 acutely climate vulnerable countries are either already in, or on the brink of, debt crisis. However, this situation is being used by powerful countries and blocs to reproduce existing patterns of international financial subordination rather than alternative strategies,

---

[1]Gareth Bryant and Sophie Webber, *Climate Finance: Taking a Position on Climate Futures* (Newcastle: Agenda Publishing, 2024).

[2] Farwa Sial, "Blended finance for climate action. Good value for money?" *EURODAD and ActionAid*. February, 2024.
https://www.eurodad.org/blended_finance_for_climate_action_good_value_for_money.

[3]UNFCCC, Executive summary by the Standing Committee on Finance on the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. 2021.
https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing

particularly through the reinscription of debt as the primary means of distributing badly needed climate finance.[4]

The expansion of debt as a 'response' to the needs of the climate transition reproduces capital's needs for expansion and reproduction, but reinforces the tensions with human and planetary capacity to reproduce themselves. In addition, it generates an insurmountable gap between the kinds of projects that are needed to adapt to the climate crisis and enable low-carbon development and the kinds of projects that private investors find attractive.

Debt and indebtedness are key components of the dominant approach to the climate transition, and as such must be unpacked and understood in both their discursive power and in their material implications. The next section presents some key concepts that were discussed during the first workshop. The following section presents some specific financial and policy tools that are gaining attention and popularity, but should be carefully scrutinized because of their strengthening financial and political dynamics that intensify the tension between capital and livability.

Key concepts:

Why does debt matter? According to many mainstream commentators, the main problem with contemporary international debt is one of limited liquidity (effective balance of payments + market access). Such an approach to indebtedness, which is very common across International Financial Institutions (IFIs), dismisses the role of international debt in limiting countries' fiscal capacity, the way in which it maintains a flow of resources from indebted countries in the South to creditors in the North, and the more sprawling suite of problems, up to and including solvency crises and the basic unfairness of pushing countries into further debt to cope with an existential crisis they have little responsibility for creating.

Debt-Based Extractivism: Extractivism is the particular form of capitalism that creates a vicious cycle of Global South borrowing to pay for urgent needs, which in turn leads to the need to extract of resources (primarily mining and agriculture) to earn foreign currency to pay that debt, while ecological degradation is an unfortunate but seemingly necessary byproduct[5.]

---

[4] Patrick Bigger, "The narrow allure of bridging funding gaps with blended finance", EADI Blog. 30 May, 2023. https://www.developmentresearch.eu/?p=1487.

[5] Yannis Dafermos, "Towards a climate just financial system". The SOAS Department of Economics Working Paper Series, Working paper 259, June 2023.

Global Currency Hierarchy: Names the fact that the international financial system is dominated by a handful of large, Northern economies and their currencies (along with associated monetary policy) with a range of deleterious impacts for Southern economies and communities.[6] Currency hierarchy is a central component of international financial subordination that disempowers countries and communities in the Global South from investing in self-defined social, economic, and ecological priorities.

Reparations: Simply, reparations is the notion that those who have caused harm should be responsible for repairing it. In this setting, it aligns with the concept of ecological debt, or the way that (primarily) Northern countries have created the ecological and economic crises around the world and should be responsible for redress. More holistic understanding of reparations, such as the one proposed by Olúfemi O. Táíwò,[7] also contain an element of future looking redistribution for the creation of socio-economic conditions that address international inequalities and create a better world. It is a concept that certainly bears more discussion about its strategic use.

Specific mechanisms and processes of concern:

Debt swaps: An old, largely ineffective, mechanism enjoying a resurgence that, in essence, seeks to reduce a countries' outstanding financial debt in return for commitments to some variety of ecological conservation or remediation. These types of deals have proven economically insufficient, of limited applicability, and dangerous potential to erode sovereignty through green conditionalities.[8]

Green/Sustainability Linked Bonds: Labeled debt was invented by the European Investment Bank, spread to other Multilateral Development Banks (MDBs), and is now a mature asset class. However, there is still uncertainty regarding these mechanisms' ability to enable meaningful environmental impact beyond what would have happened anyway, or if labeling debt as 'green' actually lowers borrowing costs. Those questions aside, bonds (either self-issued, or on-lent proceeds from IFIs) simply create more debt that pushes costs onto vulnerable countries.

---

[6]Bhumika Muchhala, "The Structural Power of the State-Finance Nexus: Systemic Delinking for the Right to Development", *Development* 65 (2022): 124–135 https://doi.org/10.1057/s41301-022-00343-2.

[7] Olúfẹ́mi O. Táíwò, Reconsidering Reparations (Oxford: Oxford University Press, 2024).

[8] Patrick Bigger, "Debt for Environment Swaps." Environmental Finance in the Debt and Ecological Crises #1. December 2022, Climate and Community Project.

New Collective Quantified Goal: Part of the UNFCCC process in which countries are determining climate finance goals to replace the (failed) US$100 billion per year target. A key space to contest further indebtedness in the green transition.

Just Energy Transition Partnerships: These are largely bilateral deals between Global South and North countries that aim to 'unlock' investment in renewable infrastructure, generally with a range of dangerous conditionalities that include aspects like carbon markets or regressive energy subsidy reform. Further include a lending component in which interest rates are generally higher than recipient country growth rates. South Africa and Indonesia are likely most advanced in these processes.

Other mechanisms that were mentioned but less fully explored: Global Gateway for MENA renewables investment, bi/multilateral loan guarantee programs, especially from European governments and the EIB; carbon markets and carbon offsets- a particularly dangerous path, and one that is being pushed in bi/multilateral fora, especially for African countries.

New research directions:

Part of the conversation dealt with the desirable directions of future research and trans-disciplinary work between academia and non-academic actors.

- **Visibilize alternatives**: realize an up-to-date tracking of Southern-led proposals on debt and climate, both from civil society and from governments, as well as emergent South/South initiatives, particularly the formation of debtors clubs
- **What is the extent of the problem:** More robust theorization and computation of climate debts and Northern fair-shares of climate finance
- **A Global-South based theory of change:** Develop a coherent, actionable theory of change with Global South governments
- **Better tracking of climate finance**: More robust, disaggregated, and geographically specifically climate finance tracking
- **Monetary policy as climate policy:** Theorization and further research on green qualitative easing or other expansionary monetary policy, and how it intersects with other macro-stability issues, e.g. inflation
- **What can the climate justice movement learn from past debt justice campaigns:** A critical review of the Heavily Indebted Poor Country Initiative, including long term outcomes and lessons learned for 21st Century debt/climate campaigns and policy

directions could help discern positive and negative aspects of extant approaches to reducing debt burdens.

Concrete steps in building a network on Debt and Climate Justice:

- Produce a shared narrative sharpening to face both campaigns and IFIs/governments, e.g. on reparations and climate coloniality.
- Further narrative harmonization between climate-first and debt-first formations even with the understanding that a shared manifesto, or even platform, is unlikely and potentially undesirable.
- Shared data and talking points that flow from those narratives.

Meeting Two: The role of the Bretton Woods institutions and other International Financial Institutions

Scene setting:

International financial institutions have played a central role in the construction of the current international debt scene. Not surprisingly, they are among the main protagonists in debt-creating climate finance delivery. However, this is often obfuscated by the dominant narrative of urgency and lack of alternatives. As a matter of fact, despite the failure of the international community to transform IFIs' modus operandi (donor-driven agenda, private-first approach, lack of support for public services, failure to support developmental states, adherence to discredited austerity-first policy mandates), these institutions often are portrayed as the most effective set of institutions to respond to the climate crisis in the absence of fair-share, non-debt-bearing climate finance. This view is rarely challenged by Global South governments in international fora while these countries are attempting to attract international finance to respond to the debt crisis, and for all their faults, MDBs still generally provide the cheapest financing available.

IFI's climate finance delivery is often welcome as it offers attempts to fulfill agreements reached under UNFCCC on the common but differentiated responsibilities of states to take action commensurate with their resources to do so, and to aid all countries in transitioning to the global realities of the ecological crisis. However, IFIs are undemocratically controlled by Global North countries[9], enjoy preferred creditor status (an informal agreement by which they are given priority for repayment of debt in the event of experiencing financial stress), perpetuate structural inequalities in the global currency hierarchy[10] and in the distribution of value between the public and the private sector[11]. This is because pushing for privatisation of public services, a reduced role for the public sector and the creation of markets that can attract investors is at the heart of their objectives. Take the case of the Interamerican Development Bank, which came up with all the pillars for a green bond market in Brazil, as well as offering technical assistance for the development of privately-investable projects, offering guarantees to investors, and advancing market-friendly regulatory changes.[12]

IFI's voices and narratives can also crowd out other visions and other actors. For example, IFI's blended finance to catalyse private finance, given the mantra that public finance would never fill the gap, is now the leading narrative at the expense of Official Development Assistance (ODA) and funds like the Green Climate Fund which is better aligned with the principle of common but differentiated responsibilities. The increasing role of IFIs in this space[13] responds to the decreasing will and lack of consensus in the Global North around deploying more resources for climate finance.

IFIs' credit and investment policies are key to future economic, social and environmental realities across the Global South. The failure of market-based approaches to facilitate successful energy transitions in regions with more developed energy markets demonstrate the limitations of an approach that relies on orthodoxies and mechanisms promoted by the

---

[9] Christian Aid, "The 16th IMF quota review", May 2023. https://www.christianaid.org.uk/sites/default/files/2023-09/16th-imf-quota-review-may-2023-advocacy-brief.pdf

[10] Bretton Woods Project, 'Reconceptualising SDRs as a tool for development finance', October, 2023, https://www.brettonwoodsproject.org/wp-content/uploads/2023/10/Reconceptualising-SDRs-as-a-tool-for-development-finance-Oct-2023.pdf.

[11] Bretton Woods Project, 'Gambling with the planet's future? World Bank Development Policy Finance, 'green' conditionality, and the push for a private-led energy transition', April, 2024, https://www.brettonwoodsproject.org/2024/04/gambling-with-the-planets-future-world-bank-development-policy-finance-green-conditionality-and-the-push-for-a-private-led-energy-transition/

[12] Tomaso Ferrando et al., "Capitalizing on Green Debt: A World-Ecology Analysis of Green Bonds in the Brazilian Forestry Sector", *Journal of World-Systems Research*, 27 no 2 (2021): 410–438. https://doi.org/10.5195/jwsr.2021.1062

[13] OECD, 'Climate Finance Provided and Mobilised by Developed Countries in 2013-2022', OECD Publishing, 2024, Paris, https://www.oecd-ilibrary.org/docserver/19150727-en.pdf?expires=1725005535&id=id&accname=guest&checksum=49A3890C6D6D358836211EB1CE12F6D0

IFIs.[14] And in a context where it remains unclear whether the scaling up of renewables makes fossil fuels less economically viable, it appears unlikely that investors and IFIs will cease to accelerate fossil fuel production in the Global South.

The question is: how can we push back? Climate justice has to be a starting point of climate finance delivery modalities. The erosion of IFIs power, the need to come up with alternative cheap sources of financing, and an increased role for states to direct their own energy transitions and adaptation strategies under revamped green development states should be at the center of the civil society agenda.

Key concepts:

Blended finance: Blended finance is 'the strategic use of development finance for the mobilisation of additional commercial finance towards the SDGs in developing countries'.[15] Building up on the 'billions to trillions' agenda, and maximising finance for development, public finance will be used to align the risk-return profile of assets with investor preferences or mandates.[16] This includes equity investments, guarantees against various risks, credit enhancement tools.

De-risking: Derisking strategies and policies are aimed at making investments in green technologies (in particular in the global south) more attractive to private investors by reducing their financial risks and putting those risks on the shoulders' of public authorities and the broader public. According to Gabor, it can lead to the prioritization of investor interests over public goods and can reinforce dependencies on volatile capital markets.

Wall Street consensus: The "Wall Street Consensus," as defined by Daniela Gabor,[17] refers to the global policy framework that prioritizes using public money in the form of tax breaks or other subsidies in order to mobilize private finance for infrastructure and climate related

---

[14] Jon Sward, "Gambling with the planet's future? World Bank Development Policy Finance, 'green' conditionality, and the push for a private-led energy transition", *Bretton Woods Project*, 2024. https://www.brettonwoodsproject.org/wp-content/uploads/2024/04/Gambling-with-the-planets-future-WBG-DPF-final-web.pdf

[15] OECD, "Leveraging private finance for development', OECD, https://www.oecd.org/en/topics/sub-issues/leveraging-private-finance-for-development.html#:~:text=Blended%20finance%20involves%20the%20strategic,need%20their%20investment%20the%20most.

[16] Daniela Gabor, "The Wall Street Consensus at COP26", Phenomenal World, November 18, 2021, https://www.phenomenalworld.org/analysis/cop26/

[17] Daniela Gabor, "The Wall Street Consensus". *Development and Change*, 52 (2021): 429-459. https://doi.org/10.1111/dech.12645.

projects. This consensus promotes the de-risking of investments through public guarantees and subsidies to attract private capital, aligning climate policies with the interests of global finance.

Bigger vs. better MDBs. The G20 in 2023 came up with the triple agenda for MDBs, focusing on bigger, bolder, better banks. These increased financial resources (tripled, according to the G20)[18] are poised to enter circulation as blended finance despite the ongoing failure of that approach. The Evolution Roadmap of the World Bank provides a clear example.[19]

Limits of the private-first approach to respond to climate needs. Blended finance and privatisation are at odds with the principle of common but differentiated responsibilities and climate justice. The foregrounding of climate finance gaps is used as justification to double down on privatisation in Global South countries to create more for-profit opportunities for Global North companies. This claim is particularly dubious given the lack of evidence of the success of private-finance-led approaches to deliver on energy transitions. Climate finance cannot be limited to those projects that can generate value and service interests. The complete lack of private investments, subsidized by blended finance or not, in adaptation is another structural gap of this modality.

Specific mechanisms and processes for immediate concern:

MDB reform agenda: The call at COP27 to reform MDBs and align MDB spending with climate and development goals kickstarted discussions in various fora to identify the best way forward. Proposals by main shareholders of the IFIs around increasing financial power of these institutions that so far have responded to geopolitical interests will undermine ownership over green development pathways (e.g. discussions around the WB's Evolution Roadmap). This interest in increasing power for these institutions is accompanied by Global North countries' failure to fulfill ODA and climate finance obligations and by a complete lack of interest in reforming their governance, perpetuating donor-driven agendas.

---

[18] Independent Expert Group, 'The triple agenda: A road map for better, bolder, and bigger MDBs'. CGDEV, September, 2023, https://www.cgdev.org/sites/default/files/triple-agenda-roadmap-better-bolder-and-bigger-mdbs.pdf.

[19] Bretton Woods Project, 'Civil society calls for World Bank to reroute 'Evolution Roadmap' away from Cascade', Bretton Woods Project, July, 2023, https://www.brettonwoodsproject.org/2023/07/civil-society-calls-for-world-bank-to-reroute-evolution-roadmap-away-from-cascade.

Blended finance modalities can raise vulnerability to global financial cycles and can exacerbate the ongoing debt crisis.[20] This process undermines more democratic instruments like the Green Climate Fund.

Finance-related processes under the Paris Agreement: Many Global South countries are afraid discussions around article 2.1c[21] divert attention away from the New Collective Quantified Goal on Climate Finance (NCQG).[22] Global North countries are pushing for a bigger role for private finance, while the NCQG could be an opportunity to come up with a larger needs-based quantum with quality requirements focused on support for publicly-led climate action

Green conditionalities: IFIs provide financial support with conditionalities attached, aimed at sectoral privatisation to attract private finance (e.g. water, energy, transportation). This includes unbundling energy SOEs, regulatory changes to allow for private energy generation, tariff liberalisation.

New research directions:

Particular attention was paid to the importance of:

- **Showing the equivalence of blended finance and structural adjustment.** The two overarching response frameworks to debt crises thirty years apart, and civil society has been successful demonstrating the injustices that structural adjustment visited on countries around the world. Similar narrative and analytical work is needed to mainstream this critique of blended finance.
- **Analysis of the different blended finance modalities,** to find if there are any best practices in regional Development Finance Institutions.
- **Identifying alternatives to blended finance and scaling up cheap MDB financing.** This includes tackling illicit financial flows, revising trade agreements that push countries into fossil fuels dependency, and the UN tax convention. De-dollarisation, liquidity mechanisms like swap lines, and increased issuances of Special Drawing

[20] Sial, Farwa. "Blended finance for climate action".

[21] Paris Agreement (2016) Art. 2.1*(c) "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*
https://unfccc.int/sites/default/files/english_paris_agreement.pdf

[22] Decision 8/CMA.5 (13 December 2023)
https://unfccc.int/sites/default/files/resource/cma2023_16a02_adv.pdf#page=16

Rights (SDRs) are all tools to erode IFIs power and push back on their increasing role in climate as pushed by Global North countries.

- **Concrete alternatives:** More solid mitigation and adaptation plans at the local, national, and regional level that take a more realistic view of climate investment needs and how these are at odds with private-first approaches adopted by the IFIs.

Meeting Three: Loss and damage and other (false) solutions

Scene setting:

For several decades the Loss and Damage process at the UNFCCC has been the main multilateral channel through which Global South sought to redress the ecological debt by developed states.[23] As well as being responsible for most historical greenhouse gasses, developed states owe most of their wealth to practices of exploitation and financial subordination of the Global South, both of which originate in (neo)colonialism and are backed by military power.[24]

Since the Rio Declaration more than 30 years ago, the principle of common but differentiated responsibilities (CBDR)[25] was meant to move international financial and climate relationships towards a more level playing field for developing states. In practice its meaning has been diluted and the possible equalizing effects insufficient if not completely absent.[26] Financial obligations by developed states to deliver 'new and additional' climate finance have been insufficient as the transfer has never reached the US$100b billion per year collective goal. When delivered, these funds have often created further debt and 'tied' countries in the Global South to the policy prescriptions of the Global North, thus effectively extending the modus operandi of business-as-usual economic development under fossil fuel capitalism.

Given the contribution of historical emissions to the climate crisis, and continuous exploitation of the Global South, there is no doubt that the current system of climate change and economic governance is deeply unequal, and that it requires some form of actual and meaningful *reparations* for international climate action (not to mention historical

---

[23] Julia Dehm, "Climate Change, 'Slow Violence' and the Indefinite Deferral of Responsibility for 'Loss and Damage'", *Griffith Law Review* 29 no. 2 (2020): 220–52, doi:10.1080/10383441.2020.1790101.

[24] Bhumika Muchhala, "A Bandung Woods: An agenda to counter the international financial subordination of the South", *Progressive International*, January 12, 2023, https://progressive.international/blueprint/67ace315-fd9d-4ddf-8125-70f5c45f37ed-muchhala-a-bandung-woods/en.

[25] *Rio Declaration on Environment and Developmen*t (Rio de Janeiro, 3-14 June 1992) A/CONF.151/26 (Vol. I), Principle 7; also United Nations Framework Convention on Climate Change (UNFCCC) (1992) Art. 3.1.

[26] Lidy B. Nacpil et al, "Critical Crossroads: Advancing Reparations through the Loss and Damage Fund." *Asian People's Movement on Debt and Development*, March 29, 2023 https://apmdd.org/ldbriefer.

responsibility for Indigenous genocides, colonialism, the abduction of millions of African people, etc.) to sustain its moral and political legitimacy.

In this landscape, the creation of the Loss and Damage Fund has been a bittersweet victory for advocates of climate reparations: while it has solidified the issue of climate damage on an international agenda and demonstrated the power of collective action by G77 and civil society, it did not succeed to guarantee the new stream of 'untied' funding for the states most vulnerable to climate change, nor to address the historical injustices at the backdrop of climate negotiations.[27]

As in the past, developed states eschewed responsibility through vague commitments, dragging their feet on making adequate pledges to the Fund, and keeping the decision-making of the new Fund at arms' length, by entrusting its administration to the World Bank.[28] The discussion in this third meeting focused on what can be learned from this process of Loss and Damage by those working on climate and fiscal justice.

Core concepts from the meeting:

- **Reparative justice** (RJ). RJ is an aspect of climate justice that emphasizes the ethical imperative of providing reparations for historical emissions, as well as for the harm caused by colonialism and subsequent financial subordination of the Global South[29]. The cornerstone of RJ is an idea that developed states are liable for climate-related damages, and that they therefore should provide remedies for it. Reparative justice as a framework has been written out of the Loss and Damage process by the hardline negotiators from developed states.
- **Co-option and slow violence**. International negotiations under the UNFCCC are prone to be co-opted by corporate interests and are often shaped by uncompromising positions of developed states. By failing to act ambitiously enough, and by coopting mechanisms that reflect legitimate demands of climate-vulnerable states and their populations (as in case of Loss and Damage Fund) developed

[27] "APMDD reaction to the outcome of the Fourth Meeting of the Transitional Committee on Loss and Damage Fund" Asian People's Movement on Debt and Development, October, 21, 2023. https://apmdd.org/apmdd-ldf-oct21.

[28] Decision 5/CMA.5 "Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4" (15 March 2024)

[29] Dehm, "Climate Change, 'Slow Violence' and the Indefinite Deferral of Responsibility".

countries enable slow onset events, thus exacerbating 'slow violence' against people in climate affected states[30]. This violence is racialised, has gender-specific effects[31], and generally tends to lead to indirect discrimination against the most vulnerable people in climate affected states.

- **Fiscal space for climate action**. Fiscal space is an essential concept for contesting some of the 'false solutions' put forward to address the climate crisis. When indebted, countries cannot afford climate action from the public purse[32]. Therefore, climate finance 'solutions' that create further debt have perverse consequences on climate action and directly impede climate justice. Nonetheless, the idea of 'fiscal space' puts an emphasis on the national financial capacity, rather than the wider system of global financial architecture that undermines monetary sovereignty.

- **Equity**. While the meaning of 'equity' is notoriously difficult to define, in international climate/fiscal policy, it means levelling the playing field between the Global North and the Global South, addressing financial and political subordination, disguised as a formal equality under international law.[33] Multilateral climate governance is currently on a trajectory away from equity rather towards it, and the Loss and Damage negotiation process has not been able to reverse this trend.

'False' solutions: specific mechanisms of concern

- **Insurance rather than liability**. One way in which the Loss and Damage process has been co-opted is through insistence that climate-related damages can be addressed through vulnerable countries insuring themselves, thus protecting their budgets from climate-related risks[34]. The issue with this approach is that it puts the responsibility for climate-related damage directly onto the vulnerable states, while

[30] Dehm, "Climate Change, 'Slow Violence' and the Indefinite Deferral of Responsibility".

[31] UNDP, 'Climate change is a matter of justice – here's why', June 30, 2023, https://climatepromise.undp.org/news-and-stories/climate-change-matter-justice-heres-why

[32] Dafermos, "Towards a climate just financial system"; Iolanda Fresnillo, "A tale of two emergencies - the interplay of sovereign debt and climate crises in the global south", *EURODAD*, 17 December 2020, https://www.eurodad.org/a_tale_of_two_emergencies_the_interplay_of_sovereign_debt_and_climate_crises_in_the_global_south

[33] Tess Woolfenden and Sindra Sharma Khushal, "The debt and climate crises: Why climate justice must include debt justice", *Debt Justice*, October 2022, https://debtjustice.org.uk/wp-content/uploads/2022/10/Debt-and-the-Climate-Crisis-Briefing-October-2022-UPDATED.pdf

[34] Dehm, "Climate Change, 'Slow Violence' and the Indefinite Deferral of Responsibility".

there is insufficient evidence that insurance can, or would, cover relevant damage in case of large-scale ecological disasters, especially if those can be predicted. It also is at odds with climate justice: the more vulnerable the state is to climate impacts, the higher is the likelihood of a large-scale climate-related disaster, the more expensive insurance premiums it would have to pay.

- **Debt-for-nature swaps as a silver bullet**. Debt swaps are an old instrument promising debt relief to an indebted country based on a bilateral agreement with a donor state, with the latter being able to count a debt relief as part of their ODA contributions.[35] However, the more recent instrument, the debt-for-nature swaps, which relies on buying back sovereign debt through private intermediaries in exchange for conservation commitments, is more problematic.[36] As well as being costly, complex and opaque instruments, debt-for-or nature swaps risk increasing the sovereign debt burden in a long run, and they tie developing countries to further 'green' and fiscal conditionalities.[37]

While in this meeting the focus was on issues with loss and damage and debt-for-nature swaps, many other mechanisms of climate governance arguably fall under the category of 'false solutions' (e.g. carbon markets, green finance, offsetting, etc).

Research and advocacy directions going forward:

Workshop participants identified the following questions as critical to shape the climate justice agenda:

Reparations in practice

- How to link climate liability with clearly identified needs of the most vulnerable states? How to gather evidence about such needs in a more democratic manner? How to turn this evidence into claims for compensation, without rendering the debate too technical?
- What is the common narrative on climate reparations that is politically feasible and capable of mobilising civil society and social movements? How to build on the experience of movements against racial injustice to advance on this agenda?
- What are the concrete sources from which loan-free climate finance could be provided? For instance, could carbon levy on fossil fuel firms be a way forward?

[35] Iolanda Fresnillo. "Miracle or mirage? Are debt swaps really a silver bullet?", *EURODAD*, November 2023. https://www.eurodad.org/miracle_or_mirage

[36] Fresnillo. "Are debt swaps really a silver bullet?"

[37] Fresnillo. "Are debt swaps really a silver bullet?"

An urgent need for ambitious reform proposals, with embedded safeguards from co-option

- What structural reforms of fiscal and climate governance can curb the power of finance?
- How to delink developing states from global financial structures, in a way that puts limits on their financial dependency on the Global North?
- How to reduce green conditionalities? What concrete mechanisms could enable ambitious climate action in the Global South, without a need for constant assessment and affirmation of such action by developed states?

The appropriate fora for negotiations and building relevant evidence/political support

- Going beyond UNFCCC processes, what other international fora would be a good space for dialogue and pressure about climate reparations? Might climate change litigation be helpful (e.g. ICJ)? Is there room for more explicit human rights arguments and bodies (e.g. the Convention against Racial Discrimination)?
- How to gather more solid and better coordinated evidence of climate-related damages at the national/local levels? How to present it so that it creates openings for change?
- How to ensure better dialogue with local groups and national political constituencies, avoiding the 'chamber effect' and expert governance of international climate negotiations?

Conclusion

As this document makes clear, the scope of the challenges arising at the convergence between climate justice and debt/financial justice are manifold and massive. Overcoming them may be facilitated by the identification of common vocabularies and shared systemic analyses, and by the adoption of a concerted effort by a variety of movements using a variety of tactics in a wide variety of fora - from street protest to scholarly interventions.

In all cases, movements for both debt/finance and climate justice are experiencing a critical shortfall in research capacity- a key place where academics and other research professionals could contribute to both building stronger narratives and intervening in policy spaces from state and provincial government to institutions of global economic and climate governance. The next document in this series will discuss many of the concrete steps forward that must be taken in order to achieve a reparative vision of debt and climate justice, and the roles that different groups can play in bolstering movements to win based on the in-person convening that was the culmination of this process.

The organizers deeply appreciate the help of Arinç Onat Kiliç, Stephanie Garcidueñas Nieto, Natika Kantaria and Héctor Herrera for taking and collating notes during the meeting.

This summary was prepared by Patrick Bigger (Climate and Community Institute), Federico Sibaja (Recourse), Giedre Jokubauskaite (University of Glasgow) and Tomaso Ferrando (University of Antwerp). The contents of this document do not necessarily reflect the views of all of the contributors, and the representation of the discussions are from the perspective of the organizers.

The discussions in the workshops were based on the presentations by Sophie Webber (University of Sydney), Carola Mejía (Latindadd), Yannis Dafermos (SOAS), Mariana Paoli (Christian Aid), Gabriela de Oliveira Junqueira (University of Sao Paulo), Advait Arun (Center for Public Enterprise), Julia Dehm (La Trobe University), Mae Buenaventura (Asian people's movement for debt and development (APMDD)), Iolanda Fresnillo (Eurodad) and Bhumika Muchhala (Third World Network).

Other contributors:

Adrian Chikowore, Institute for Economic Justice
Alex Lenferna, University of Washington
Arinç Onat Kiliç, University of Antwerp
Attiya Waris, University of Nairobi, UN Independent Expert on on foreign debt, other international financial obligations and human rights
Audrey Irvine Broque, University of British Columbia
Chloe Dahleen, Partners In Health
Claire Miranda, APMDD
Gaya Sriskanthan, Rosa Luxemburg Stiftung
Hanna Homestead, Institute for Policy Studies
Hashim bin Rashid, University of Pennsylvania
Héctor Herrera, University of Antwerp
Ilaria Crotti, UNCTAD
Jason Braganza, Afrodad
John Feffer, Institute for Policy Studies
Jon Sward, Bretton Woods Project
Juan Pablo Bohoslavsky, Universidad de Río Negro, CONICET
Julie Rødje, Debt Justice Norway
Kamal Ramburuth, Institute for Economic Justice
Katie Tobin, WEDO
Kirsty Anantharajah, University of Canberra
Lani Villanueva, Asian people's movement for debt and development (APMDD)

Lara Merling, Consultant
Leandro Gómez, FARN
Manasi Karthik, Johns Hopkins University
María Ron Balsera, CESR
Michael Galant, CEPR
Nassim Ashford, Green New Deal Network
Nick Bernards, Warwick University
Niranjali Amerasinghe, ActionAid
Polina Girshova, Eurodad
Rebecca Thissen, CAN International
Rodolfo Bejarano, Latindadd
Sabrina Fernandez, Alemeda Institute
Sarah Ribbert, Heinrich Böll Stiftung
Shem Joshua Otieno, Afrodad
Shereen Talaat, Menafem Movement
Stephanie Garcidueñas Nieto, University of Antwerp
Tess Woolfenden, Debt Justice
Tim Hirschel Burns, Global Development Policy Center at the Boston University
Tracey Lewis, Public Citizen
Zain Moulvi, Alternative Law Collective