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The Role of CSOs to Ensure Integrity in Climate Finance and Action

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Executive Summary

There is an acceleration in both the effects of climate change and financing for action to tackle climate change at the global level. There is a need to ensure that these funds are used in the most transparent, efficient and effective manner possible towards a more resilient ecosystem (people and nature).

This paper discusses the three main discourses currently underway on climate action, namely:

- (a) integrity in the design and use of climate finance,
- (b) the massive increase in the voluntary carbon market and its underperformance with respect to carbon sequestration commitments, and
- (c) the perceived trade-offs between reducing poverty and addressing climate change.

The paper goes on to identify specific instances, drawing on case studies, where “general civil society organizations (CSOs),”² may have a comparative advantage in facilitating climate action. In doing so, it defines climate finance as all expenditures linked with a potential climate impact. It also applies a wider understanding of integrity, i.e. beyond corruption, to include alignment of climate finance allocations with actual needs at the local level.

It concludes that general CSOs could play additional roles to facilitate greater integrity in climate finance and action through:

- 1.) Fostering greater social accountability and monitoring so that there is a better bottom-up dialogue on climate priorities and ultimately local financing available for climate action;
- 2.) Monitoring climate finance through reviews of expenditure and procurement execution in order to generate more value for money and detect and prevent waste, fraud and corruption;
- 3.) Facilitating better stakeholder analysis and benefit sharing in voluntary carbon market deals to increase the sustainability of carbon projects and ensure funds flow to the local communities that need them the most; and
- 4.) Ensuring that the voices of the poor and most vulnerable are included in the dialogue so that impacts of climate change on countries can be reduced

² In this paper, the term “general CSOs” or CSOs refers specifically to civil society organizations that focus typically on improving transparency and social accountability. CSOs focused on climate are referred to as climate CSOs in this paper.

and climate finance can help to reduce vulnerability, including of the poorest communities.

This will require the nurturing of local CSOs, so that they can take on much more of a development-centric role, constructively engaging with communities and governments. However, to play this new role of shepherding community-led climate-smart development, capacity building of CSOs and partnership with governments and IFIs will be essential, as well as increased international long-term funding.

Introduction

There is an acceleration in both the effects of climate change and financing for action to tackle climate change on the global level. This creates a need to ensure that these funds are used in the most transparent, efficient and effective manner possible towards a more resilient ecosystem (people and nature).

This paper discusses three main bottlenecks that hinder achievement of global climate goals. We identify specific instances, drawing on case studies, where “general civil society organizations (CSOs),”³ may have a comparative advantage in facilitating climate action. Finally, we provide recommendations on what is needed for these “general CSOs” to take on these new roles.

Bottlenecks to Climate Action

The current discourses on climate finance and action can be summarized in three major blocks.

1. Integrity in the design and use of climate finance – this is current but also anticipatory
2. The massive increase in activity in the voluntary carbon market, the credibility of carbon projects and their underperformance with respect to their expected sequestration commitments over time (so-called “greenwashing”).
3. The perceived trade-offs between poverty reduction and addressing climate change (both mitigation and adaptation).

Each of the above is discussed in more detail below.

a. Integrity in the design and use of Climate Finance:

The continually growing volume of climate finance increases the need for integrity in the use of these monies for their intended purposes. Ensuring climate finance is fully and effectively utilized in line with public expenditure allocations

³ *Ibid.*

and Nationally Determined Contribution (NDC) commitments and is not mismanaged or subject to elite capture is increasingly important.

The UNFCCC Standing Committee on Finance notes that “*Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.*” Thus, the term climate finance represents the flow of funds to all activities, programs or projects intended to help address climate change: for both mitigation and adaptation, in all economic sectors, anywhere in the world.⁴

We consider all expenditures which are linked with a potential climate impact. For example, if road rehabilitation or maintenance is underway, it could also include measures to improve the climate resilience of roads or it could be carried out in a more energy and fuel-efficient manner (thus contributing to mitigation). Hence such a project would also be included within the scope of this paper. We also include new instruments, such as climate loss and damage funds, due to unavoidable and irreversible impacts of climate change.

The Oxford English Dictionary gives two definitions of “integrity.” The first is “the condition of having no part or element taken away or wanting; undivided or unbroken state.” The second is in the moral sense of an “unimpaired moral state; freedom from moral corruption” or “moral uprightness.” Applying both these definitions, we consider not only whether climate finance is used in its entirety for the stated purpose, but also whether climate finance budget allocations (which are typically made at the national level) are ultimately aligned with actual needs at the local level, particularly for those people who are most vulnerable to climate change.

We focus on four specific challenges and assess whether “general CSOs” have a role to play on:

- (a) accurate labelling of climate finance expenditures;
- (b) accurate monitoring and reporting of emissions and related reductions;
- (c) better aligning of climate finance expenditures with actual local needs;
- and
- (d) reducing mismanagement and corruption.

⁴https://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_biological_assessment_and_overview_of_climate_finance_flows_report_web.pdf accessed on March 20, 2024.

Given that climate related expenditures occur in all sectors (including energy, transport, industry, urban development, tourism, agriculture, rural development, forestry, water, health and education), the first challenge has been the ***accurate labelling of climate finance expenditures within national and local budgets***, so that accurate tracking and reporting of climate finance can occur. This is also linked with ***accurate monitoring of and reporting of emissions and related reductions*** compared with commitments in NDCs.⁵ In this paper, we do not delve further into both these areas given most “general CSOs” lack the technical capacity to accurately assess greenhouse gas (GHG) country emissions or GHG reductions from individual projects. Nor do they have a full understanding of the cross-cutting impact of climate across all sectors, both on the mitigation and adaptation front, and hence cannot assess and monitor whether budgets are accurately labeled as climate expenditures. On both these fronts, the international financial institutions (IFIs)⁶ continue to play a crucial capacity building role.⁷ In addition, research and academic institutions, as well as specialized climate CSOs, continue to engage in pushing the frontier through developing and testing tools to monitor and report accuracy of climate budget tagging as well as emissions reduction reporting.⁸

Another major aspect of integrity of climate finance use is ***identifying and aligning climate finance expenditures based on actual local needs***. Climate finance (with the exception of the carbon market) typically flows through national entities. Typically, a national ministry of finance allocates budgets to sectoral ministries and to subnational governments (such as, states or provinces). These budgets, together with additional funds collected at the subnational level, are then allocated to national and local priority projects. Hence, at the most basic level, the lack of a good system to match local (bottom up) priorities with national (top down) priorities can hinder optimal use of these funds, promoting elite capture.

Climate impacts that occur slowly (rather than climate disasters) are usually identified much faster at the local level than at a broader scale. Local adaptation interventions can help to reduce impacts, but also better identify national adaptation priorities.⁹ In many countries, however, local government capacity is

⁵ <https://www.washingtonpost.com/climate-environment/interactive/2021/greenhouse-gas-emissions-pledges-data/> accessed on April 1, 2024.

⁶ IFIs include the UN agencies, multilateral development banks (MDBs), the International Monetary Fund and bilateral development banks.

⁷ See <https://blogs.worldbank.org/en/governance/measure-manage-how-countries-identify-climate-relevant-expenditures-their-budgets> accessed on April 1, 2024.

⁸ See, for example, <https://www.wri.org/climate/tracking-climate-progress> accessed on April 1, 2024.

⁹ National adaptation priorities are tough to prioritize as they often cover a huge geographical area. See for example the discussion at a recent World Bank South Asia Event on Climate Adaptation: <https://twitter.com/MartinRaiser/status/1770460850240790705>, accessed on March 24, 2024. A recent blog on how

weak. Here, both specialized climate CSOs and general CSOs can play an important role in helping communities to organize, to better understand the potential implications of climate change for them, identify local climate investment priorities, and to engage constructively with local governments for local climate action, enabling civil society and governments to work together towards better climate and development outcomes.¹⁰

The lack of strong local government capacity also impedes effective functioning of existing mechanisms at the national level to integrate considerations relating to people and nature more generally in any infrastructure developments at a local level. For example, environmental and social assessment mechanisms and environmental regulations exist in national legislation in all countries. However, effective implementation of these instruments depends on the capacity at the local level to implement these laws and regulations. Lack of implementation, in turn, can lead to environmental degradation and continued marginalization of poor and vulnerable groups, resulting in an increased climate risk for the country.¹¹

As with any large financial flows, the potential for *corruption and misuse of funds* is higher in the absence of strong frameworks for procurement, transparency in expenditure management and social accountability, both at national and at local levels.

CSO procurement monitoring already employs a well-established and proven set of tools to ensure funds are used transparently and effectively for intended purposes. Procurement procedures also provide an opportunity to incorporate *climate resilient* implementation seamlessly into established procedures. For instance, procurement specifications can include recommendations from environmental and social assessments to help reduce impact of investments on nature and people, thus helping to build national resilience to climate.

This can be taken further, as we have seen by some countries, in the direction of *climate smart*¹² implementation by including requirements for reduced greenhouse

local community empowerment is fostering climate resilient interventions at the local level in Mongolia through a World Bank project can be found at [https://www.worldbank.org/en/news/feature/2024/03/12/how-mongolia-s-herders-faced-climate-change - :~:text=Mongolia's 2°C increase,make up for productivity losses](https://www.worldbank.org/en/news/feature/2024/03/12/how-mongolia-s-herders-faced-climate-change-?text=Mongolia's%20C%20increase,make%20up%20for%20productivity%20losses).

¹⁰ See for example, <https://documents1.worldbank.org/curated/en/624581558014153035/text/Tajikistan-Env-Land-Mgt-and-Rural-Livelihoods-GEF.txt>, accessed on April 1, 2024.

¹¹ This assertion is based on much evidence that environmental degradation can lead to greater climate risk directly (e.g. deforestation or degradation of river beds), as well as indirectly (e.g. air and water pollution cause illnesses, affecting overall human health and productivity, thus reducing economic resilience to climate disasters). Later in this paper, we also extensively discuss the linkages between poverty and climate.

¹² We use this term to mean development that is low in GHG emissions, but also resilient to climate impacts.

gas emissions (for example through more energy efficient processes and products) as well as increased climate resiliency (taking into account anticipated climate changes or requiring that natural environments are not degraded) in the procurement specifications.

However, getting to this point in most countries will require a forum for continued active dialogue amongst national stakeholders on strengthening procurement frameworks in the direction of climate-smart procurement.

In summary, CSOs can provide important bottom-up mechanisms to highlight local climate needs and help reduce elite capture of climate finance, thus ensuring better outcomes by fostering greater transparency and social accountability for identifying and acting on local climate priorities. CSOs also can play an important role in monitoring procurement and expenditures in order to generate more value for money and detect and prevent waste, fraud and corruption.

b. Carbon Markets:

There has been much recent debate about allegation of “greenwashing” by the private sector in the voluntary carbon market, or as a recent article notes the “alarming deficiencies in the flailing voluntary private carbon markets”.¹³

First, it is important to note that currently the government to government carbon market is still very small, and the voluntary carbon market dominates with roughly 260,000 voluntary carbon deals since 2010.¹⁴ The predominant discussion in voluntary carbon markets has been focused on the need to improve monitoring and reporting, as recent analyses have exposed that actual carbon sequestration appears to be considerably less than promised.¹⁵ Good practice from the IFIs has demonstrated the importance of standardized rules around transparency, reporting, and accountability throughout the lifespan of these

¹³ Much of this section draws from <https://www.iisd.org/articles/deep-dive/will-international-carbon-markets-finally-deliver>, accessed on March 16, 2024.

¹⁴ It is difficult to estimate the value of the total voluntary carbon market accurately due to challenges in carbon pricing and accurate sequestration levels. According to Citigroup, “The VCM is currently valued at approximately USD2 billion, but many project that it will scale up significantly over the next decade as more companies invest in voluntary carbon credits to reduce their residual emissions.” Citigroup’s own projections for 2030 include a broad range of estimates, varying from USD 5-50 billion. See <https://www.citigroup.com/global/insights/citigps/voluntary-carbon-market> accessed on March 25, 2024.

¹⁵ See <https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe> - :~:text=The investigation found that%3A,no benefit to the climate accessed on April 1, 2024.

carbon offset programs.¹⁶ Survival rates and growth of trees planted, for example, need long term monitoring. There is work underway to lay out a more detailed framework for the operation of an international compliance market under Article 6 of the 2015 Paris Agreement, which lays out the rules and processes for a public international carbon market.

It is equally important to recognize that best practice projects also conduct stakeholder analyses and attempt to better understand the underlying incentives for long term sustainability of projects, aiming to address these as part of project implementation. Such issues often relate to land rights, access of the poor to alternative fuel sources for cooking and heating, improving livelihoods and quality of life of the poorest, and other such development outcomes. The broader context and addressing these underlying incentives typically underpin long term sustainability of these projects. Just good intentions on the part of both legal parties at the ends of an individual carbon deal are important but insufficient to sustainably meet carbon sequestration goals.

As an example, consider voluntary carbon market forestry deals, especially given the underlying context today that charcoal and fuelwood are still the primary fuel source for cooking and heating in lower income countries. In cities like Karachi, Pakistan, environmental activists continue to document the cutting of mature mangrove trees, despite efforts to replant and re-grow, within the same delta.¹⁷ This is despite broader recognition of mangroves as flood protectors (and hence key to Karachi's level of climate resilience), breeding grounds for fish and hence a livelihood enhancer for poor fishing communities, and even as highly effective carbon sequesters. Yet, this is unsurprising given the very high liquefied petroleum gas (LPG) prices, making alternative fuel sources unaffordable for the poorest.

Setting more stringent rules for reporting and monitoring, whilst important, will never fully solve the carbon leakage or over-reporting of carbon sequestration commitments associated with voluntary carbon market forestry deals. In addition, a more careful approach to stakeholder analysis and carbon benefit sharing at the local level is required for sustainable voluntary forest carbon deals. This, in turn, also bodes well for the poorest, and an

¹⁶ See, for example, <https://www.worldbank.org/en/news/feature/2022/07/27/what-you-need-to-know-about-the-measurement-reporting-and-verification-mrv-of-carbon-credits>, accessed on April 1, 2024.

¹⁷ See Edge of the Delta by TAQ and Crew at <https://www.youtube.com/channel/UCqgZviL1jYOb1cNXj7PLIXA>, accessed on March 24, 2024.

improvement in their quality of life, but necessitates having a framework in place at the local level to share information, as well as to share benefits fairly and equitably, and to minimize elite capture. Poor local government institutional capacity in developing countries exacerbates this problem.

In conclusion, voluntary carbon deals, in which multiple stakeholders are present with varying degrees of influence over sequestration commitments, can potentially be strengthened if local governments and CSOs work together towards better outcomes. This would be through putting in place mechanisms to apply the good practice approaches of best practice projects, to ensure that all stakeholders, their underlying incentives and the physical context of a voluntary carbon deal are factored into the ultimate design of the project so that its chances of sustainability are increased. Interestingly, there are good examples of the private sector stepping into this role, but it is still an incipient market, with the need for significant external support.¹⁸ In that regard, CSOs are again well-positioned at the local level to ensure all stakeholders are involved and benefit sharing schemes help to align incentives towards better project sustainability in certain voluntary carbon market deals, for example in forestry.

c. Climate Change and Poverty Alleviation

Finally, we turn to the perceived trade-offs between interventions to mitigate and adapt to climate change and their compatibility with poverty alleviation. Observations from projects on the ground allow for several conclusions, which are each backed by solid research:

- The poorest are most affected by climate in any country as their focus is on survival and short-term priorities (food and day-to-day needs). Their ability to plan long term (i.e. preparedness for climate disasters) is limited due to lack of both knowledge and resources.¹⁹ Further, if a country has a lot of poor people, and has weak institutional frameworks and does not have the budgetary resources to care for them when climate disasters occur, the

¹⁸ See for example www.environmental-finance.com/content/awards/voluntary-carbon-market-rankings-2023/ accessed on April 1, 2024.

¹⁹ Hallegatte, Stephane; Bonzanigo, Laura; Fay, Marianne; Narloch, Ulf; Rozenberg, Julie; Vogt-Schilb, Adrien. 2016. Shock Waves: Managing the Impacts of Climate Change on Poverty. Climate Change and Development;. © Washington, DC: World Bank. <http://hdl.handle.net/10986/22787> License: [CC BY 3.0 IGO](https://creativecommons.org/licenses/by/3.0/).

impact on the economy is far greater. A very vivid demonstration is a comparison of the impact of the floods in 2022 in Florida, USA with those in Sindh and Balochistan provinces in Pakistan or in Nigeria.

- The poorest tend to live on marginalized land and derive their livelihoods from it. This results in degradation which magnifies the effect of any climate disaster, but also affects carbon sequestration directly. For example, cutting down of trees on sloping land for fuelwood or to expand agricultural production increases the risks of landslides during rainy seasons, in addition to reducing carbon sequestration. On the other hand, the urban poor often live on flood prone or erosion poor land, resulting in higher risk of being impacted by climate changes, such as increased rainfall or flooding.
- Improving the quality of life of the poorest takes the burden off the natural resource, and both aspects (improved livelihoods and quality of life of people and a healthy natural ecosystem) play a role in reducing the overall impact of climate disasters on the national economy and thus increasing resilience to climate change.

There is a close link between poverty, the physical natural environment and local and national climate impacts and hence adaptation. Further, in rural areas, there is also a link between poverty levels, mitigation and adaptation in the context of measures to address deforestation, transition to cleaner cooking methods, support climate smart agriculture and landscape management. All these points are also fully acknowledged and built into best practice projects, as demonstrated by the modus operandi of the Climate Investment Funds (CIFs) and the Green Climate Fund (GCF).

Given that climate impacts are occurring faster than anticipated, how can CSOs help to increase the pace of progress to manage climate impacts? Specialized climate CSOs already play a role in highlighting specific national level climate actions that will benefit the poor disproportionately. In the case of “general CSOs”, earlier in this paper, we have outlined specific areas where they could facilitate better outcomes, engaging constructively with local governments. These are all relevant, and would only need to be tailored slightly to ensure that the voice of the poorest is also included or amplified within existing tools.

The Actual and Potential Role of CSOs

Our discussion above suggests that working synergistically at both the national and local level could yield faster results on climate action. Governments work at both national and local levels, though in many countries, institutional capacity is weaker at the local level. The natural partners of IFIs are governments, and while they implement projects at both national and local level, their main interlocutor is often the Ministry of Finance at the national level. CSOs too can work at both levels, but they are particularly well-positioned to work at the local level, in partnership with communities, to highlight local priorities that are often overlooked in national dialogue, and facilitate local action. Indeed, synergistic partnership between donors, governments and CSOs have led to impressive results in countries such as Bangladesh, as demonstrated by its increased climate resilience and improved human capital indicators, due, in large part, to the role that CSOs have played in the absence of strong local government.²⁰

International and local CSOs have been active in the climate area for over 30 years and have acquired significant capacity and experience. Up to now specialized CSOs have been most active on climate policy and advocacy where they have contributed in a major way to increase awareness of climate issues among decision makers and the population at large. CSO monitoring of climate related investments has tended to focus on climate mitigation investments (e.g. renewables/energy sector or forestry), with attention being focused on GHG emissions reduction. So far CSOs have typically done less monitoring of a broader set of climate-related expenditures and follow-up of such monitoring. This is an important area which many “general CSOs” are well positioned to contribute to, based on experience gained from cases like the ones described in the following paragraphs.

In identifying areas in which CSOs may have a comparative advantage in facilitating climate action, we draw heavily from our experience of the work of the Partnership for Transparency (PTF), even though environment and climate impacts have not so far been the direct focus of PTF’s work. Over the past 25 years PTF has supported over 100 CSOs in approximately 55 countries, through 280 projects, to improve transparency and integrity of government operations at both central and local levels.²¹

²⁰ See Ishrat Husain, *Development Pathways: India, Pakistan, Bangladesh 1947-2022*, Liberty Publishing, 2023.

²¹ See <https://ptfund.org/past-projects-database/> accessed on April 1, 2024.

A hallmark of PTF's work is to work with local CSO partners, who through constructive engagement with local governments and central government entities working at local levels, have helped to make the entire local governance system operate more transparently and efficiently and deliver improved outcomes. An excellent example of this is The Citizen Action for Results, Transparency and Accountability (CARTA) Program in Bangladesh and Nepal, which sought to improve project responsiveness and results of 11 World Bank-financed projects. It did this through complementing the projects' internal monitoring and evaluation systems with independent third-party monitoring (so-called as they were financed by a separate source to the project loans, namely a grant of \$1.9 million from the Japan Social Development Fund) by communities with the assistance of CSOs. This was in response to concerns about issues of governance, particularly public service delivery accountability.

The success of the program was the achievement of a more constructive dialogue between citizens and local implementing agencies, in addition to offering many lessons.²² Both parties were wary at the beginning, with low levels of trust, that such an approach of independent monitoring could make a difference. PTF's constructive engagement approach, with continuous two-way communication and feedback and careful design helped to ensure that CARTA subprojects were not policing actions, but supported, rather, a mechanism to jointly work together to improve project responsiveness and results. It is important to note, though, that these reports were conducted shortly after program closure, and no assessment has been made as to the sustainability of the capacity built and empowerment of local communities for continued engagement with local authorities.

Procurement is another focus of PTF projects, as is broader monitoring, including of budgets and expenditures, project implementation and impact on beneficiaries. Local CSOs have an important role to monitor, using social accountability tools, whether local communities are truly beneficiaries of climate finance, particularly in the case of low income households who often are the most severely climate challenged.

Procurement and more wide-range project monitoring has uncovered not only corruption and abuse, but also poor management and other forms of incompetency due to poor capacity. These findings, when conveyed to governments and parliaments and/or published have often led to reforms and/or legislation and/or

²² See https://ptfund.org/publication_page/carta-lessons/ and https://ptfund.org/publication_page/16438/ accessed on March 20, 2024.

regulation which have reduced abuses, improved efficiency and increased the benefits of the projects and policies monitored.

A recent pertinent example is PTF's work with Poder Ciudadano on improving the transparency and effectiveness of the COVID-19 response in Argentina. Under this project, an open-source observatory was established that is easily accessible to citizens and entities who are interested in reviewing public procurement of COVID commodities, and a new tool was developed to enable (a) data collection and analysis, and (b) evaluation of compliance, transparency and efficiency of public funds used for procurement, storage and distribution of essential medical supplies. Beyond development of tools, active capacity building of networks of civil society organizations and journalists in the use of the tools, and partnering with the audit agency and putting pressure on public entities to disclose procurement data all helped to enhance transparency and oversight in public procurement. This resulted in enhanced transparency of more than seven hundred procurement actions by more than sixty public agencies valued at US\$195 million.

Another example is the ongoing project "Increasing the Integrity of Public Procurement in Moldova." As in the case of CARTA the funding comes from an independent source and the monitoring is done by 13 selected and trained local CSOs overseen by IDIS Viitorul, a locally established and experienced CSO, and PTF. The project uses similar approaches and tools to the Argentinian project. It puts particular emphasis on establishing and testing mechanisms for ensuring that findings from monitoring are acted upon by responsible government entities. A coalition of local CSO monitors has been established with IDIS "Viitorul" acting as the Secretariat. Coalition members meet regularly to compare experiences based on monitoring reports submitted by coalition members. Technical experts assist with examining the reports and extracting recommendations for action. Individual monitors supported by the secretariat follow up with responsible entities and a report on actions taken/not taken with explanations is prepared. This report is then published on a digital platform and available to the public.

In addition, a National Platform for Public Procurement (NPPP) has been established, again with IDIS Viitorul acting as the secretariat. NPPP members, in addition to CSO representatives, include stakeholders in prominent positions from the private and public sectors. Monitoring recommendations considered critical to reforming the procurement system will be submitted to NPPP which, if it agrees with these recommendations, will use its clout and connections to nudge decision makers to act.

The Moldovan project incorporates another unique feature, in that it takes a phased approach to strengthening the public procurement system over a 5-year period, which is expected to contribute to its sustainability and long-term impact. The impact of this longer term phased approach will be assessed on project completion in 2025.

Based on these examples and their considerable additional experience, PTF and its partners have developed a reference toolkit for the entire lifecycle of a project, including baseline assessment and data collection tools and stakeholder analysis tools at project initiation and capacity building and social accountability tools aimed to empower communities and improve desired outcomes.²³

PTF's work throughout the project cycle also illustrates how CSOs could play an important role, in partnership with the deal signatories, in the voluntary carbon market to ensure that deals are ultimately sustainable in the long term. Building capacity of local CSOs to apply tools such as stakeholder mapping, local benefit sharing, social accountability mechanisms, and even tools for calling out bad behavior so local communities can act as guardians for their natural environment, all have relevance in the context of a voluntary forestry carbon deal, for example.

Local CSOs supported by international CSO partners like PTF are also well-positioned to use third party monitoring tools to track budgets and public expenditures to help ensure that funds are allocated according the agreed priorities and international commitments and climate funds are used with integrity.

Implementing this CSO Facilitated Approach

What is needed for implementation? Either one can take a policing approach or a joint stakeholder approach of working constructively with local governments, who typically have weak capacity. Advocacy CSOs that call out bad practice already exist. There is much more potential for positive change and outcomes based on more constructive engagement. However, it is also the more difficult route to pursue due to the lack of experience of all parties to work constructively together, when previously they may have been in a more conflictual relationship. This, in turn, requires the technical assistance and capacity building role of local CSOs, that organizations, like PTF, have played in past projects. Further, in order for

²³ https://ptfund.org/publication_page/ptf-tools-approaches-report-2001-2022/ accessed on March 20, 2024.

CSOs to take on this more development-focused role, and given conflicts of interest and potential for collusion of stakeholders within a country, the source of funding of these local CSOs needs to emanate from a third party, and not from the government itself.

Particular efforts need to be devoted to building capacity of local CSOs so they can play a more direct role in facilitating climate-smart development. They can do so through filling gaps in institutional and governance structures and improving transparency to help prevent corruption and abuse. If this is done in partnership with the government, the potential for positive results is greater. This suggests that there is the need for a major independent source of financing for the capacity building of such CSOs in countries, as current international funding sources are severely limited.²⁴

Finally, it is also important to note the limitations associated with such an approach.²⁵ Three risks, in particular, stand out: (a) in many countries, CSOs are being banned due to their sources of foreign funding, as this creates a perception of foreign interference in domestic affairs; (b) CSOs can amass more power than local governments and undermine them; and (c) CSOs may not let the private sector eventually assume the roles envisaged for them in the carbon market (in relation to stakeholder analysis and benefit sharing) as this would reduce their own role.

These risks need to be managed actively when testing such approaches. A major part of the solution is linked with:

- (a) agreeing upfront with national governments on this approach, ideally in partnership with MDBs and climate funding sources, such as the CIFs and the GCF;
- (b) identifying local CSOs to take on this constructive development approach, as is actively done by PTF, in the examples cited above; and
- (c) the capacity building, of the sort that is carried out by PTF, so that local CSOs are equipped to work in this development-centric way to continually foster greater transparency and accountability over time.²⁶

²⁴ See for example Essay by Vinay Bhargava and Hady Fink, CSO Engagement to Deliver the Agenda 2030 Anti-Corruption Targets: The Case for a Supranational Initiative at https://ptfund.org/wp-content/uploads/2018/07/PTF-Essay-SupranationalResponsesToCorruption_Finalsubmitted_Vienna-1.pdf, accessed on March 24, 2024.

²⁵ See for example, Economics and Governance of NGOs in Bangladesh, World Bank Office, Dhaka, 2006 at https://documents1.worldbank.org/curated/en/105291468207267279/pdf/382910BD0NGOre10also03586101PUBLI_C1.pdf, accessed on March 24, 2024.

²⁶ See Annex 1 for more details on PTF's theory of change and mode of operation with CSOs.

Conclusion

In conclusion, this paper refers to the three main discourses currently underway on climate action, namely (a) integrity in the design and use of climate finance, (b) the massive increase in the voluntary carbon market and its underperformance with respect to carbon sequestration commitments, and (c) the perceived trade-offs between poverty reduction and addressing climate change.

For each one, it notes additional roles that CSOs could play to facilitate greater integrity in climate finance and action. These roles include:

- (a) fostering greater social accountability and monitoring so that there is a better bottom-up dialogue on climate priorities and ultimately local financing available for climate action;
- (b) monitoring climate finance through reviews of expenditure and procurement execution in order to generate more value for money and detect and prevent waste, fraud and corruption;
- (c) facilitating better stakeholder analysis and benefit sharing in voluntary carbon market deals to increase the sustainability of carbon projects and ensure funds flow to the local communities that need them the most; and
- (d) ensuring that the voices of the poor and most vulnerable are included in the dialogue so that impacts of climate change on countries can be reduced and climate finance can help to reduce vulnerability, including of the poorest communities.

This requires the nurturing of local CSOs, so that they can take on much more of a development-centric role, constructively engaging with communities and governments. However, to play this new role of shepherding community-led climate-smart development, capacity building of CSOs and partnership with governments and IFIs will be essential, as well as increased international long-term funding.

Annex 1. The Partnership for Transparency

The Partnership for Transparency (PTF) is a CSO headquartered in Washington, DC with affiliates in Asia and Europe and a special committee for Africa. Currently, it has a small staff and over 50 expert volunteer advisors. PTF supports innovative CSO-led approaches to reduce corruption, increase transparency and accountability, and strengthen governance in low-and middle-income economies. PTF envisages a world free of corruption in which citizens trust public officials and institutions and hold them accountable and responsive to their communities' needs.

PTF's Collaboration with local CSOs

PTF is currently collaborating with local CSOs on anti-corruption and accountability projects pertaining to education, environment, gender equality, health, humanitarian assistance, public procurement, and sustainable development in Argentina, Francophone Sub-Saharan Africa, India, Malawi, Moldova, the Philippines, Ukraine, and Zambia.

Governance will only improve if citizens organize themselves to demand reform. Governments respond to internal, not external pressures. PTF aims to help local CSOs acquire the knowledge, skills, abilities, and tools to campaign effectively for reform, help development agencies to better assist local CSOs to have voice, and encourage government agencies to respond constructively to the demands of citizens to strengthen their legitimacy.

PTF Theory of Change

CSOs act as intermediary at all stages and play a key role



More information about PTF can be obtained from <http://www.ptfund.org/>.