



CANARI POLICY BRIEF No.30

Impacts of US policy shifts on Caribbean climate finance – and possible ways forward

2025

Policy messages

1. **The United States government's turn away from climate change and development assistance has created a sense of crisis among Caribbean countries regarding the future of international climate finance, which is a central pillar of regional funding strategies.**
2. **Declining aid flows from traditional donors and conflicts regarding industrialised countries' obligations for funding climate action also raise questions about the long-term reliability of current strategies.**
3. **The region has a brief window of time to establish new climate finance strategies that are locally controlled, diversified and sustainable, building on current scattered initiatives.**
4. **The elements of future strategies should include sovereign debt reduction to free up fiscal space for climate action; collaboration and joint initiatives among countries and with civil society; leveraging private investment, especially for adaptation; cultivating new bilateral funding partners; and strengthening capacity to access and manage funds.**

The Caribbean is among the most exposed regions in the world to climate change impacts and least financially able to bear the costs of adaptation. International climate finance, through mechanisms created under the United Nations Framework Convention for Climate Change (UNFCCC), are meant to shift the cost burden from developing countries to wealthier ones that have historically been most responsible for climate change. Caribbean countries have put these sources of finance at the centre of their climate adaptation strategies in the hopes that they will offer both a long-term and a just solution. But they have faced steep challenges in securing climate finance because of institutional constraints to meeting onerous funding conditionalities. So while their special needs have received considerable lip service, their actual success has been modest. Funding secured to date from the major international sources – the Green Climate Fund (GCF), the Adaptation Fund and the Global Environment Facility – has totaled only around US\$800 million, a fraction of the US\$14 billion per year that the Caribbean Development Bank (CDB) has estimated will be needed.

Until this year, except during the first Trump Administration from 2017-2020, the United States (US) was a major contributor to international climate finance, albeit at levels not nearly commensurate with either its historical contribution to climate change or the relative scale of its wealth. Its total pledges over the lifetime of the GCF amounted to US\$4 billion, more than 20% of the total pledged by all countries. That support came to a screeching halt in January 2025.

Policy shifts in Washington, repercussions in the Caribbean

On January 21, 2025, the first day of his new Administration, US President Donald Trump signed an Executive Order, *Putting America first in international environment agreements*, whose main purpose was the immediate withdrawal from the Paris Agreement on Climate Change and all commitments related to the UNFCCC, along with the cancellation of all financial commitments under the Convention, the revocation of the US International Climate Finance Plan, and the rescission of all international climate funds pledged but not yet delivered.

Another Executive Order signed that day, *Reevaluating and realigning United States Foreign Aid*, called for a 90-day freeze on all foreign aid for the purpose of conducting an assessment of the alignment of each programme with the foreign policy aims of the new Administration. Within days, the US government sent out stop-work orders on all existing grants and began dismantling the Agency for International Development (USAID). By the completion of the assessment in early March, 83% of USAID's projects had been permanently shut down.

These two Orders will directly hamper Caribbean climate change efforts over the short and long term, and also alter the global climate finance landscape and incentive structures for climate resilient investment in ways that could reverberate well beyond the direct actions taken by the Trump Administration.

The withdrawal of US contributions to international climate funds, including the clawing back of US\$3 billion already pledged to the GCF but not yet disbursed, is expected to be substantial but not immediate, given the long pipelines from project approval to finance disbursement. Caribbean governments have voiced their serious concern about the cuts, but the scale of the impact on the region is actually somewhat uncertain. International finance has been a foundational component of both explicit and implicit national and regional climate strategies, but countries have not always been able to take full advantage of what is available. The administrative hurdles to accessing funds are daunting given the relatively limited management capacity of Caribbean government agencies, and even more challenging for civil society organisations. Countries with high debt burdens, like Jamaica and Barbados, are sometimes unable to spend grant funds that have been approved due to fiscal space limitations imposed by loan conditionalities. In other cases, lack of internal capacity and inadequate inter-ministerial coordination have constrained project implementation. So, although increased levels of international finance are needed over the long term and the US pull-out has potential negative implications for the region, access hurdles and limited absorptive capacity are already making it difficult for countries to take full advantage of existing opportunities.

Unlike Trump's climate change Order, the termination of bilateral foreign aid has had immediate impacts. Among the projects that were terminated were several promising climate initiatives, including the US-Caribbean Partnership to Address the Climate Crisis 2030, which had funded projects in many countries and in 2024 pledged an additional \$16 million to CARICOM countries. Other valuable programmes have also been affected. These include the closure of the Inter-American Foundation, a quasi-governmental agency that had been a longstanding funder of Caribbean civil society, and the termination of scientific collaboration between US institutions such as National Oceanic and Atmospheric Administration and Caribbean partners.

A chilling effect on other climate finance sources

Not satisfied with direct action, the Trump Administration has also sought to constrain other climate finance actors. Treasury Secretary Scott Bessent wielded the US's significant influence over the World Bank and International Monetary Fund to demand that they stop their investments in climate action "and other social issues". In response, the institutions have toned down their messaging and revised their investment strategy documents but have not yet scrubbed climate change considerations from their actual investment decisions.

American private foundations, another important source of support, are being treated with suspicion by the new Administration, particularly regarding their overseas investments and focus on "social issues". Some philanthropies are wary enough of incurring the President's wrath to rethink their priorities, shifting away from support to climate change and scientific research. Although the situation remains fluid and some private US foundations appear to be responding with increased investment in climate change, the general message to Caribbean applicants from many private US donors right now is basically "we are reconfiguring our programmes and so not in a position to consider new projects at this time..."

Longstanding bilateral donors to the Caribbean such as the United Kingdom, Germany and France are continuing to support climate change work, but have made it clear that they will not step in to salvage projects terminated by the US, except in limited cases where they are already funding complementary projects that would be adversely impacted by the loss of US funding.

Perverse incentives that could threaten green transitions

Unlike previous administrations, the Trump Administration's energy policies are grounded in an antipathy towards green energy and an embrace of fossil fuel production. This shift, along with a desire to undermine the economy of Venezuela,

has resulted in US-backed efforts to increase oil and gas investment in Guyana, Suriname and Trinidad and Tobago to replace Venezuela in meeting the region's energy needs. At the same time, to appease the US, the World Bank has been signaling an increased interest in investing in natural gas and other non-green forms of energy, making more finance potentially available for such investments.

Private investment has been largely left out of regional discussions on climate finance, but it will be an important part of future strategies given its essential contribution to resilience-building. All US investment in the region is likely to be affected by shifting incentives on energy and the massive changes in global trade relations triggered by new US tariffs, but in what ways remains to be seen.

A brief chance to head off the coming crisis

Well before Trump Administration actions overturned the status quo, it was clear that international finance could never come close to meeting the region's climate change needs. Climate justice arguments have fared well in the media and international courts, but have not much influenced wealthy countries, which have increasingly argued over the relative obligations of "historic", or long-industrialised high emitters, versus current ones like China, Indonesia and India. In a trend that started before the new Trump administration, traditional bilateral donors have been losing their appetite for development assistance, with aid flows, which often include contributions to international climate funds, diminishing year over year. So a crisis in international finance is almost certainly coming. The good news is that the time lags in project approval and disbursement procedures offer a cushion of perhaps two years for countries to prepare. If that preparation can result in more diversified, collaborative and sustainable climate change financing strategies, the current crisis can be turned into an opportunity.

Building blocks for a strategic long-term response

Many elements of a new, more sustainable, approach to climate financing are already on the table. These now need to be tested and the ones that show promise pulled together to create a robust strategic package. They include:

Sovereign debt reduction

High debt burdens place countries in the untenable position of being dependent on international climate finance while at the same time struggling to access and use it. High debt keeps countries from securing loans for climate resilient development; constrains institutional capacity to apply for and manage grants and fiscal space to implement them; complicates recovery from climate disasters; and hampers the social development needed to build resilience and take

local action. The problem is well-recognised and a few initiatives to address it are in train, including a proposed Global SIDS Debt Sustainability Support Service and a debt-for-climate swap by the Government of Barbados.

Regional collaboration

Box 1: Barbados completes the world's first debt-for-climate swap

In December 2024, Barbados completed a US\$300 million debt-for-climate swap to help finance water sector upgrades. While this is the first debt-for-climate swap, the region has already had a few somewhat similar debt-for-nature swaps. Many of these have been criticised for the high costs, low returns and inequitable allocation of costs and benefits between the parties involved. On the other hand, when well-constructed, debt swaps have the potential to free up fiscal space for needed investments and provide leverage for improved terms with other lenders. Success requires that countries put sufficient effort into the difficult negotiations to assure that the terms of the swap reflect national objectives rather than those of the other parties and that the bulk of the benefits do not accrue to the lenders and intermediaries.

By working together, countries can increase their clout in influencing the priorities and procedures of existing international climate funds and in pursuing new sources of sustainable finance, for example global levies on polluting transnational industries such as shipping and air travel. Regional and multi-country initiatives also offer economies of scale, which is especially important for the smaller island states. Regional institutions and government agencies that are recognised as GCF accredited entities can do a great deal to get money flowing. The Caribbean Development Bank (CDB), Caribbean Community Climate Change Centre (CCCCC) and CARICOM Development Fund are all GCF implementing agencies. Because the GCF is largely built around individual country programmes, regional programmes require creative use of funds but offer many advantages in terms of administrative and management cost reductions and opportunities for peer learning.

Partnering with civil society

A number of Caribbean civil society organisations, both small and large, have succeeded in raising funding for climate action, often from sources that are not available to governments. In 2020, several countries pooled GCF Readiness Funds to build civil society capacity to access

Box 2: Pooling climate finance for regional cooperation

The CDB has recently begun two multi-country initiatives that pool GCF Readiness Funds from several countries. One is the Regional Platform for catalyzing Resilience and Climate Action to mobilise private and public sector investment. The other supports green energy transitions in three countries: Jamaica, Belize and Barbados. At government level, the Antigua and Barbuda Department of Environment facilitated a 3-country GCF project that also involved Dominica and Grenada.

and use climate finance, and both CARICOM and the CCCCC have emphasised the importance of government-civil society collaboration. More strategic coordination between governments and civil society actors would enable the region to take full advantage of the comparative advantages of each and the potential synergies of their efforts.

Leveraging private investment

There have been scattered efforts to attract and scale up private investment in climate action from both domestic and foreign sources. Real progress, though, depends on the creation of policy environments that attract and enable such investments, particularly ones that aim to achieve social and environmental as well as economic objectives, as well as providing government oversight to assure they do not divert from approved development plans.

Bilateral donor diversification

Individually, some countries are seeking new bilateral donors as traditional ones become less reliable. There has been some progress in building relationships with larger emerging economies with historical and cultural affinities such as Brazil, India and African countries. The recent Brazil-Caribbean Summit explored strengthening collaboration, including on climate change, and the African Export-Import Bank has just opened a Trade Centre in Barbados to facilitate African investment in CARICOM countries. There may also be opportunities to cultivate support for green energy from countries that are investing heavily in it, such as the European Union and China.

Closing the capacity gap

Despite various initiatives to increase capacity, governments and civil society organisations still have difficulty accessing and managing climate finance. Implementing more diversified climate finance strategies will require even more skills and technical resources. One approach could be to build a cadre of climate finance experts from governments and civil society across the region to support strategy implementation, system planning, and human resource development.

Creating a way forward through shared learning and action

The crisis created by the sudden withdrawal of US support to international climate finance reveals the precarity of national and regional strategies for financing climate adaptation and resilience. But the crisis will be an opportunity if it can stimulate countries to develop strategies that are more locally controlled and sustainable than reliance on the increasingly shaky foundation of bilateral aid and the international climate finance architecture. Working together, governments, regional actors and civil society have a chance now to design and implement strategies that, by employing a diversity of approaches, provide a buffer from sudden shocks like the ones now emanating from Washington. The Caribbean Natural Resources Institute (CANARI) is now designing a programme to support development of such strategies through a process of research, learning and action involving senior finance and sustainable development actors across the Caribbean.

Caribbean Natural Resources Institute

The Caribbean Natural Resources Institute (CANARI) is an independent, technical institute working across the Caribbean with a mission to promote and facilitate stakeholder participation and collaboration in the stewardship of renewable natural resources in the Caribbean. For more than 30 years, CANARI has been a persistent and influential voice for justice in the stewardship of natural resources across the region.

For more information please contact:

Caribbean Natural Resources Institute (CANARI)
105 Twelfth Street,
Barataria, Trinidad and Tobago
Tel: (868) 638-6062 • Fax: (868) 674 1788
Email: info@canari.org • Website: www.canari.org