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The Quest for Global Green Finance Participation: Developing Countries and Barriers to Full Participation

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Quest for green finance

Seeking participation

Endless potential (Haiku by Kapaya and Kyriacou, May 2022)

Abstract

We examine the case for developing countries' participation in the 'green finance' debate, which deserves reconsideration given the current lack of clarity and agreement on a universal definition of green finance. We demonstrate that initiatives aimed at curbing the worst environmental excesses tend to be characterized by a 'them and us' mentality. Developing countries have been marginalized from participating and contributing meaningfully to the debate, with serious ongoing consequences. The only way to meet sustainability priorities with the potential for long-lasting change is to encourage countries to work together in genuinely collaborative partnerships.

Introduction and purpose

In our view, the relatively recent international focus on and heightened concern over environmental sustainability is extremely important because it prompts reconsideration of how developed and developing countries can work together on this important issue. Connected with this issue is the extent to which green finance can play a meaningful role in this debate. As a starting point, a considerable body of literature has attempted to define green finance. These definitions have overlaps and similarities, but also differences.

In order to engage in this debate, it is helpful to outline a working definition of the term 'green finance'. According to Cai and Guo (2021), green finance is a relatively new field of finance, and 'economists and international organizations have failed to establish a precise definition of or agree upon one unanimously' (p. 2). They therefore suggest a broad working definition which they believe may attract some consensus: 'A sustainable financial system is one which incorporates the development values and aids in dealing with financial assets, so that actual wealth may be used to meet the demands of an ecologically sustainable and inclusive economy over time' (p. 2). On the other hand, the City of London Corporation (2016) defines green finance in terms of what it does: 'Green finance provides a bridge between global environmental priorities and the financial system' (p. 11). In our search for a working definition, we lean towards that proposed by the World Economic Forum (2020), which appears to align closely with our own understanding of green finance:

> *At its simplest … any structured financial activity – a product or service – that's been created to ensure a better environmental outcome. It includes an array of loans, debt mechanisms and investments that are used to encourage the development of green projects or minimize the impact on the climate of more regular projects. Or a combination of both.*

As indicated by the wide array of definitions, green finance has attracted considerable research interest in recent years. This research has adopted diverse perspectives, ranging from definitions to attempts to quantify the contribution of green finance to the economies of various countries (for examples, see Cai & Guo, 2021; Khan et al., 2021; Lee & Lee, 2022).

Our contribution to this emergent debate focuses on the position of developing countries, especially those in Africa and Asia. According to the United Nations (2022b), in 2022 'the population of Europe and Northern America combined and that of sub-Saharan Africa were comparable in size, with more than 1.1 and 1.2 billion people respectively', and 'more than half of the projected increase in the global population between 2022 and 2050 is expected to be concentrated in just eight countries: the Democratic Republic of the Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, the Philippines and the United Republic of Tanzania' (pp. 4–5). These statistics highlight that the centrality of Africa and Asia to the climate sustainability debate cannot be overstated. In this chapter, we argue that these regions have historically played the role of, or more accurately been relegated to, silent or passive partners in this debate. We believe that a new and genuinely reconsidered approach is necessary. Developing countries should not be mere bystanders in this key area. They should be afforded a chance to participate actively, both in outlining the problems as they see them, and in contributing to debate on possible solutions. Such an inclusive approach is more likely to lead to more equitable and fair results. We also believe this to be a necessary step in the fight for our planet's survival. The fight against climate change cannot be won simply by protecting one part of the planet; it is a fight in which all parts must feel they have a stake.

A major part of our argument is that for far too long, human beings through their nation states have tended to see the world from the perspective of their own country or region. Consistent with this, when faced with serious dangers to our environment, or indeed existence, we have not adopted the global and inclusive perspective so necessary for co-inhabitants of our planet.

Most actions, however well-meaning, have tended to be narrowly focused, partisan, and ultimately inadequate. With specific reference to the climate change crisis, we argue that most initiatives aimed at curbing the worst environmental excesses have been characterized by a 'them and us' mentality. They have tended to pit one group of nation states against another: the rich North against the poor South, and developed against developing countries. We also argue very strongly that, ultimately, the issue of environmental sustainability cannot be separated or divorced from that of economic development and sustainability. This, in turn, is very closely linked with international trade, its financing, and terms of trade around the globe.

Approaches to the fight against climate change have focused on a broad range of measures, including carbon emissions reductions, initiatives for environmental protection, sustainable development strategies, and millennium development goals. These date back several decades, including the Tokyo Accord in 2003, the Paris Accord in 2015, and more recently the COP26 accord in 2021. The results of these efforts have been far from satisfactory: global warming appears to be accelerating, and net-zero CO2 emissions targets are off course (Macfarlane, 2021). In 2022 alone, there have been devastating floods in Pakistan, South Africa, Nigeria, and Bangladesh (BBC News, 2022), and equally devastating fires in parts of the US, Canada, and other places around the world. All this points to serious changes and challenges to our environment at a global level. It is no wonder that in his first address to the COP27 summit in Egypt, the UN Secretary General warned starkly that 'we are on a highway to climate hell with our foot on the accelerator' (United Nations, 2022, November 7). All this is happening against a background of economies at a tipping point in many developing countries, especially in Africa and also in Asia. Even more concerning is the fact that, according to UN projections, the same regions are expected to grow at the fastest rate in the world between 2030 and 2050 (UN, 2022b).

Amongst attempts to find a solution, if there is one, attention has increasingly turned to finance, and particularly green finance. This is seen as a critical part of a new initiative to achieve the global net-zero carbon target. Until recently, finance and green finance did not feature prominently in these discussions, but many important international players have now moved green finance strategies to the top of their agendas. These include the UN through its Environment Program Finance Initiative (UNEPF), the EU with its Sustainable Finance Initiative, and the UK in the aftermath of the October 2021 COP26 conference. Many countries in the developed world have devised their own specific initiatives. Most importantly, banks and other key financial institutions have also joined in. We await the outcomes of the UN's 2022 COP27 climate change conference.

Just before the COP26 conference, Mark Carney, former Governor of the Bank of England revealed that more than 450 firms had agreed to join the Glasgow Financial Alliance for Net Zero, an organization for which he was the UN Special Envoy for Climate Action and Finance. The 450 firms who had joined the alliance held assets valued at up to 130 trillion US dollars (Metcalf & Morales, 2021). Taking up the challenge, the UK government formed a Green Finance Taskforce, with terms of reference that indicate the context, objectives, and ways in which green finance is seen as a critical component in the fight for 'clean growth' and a sustainable environment (UK Government, 2019). The UK government is not alone in this. The UN, the EU, and OECD countries, as well as individual countries such as Canada and the US, and many others have formally set up forums or strategies for dealing with the climate emergency and climate sustainability issues. At all these levels there is evidently clear recognition that green finance must be a key part of the package of tools used to deal with the climate emergency. Green finance (or 'sustainable finance', as the UN calls it) is now recognized as a critical component of any efforts to successfully transform the world's economies and achieve the zero-carbon emissions target by 2050 (United Nations, n.d.).

There also seems to be wide acknowledgement, and indeed agreement, that governments alone cannot provide sufficient finance to accomplish this task. They require the support and full participation of the private/corporate finance sector. Indeed, both the UN Climate Action team and the British government's Green Finance Taskforce positively welcome the private sector's full participation (UK Government, n.d.), seeing this as a tremendous opportunity rather than a risk to the financial and banking sector. When asked to identify 'the most exciting climate-related development in private finance', Mark Carney stated that 'the dialogue has shifted from viewing climate change as a risk, to seeing the opportunity, and really translating that into a single objective, which is to move our economies to net zero as quickly as possible' (Carney, 2021).

As serious and well-meaning as these efforts and initiatives may appear to be, there remains a 'stark gap between rhetoric and action' (Concern Worldwide, 2021). With specific reference to this chapter's focus on developing countries and green finance, it can be argued that these initiatives do indeed open up new and potentially profitable opportunities for finance institutions to expand their funding operations and the options they can offer to their corporate clients. However, as far as developing countries are concerned, nothing in what any of the key nations and organizations (including the UN) have said or proposed appears to represent a significant departure from what has gone before. Furthermore, we can see no significant prospect of change, either in terms of participation in the discussions and negotiations leading up to these initiatives, or in the economic benefits that are likely to result from them.

In essence, developing countries have faced and continue to face real barriers to meaningful participation in the climate debate and the green finance initiative. Their participation in both has been marginal at best. However, one critical aspect that has, as far as we can tell, escaped serious inclusion in this discussion is the issue of fair terms of international trade. In our view, this topic is intricately linked with finance, and is of particular relevance to relationships between developed and developing countries. It is important to explore why developing countries find themselves in a position of helplessness, despite their abundant natural resources. For this purpose, we focus first on global supply chains and global value chains. In the next section, we explore how developed and developing countries, respectively, stand and fare in each of these global chains, and how this connects with the green finance debate.

Global supply chains and global value chains

We have argued that many of the problems facing developing countries, especially in Africa and Asia, relate to unfair international trading terms. We expand on this here through the concepts of global supply chains and global value chains. Both go to the heart of our understanding of why many developing countries find themselves stuck on an endless poverty treadmill, despite often having enormous mineral wealth and other natural resources and commodities. Thus far, we have not found this issue appearing on the agendas of any key organizations or senior people driving the green finance initiative.

A repeated explanation for why many developing countries have struggled to achieve meaningful economic development is rampant mismanagement, corruption, and political greed. We have no doubt that these ills do indeed exist to varying degrees; however, they are not, by any means, exclusive to developing countries. We argue that the critical factor is the position of developing countries in Africa, Asia, and Latin America vis-à-vis developed Western countries in global supply chains (GSCs) and global value chains (GVCs). These chains are the global business networks underlying movements of goods and services between countries, and the values placed on them. Feller et al. (2006, p. 4) offer the following description of supply chains and value chains:

> *Both chains overlay the same network of companies. Both are made up of companies that interact to provide goods and services. When we talk about supply chains, however,*

we usually talk about a downstream flow of goods and supplies from the source to the customer. Value flows the other way. The customer is the source of value, and value flows from the customer, in the form of demand, to the supplier.

Developing countries contribute key resources, such as as oil, gold, cobalt, copper, zinc, and coltan, which are all critical to building and operating essential modern technologies, as well as a whole range of commodities (BBC News, 2013). They are fundamental to both GSCs and GVCs, yet appear to derive no meaningful benefit from either. Simply stated, currently, and indeed historically, the benefits of these chains are not distributed equitably between developed and developing countries. Indeed, it can be argued that most developed countries have achieved their status at the expense, and indeed through exploitation, of developing countries by exploiting GSC/GSV mechanisms (Jordan et al., 2015).

Grimshaw (2020) defines a supply chain as 'the entire process of making and selling commercial goods, including every stage from the supply of materials and the manufacture of the goods through to their distribution and sale'. Depending on the product, this process may include sourcing raw materials, refining them into basic parts, creating or manufacturing new products by combining different basic parts, fulfilling orders and sales, delivering products, and providing customer support and aftersales services. A supply chain may be national or international (global) in character. The supply chain does not indicate the financial benefit that each participant derives from it; it simply shows what each participant contributes to the chain, and at what stage. GSCs can be graphed as a simple horizontal line: for generations, and indeed centuries, the position of most countries in the developing world has not changed. They have served as the starting point for GSCs, providing raw materials, oil, minerals, and other commodities for others to process, refine, and make into final goods for sale.

On the other hand, GVCs do not appear to have received as much attention as GSCs. However, in our view, they are undoubtedly more consequential, more important and more relevant, especially in the context of this discussion. GVCs deal with the same entities, businesses, and countries as GSCs but, quite significantly, focus on the 'value' that each participant derives from the network. Shih's (1996) work is widely cited in this context. First, his GVC graph is not a horizontal straight line but is U-shaped, and hence is dubbed the 'smiling curve'. This demonstrates that the level of economic value or benefit achievable by any entity or country in any trade transaction depends on its position in the GVC. The higher up the chain or curve, the higher the benefit it derives. Entities at the bottom of the U, such as countries that simply extract and sell their resources or minerals in raw form without the capability to subject them to any form of processing, refining, or manufacturing derive the least value from the chain in terms of international trade. As long as a country remains at the bottom of the GVC, continuing simply to extract raw materials without adding any further value, the odds of it moving up the value chain are slim. Unless it somehow manages to move up the ladder by doing much more than just extracting minerals for others abroad to process and market, it is unlikely to benefit much from the GSC. As a result, its financial and economic position is unlikely to improve.

Amongst many countries that might be cited as practical illustrations of the significance of differing yet disadvantageous positions in GSCs and GVCs, a few illuminate our point. For example, it has long been suggested that the Democratic Republic of Congo (DRC) is cursed by its natural wealth (BBC News, 2013). It is a large country with a wide range and abundance of minerals and other natural resources. However, these have constantly been exploited by corporations and multinational companies from rich developed countries. The local population has received little or no benefit from this natural wealth, as evidenced by the absence or poor state of basic infrastructure (BBC News, 2013). Similarly, a report by the United Nations (2010) indicates that revenues from mining natural resources appear not to have contributed at all to local people's quality of life, with the serious consequence that their life expectancy is no more than 43 years (Info. Note 5). A report by Greenpeace and the Runnymede Trust

(Kapoor et al., 2022) also catalogues examples of exploitative practices in 'the Global South' by multinational corporations from 'the Global North'.

The harsh practical implication of this for many developing countries is clear: a country and its people cannot climb out of poverty nor hope to achieve economic and social development purely by extracting minerals or supplying raw materials. If that were possible, then many countries like the DRC, Tanzania, Zambia, Myanmar, and Brazil, to name but a few, with their abundant natural riches would top the wealth indices. However, in reality they are at the very beginning of many supply chains and at the bottom of GVCs, supplying all manner of raw minerals for other countries to convert into everyday items such as mobile phones, computers, motor vehicles, motor vehicle parts, planes, satellites, and even, shockingly, nuclear bombs. These are just a few examples of many developing countries that have found themselves in such economically powerless positions.

From an economic and environmental sustainability perspective, this is an extremely dangerous situation. These countries are at the bottom of the economic scale despite their endowments of minerals and other natural resources. Their populations are already struggling from lack of employment opportunities, poor housing, education, and health services, and meagre life chances, as several economic indices show (United Nations, 2022a). At the current rate, all these minerals and other natural endowments will soon be depleted. What will happen then? This is a frightening scenario that is playing out across much of the developing world. Furthermore, many developing countries in Africa, Asia, and parts of South America have very rich natural and mineral resources, yet despite huge amounts of foreign direct investment (FDI) by multinational companies, for generations they have struggled to provide basic socioeconomic essentials for their populations.

Previous studies in various disciplines have adopted a corporate social reporting (CSR) lens to examine the plight of several African countries, particularly with regard to mining, including

Tanzania (Lauwo et al., 2020), Nigeria (Hennchen, 2015), Ghana (Arko, 2013; Ayee et al., 2016), and Zambia (Okafor, 1990; Phiri et al., 2019). These countries are rich in natural resources and minerals, and thus occupy prominent positions in various global supply chains, but have faced similar fates to the DRC. For example, Tanzania's valuable gemstones, such as Tanzanite, are being mined by Western countries and Western companies which export the raw materials to the West, leaving little monetary gain or value to the country and its local communities. The gemstones' real value is then extracted by the West further along the chain for large monetary gains. Similarly, Nigeria has one of the largest reserves of crude oil deposits in the world, and is Africa's largest exporter of crude oil (Cotterill, 2022), with Shell and BP actively undertaking exploration and extraction activities since 1936 (Shell, 2022). However, because the country has very limited oil refinery facilities, Shell has to export a huge proportion of this oil in crude form, and thus controls the petroleum supply chain and extracts value further down the chain. Given its large population, Nigeria is also a large importer of refined oil and petroleum products (Oyedeji, 2022), from the Netherlands (43.2%), Belgium (21.3%), Norway (5.6%), France (1.4%), the US (2%), and India (3.2%). In other words, astoundingly, almost 74 per cent of Nigeria's refined oil is imported from Western developed nations, with 72 per cent coming from European countries.

The operations of GSCs and GVCs present genuine problems for both developed and developing countries in relation to limiting damage to our global environment. For developing countries, faced with poverty, unemployment, and poor housing, health systems, educational facilities and opportunities, and transport infrastructure, environmental sustainability concerns must simply rank as one of many difficult challenges. Indeed, some may not even see the debate about environmental sustainability as particularly relevant, nor as more urgent than the other social, economic, and other problems they face. Some probably even consider environmental and net-zero emissions concerns as problems that rich countries created and must therefore solve. According to Macfarlane (2021, p. 4), ‘While all countries must take swift action to reduce emissions, it is countries in the Global North that have played a disproportionate role in driving climate breakdown, and are still enjoying the privileges of this position to this day.’ He also notes that ‘the richest 10% of the world’s population were responsible for 52% of the cumulative carbon emissions between 1990 and 2015’ (Macfarlane, 2021, p. 5, citing a 2020 Oxfam report). This is the context in which some countries in the developing world may appear to regard their more urgent priority as being to achieve economic prosperity and its associated benefits as quickly as possible, rather than to reduce their carbon emissions.

We argue that this misalignment, resulting from cumulative disadvantage over generations at the aggregate level, sets one country against another, and developing against developed countries. For many developing countries, this is a vicious circle from which it is very difficult to negotiate a way out. Even worse, it is a key breeding ground for other social, economic, financial, and other problems in these countries.

In summary, the examples above illuminate some fundamental structural issues at the heart of this debate as far as developing countries are concerned. As previously intimated, the really concerning aspect of this is that many developing countries are struggling with insufficient finance to provide viable transport infrastructure, schools, hospitals, manufacturing and processing capabilities, and employment and housing for their increasing populations, even while they still have some of their natural resources. Many of their natural resources are wasting assets and are being depleted by GSCs, and specifically by large multinationals, for very little return. What nightmarish scenario awaits the day, month, and generation when the natural resources have been exhausted entirely? Furthermore, these extractive activities by multinational companies leave behind their own issues, such as pollution, soil and landscape damage, and invariably environmental degradation. How will these countries ever be in a position to gain access to finance, let alone green finance, to help them remedy all this?

Thus far in net-zero carbon emissions debates, and in largely enthusiastic discussions about green finance joining the fight for a net-zero carbon 'jackpot', we have not come across any serious discussion of the issues described above, despite their undoubted and compelling urgency and relevance to many developing countries. Given the present and historical circumstances, green finance may not even be viable for developing countries, as many financial institutions have historically been more willing to invest in 'traditional', tried and tested fossil-fuel projects than in projects utilizing newer and less certain technologies. According to Sachs et al. (2019), this is 'mainly because there are still several risks associated with these new technologies and they offer a lower rate of return'.

This is a major challenge for both financial institutions and developing countries, although for different reasons. For financial institutions, the challenge is to create financial instruments that are attractive to the investing public and that, in turn, can be used to achieve climate sustainability goals. For developing countries, this may be something that they actually dread, another weapon to beat them up with or exploit them. They may be right to worry, and to wonder how these new products differ from FDI, particularly when, as indicated, they are rarely afforded opportunities to participate effectively in discussing the problems and possible solutions.

Another relevant issue concerns the question of whether green finance is effectively FDI in a different guise. For generations, developing countries have been encouraged, implored, and persuaded into making themselves attractive destinations for FDI. Full discussion of the promise of FDI and the reality of receiving it deserves a separate platform, although anecdotally the results have rarely lived up to the promises. If this were not so, many developing countries would arguably be on very different and positive economic development trajectories by now.

Countries like China, India, Malaysia, and others have accomplished considerable economic development in recent years, arguably enabling themselves to move from the bottom of GVCs to higher levels by investing in and improving their refinery, processing, and manufacturing capabilities and capacities. We doubt very much that their economic success has been a result of FDI. Rather, we suspect that, by and large, this success has been achieved by somehow marshalling their own internally generated finance and resources. Indeed, Jafri (2019) offers some evidence from Pakistan that other approaches such as 'impact investing' and 'shadow banking' may be viable alternatives to FDI. This, in turn, raises another question of whether FDI is perhaps less effective than internally generated financial capacity. Indeed, it is quite legitimate to ask whether any developing country has achieved economic development as a result of a FDI, and if not, whether green finance-related FDI will be any different. This is particularly pertinent since the same or similar multinationals that have presided over exploitation of these countries' resources for generations are now in control of green finance. These questions remain moot, but are very relevant. In the next section, we examine aspects of green finance in more detail, and explore whether this may indeed be a game changer for developing countries.

Green finance: Is it a game changer?

Green finance has received a positive press, especially in the West, as a new tool in the fight against climate change. In the final analysis, financial institutions will be responsible for devising and providing green financial products and tools that are seen, or at least expected, to provide the global drive for a zero-carbon future. We do not wish to be too critical of an initiative that has not yet had a chance to show its real potential in a practical arena. Some personalities associated with or recruited to champion this initiative have some of the highest credentials and profiles in the business and finance worlds. We are reasonably confident that the green finance initiative will make a positive difference to the net-zero-carbon drive, especially with regard to Western countries as a group. However, we are less certain that green finance will make a similar difference to developing countries, for a number of reasons that we outline below.

The ability of private-sector multinational organizations to deliver results for developing countries is a major concern. At the heart of the green finance initiative is trust (or the notion) that such organizations will spearhead the drive towards net-zero carbon emissions by embracing and adhering to the highest ideals, as outlined in the green finance initiative. They may indeed do so with respect to their operations in developed countries, but we have doubts and concerns in relation to developing countries. This is essentially because we have been here before and the results have not been good, as stated earlier in the case of the DRC. Some of the Western world's largest and most profitable companies have been operating in the DRC and other developing countries for several generations. In most cases, these companies report having brought huge amounts of FDI into the country. Based on all we have seen in the DRC, such FDI, to the extent that it has actually been brought in, appears to have been quite transitory, in the sense that it seems to have resulted in no significant, meaningful, or lasting improvements to countries' economic, health, social or technological fabric. Rather, it seems that far too often the purported FDI inflow is in reality an 'extract and run' operation, whereby supposed FDI inflow is used strategically to source particular materials or minerals at a relatively low price, and these are quickly exported in raw form to the investors' home countries, where their true value is realized. This pattern appears to have been repeated throughout the developing world.

At the heart of the new green finance initiative are, once again, multinational companies. They must comply with and adhere to mandatory auditing and financial reporting standards in relation to their financial performance. In the absence of firm international agreements on many aspects of green finance, companies are likely to face serious challenges in attempting to report adherence to and compliance with environmental sustainability practices alongside their annual audited financial reports. As a result, we identify a number of possible challenges or weaknesses.

The first is professional expertise and experience. It is difficult enough for companies to report on their financial performance, and annual audits are usually carried out by seasoned auditors trained over many years in the field of financial reporting for complex audits. Despite this breadth of experience and expertise in producing audit reports, many have been found to be materially wrong, and several top firms of accountants have faced censure and/or fines as a result (Hattersley, 2022). Effectively auditing multinational companies' reports on their compliance with environmental sustainability standards or requirements is likely to pose even more daunting problems and omissions. Moreover, unlike annual financial reports, we doubt that the same level and depth of experience are available in auditing environment-related aspects of multinational firms as those relating to purely financial operations. If this is so, this is likely to be a source of weakness. The second potential weakness is the comprehensiveness of reports. In order to be meaningful, any audit report on a company's compliance must cover its operations not only in developed countries but across the supply and value chains. This will require qualified personnel in both developed and developing countries. The third challenge relates to self-certification. There are some suggestions that for the purpose of environmental sustainability reports, multinational companies will be allowed to self-certify their compliance, which may render the reports significantly other than objective. The fourth concern is lack of local involvement in the reports. So far, we have seen no proposal for any local officials, employees, or government officials to have any input or say in the preparation or content of any multinational's annual environmental sustainability report. Finally, consistent with our previous arguments, we contend that no audit report should be limited to environmental sustainability criteria, but should include other information such as long-term investments and contributions made in the countries in which the company operates, and possibly a declaration of the approximate ultimate monetary values of items sourced from each country, as well as the amount of taxes paid to local governments, among other things.

On the latter point, countries in Africa, and indeed elsewhere in the developing world, have sought or been ‘advised’ that economic transformation will come through their ability to attract FDI. FDI has come and gone, making no visible difference to many, if not all, of these countries’ economic prospects. Indeed, we have struggled to identify a single African country that has achieved economic success by attracting FDI. This, like the climate change issue, should be a matter of concern to both developing and developed countries, and should accordingly be placed on the agenda alongside strategies for cutting CO2 emissions. A number of avenues offer possibilities for developing countries’ further participation. We outline a few that we consider might be helpful in furthering positive outcomes for these countries.

The first is consideration of zero-emissions targets versus economic/social development targets. This is challenging for both developing and developed countries. While developed countries seem to be focusing on trying to cut their CO2 emissions to zero, developing countries are unlikely to see this as a priority. Once again, for many, their primary concern is the state of their economies, and their poor health, education, and physical infrastructure. Indeed, many even seem to view the climate debate as a problem created, and therefore to be tackled, by developed countries.

The second avenue is to push for inclusive forums. While perhaps rarely publicly admitted, there is a gap between leaders in the North and South. The President of Ghana recently argued that the structure of global economic organizations has historically ‘proved inadequate for developing countries’ (United Nations, 2021, September 22). This, he explained, is essentially because countries from the developing world, especially those in Africa, parts of South America and Asia, and the Caribbean have been unrepresented in policy and financial institutions, including the World Bank, the International Monetary Fund, and the World Health

Organization. Furthermore, he urged institutions such as these to be more inclusive, with 'diverse leaders at the decision-making table'. This is an important issue which we believe would foster better understanding of each others' positions and priorities, and in turn produce results that have resonance in both developed and developing countries.

Related to this point, the third avenue is the important result of participation for developing countries. Participation in common forums to tackle problems that confront each side is important in itself, as well as for fostering and nurturing a sense of respect and understanding between the parties. It will also nurture cultural awareness of societies other than one's own (Shah, 2022). This will help to bring leaders of developing countries to decision-making tables where their voices and concerns are heard. We are also mindful that such changes will take time, but in the first instance, the key is visibility and representation.

Finally, although green finance may indeed be the answer to the problem, there is a possibility that it may not be the whole or even partial answer. Our concern with the current debate is that answers, or at least some answers, seem to be advanced before the problems and pressures faced by developing countries have been thoroughly understood, including rising population levels, lack of employment opportunities, and poor housing, health facilities, and educational institutions. Indeed, for many developing countries, while environmental sustainability is a real problem that is likely to affect them, it is only one of many challenges they face. As a result, they may well have very different priorities. Therefore, meaningful dialogue is needed between all parties involved. Many developing countries derive most of their income from exploitation of minerals, oil, and gas, which are finite resources. These countries' priorities may therefore be to ensure that before these resources run out, they get a fair share of the proceeds of their extraction and exploitation.

Concluding remarks

In summary, we believe that the green finance initiative is well conceived, but that, for the reasons outlined above, on its own and in its present form it is wildly inadequate for the task. Overall, we believe that if the world is serious about our planet's fate, the focus should not be solely on what is happening to our climate as a result of our carbon emissions. We should be equally concerned about the tortuous lives that fellow citizens in the South of our planet are and have been experiencing for generations. We should be committed to improving their lives, not through charity but through fair, equitable, and sensible adjustments to international terms of trade. Doing so would make lives better all round, not in 20 or 30 years, but right now.

As we end this discussion, it is useful to reflect on the practical implications of GSC/GVC misalignment, and on whether or not green finance is the solution. First, if developing countries obtained fair prices for the minerals and commodities that they export raw to developed countries, poverty levels in many of these countries would be drastically reduced, and they would have no need for so-called 'aid'. Second, green finance, as far as we can see, simply seeks to replace conventional FDI or serve as an environmentally sanitized version of FDI. If FDI into developing countries were effective in helping them to transform their economies, given their abundant natural and mineral resources, these countries would not be in the dire situations in which they now find themselves and in which they have languished for generations. They would be centres of economic success and prosperity. Third, the fact that neither of the two previous points are or have been happening means that, in a very real sense and contrary to popular belief, currently and for generations past, 'aid' has been going from developing to developed countries through the application of GSCs and GVCs on a massive scale. Accordingly, we argue that simply to substitute conventional FDI with green finance as an instrument to promote economic prosperity around the world, as well as to protect the environment, would be wrong. Rather, we recommend that opportunities are taken to engage in serious and meaningful dialogue on the situation and options going forward. One option might be impact investing and shadow banking, a quite different approach from FDI, which appears to have produced positive results in Pakistan (Jafri, 2019). This should be carried out in genuinely inclusive forums involving both rich and poor countries. Our hope is that the outcome would be a new and fairer international trade landscape, in which a richer and more meaningful green finance initiative would play a key part. The very future of our planet will depend on its success.

It seems appropriate to conclude with the following statement by Laurie Macfarlane (2021) ahead of COP26 in Glasgow (our emphasis added):

> *Tackling climate breakdown and delivering economic justice must go hand in hand… The climate crisis is not a distinct crisis – it is irrevocably linked to our unjust economic system that is killing the planet. Unless world leaders confront this head-on at COP26, a vital opportunity to put the planet on a sustainable path will be squandered.* ***It will be those voices that are least represented in Glasgow that will suffer the most***.

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