Sophie Progscha, Janina Urban, Florian Kern, Simon Schairer, Riccardo Baioni, Nicolas Aguila, Paula Haufe, Joscha Wullweber

# Civil Society Strategies for Transforming Finance

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**Sustainability transitions require fundamental changes to the financial system (Aguila and Wullweber 2024; Loorbach et al., 2020; Penna et al. 2023). As capital continues to flow into high-carbon activities and political momentum increasingly shifts toward deregulation and competitiveness concerns, the role of civil society in advocating systemic change in the financial sector becomes even more critical. This paper draws on recent research into civil society strategies and their impact in the field of sustainable finance, both in terms of their impact on financial sector actors as well as on finance policy within Germany and at the EU level. It invites civil society organizations (CSOs) to reflect on their current approaches and offers considerations for future strategies in shaping financial sector transitions.**

## Civil Society's Role in Finance Transitions

The climate crisis is intensifying, with increasingly severe impacts threatening the lives and livelihoods of people and ecosystems worldwide. Limiting its consequences requires a profound transition of state, economy, and society that is both socially just and ecologically sustainable. Central to this transition is a vast redirection of financial flows toward sustainability and a change of the rules of the financial system in line with sustainability considerations. Yet, despite the growing prominence of sustainable finance in political discourse, the global green financing gap remains immense (Aguila et al. 2025). Due to short-term profit motives and structural logics within the financial system, capital continues to flow into fossil fuel expansion and other high-carbon sectors. At the same time, the investments needed for the green transition of the entire economy remain insufficient (Wullweber et al. 2025).

In response, CSOs across the EU have increasingly begun to address these challenges. Through a range of strategies, they hold financial sector actors accountable, raise public awareness, and seek to influence regulatory frameworks. However, until now, there has been no systematic overview of civil society strategies in this field.

**Considerations for Civil Society Strategies to Foster Financial Sector Transitions:**

1. **Building Capacity and Alliances**
   Technical complexity and limited resources remain key barriers for CSO involvement in financial sector transitions. Investments in capacity-building and strategic collaboration, and division of labor among CSOs are essential.
2. **Making more Use of Confrontational Approaches**
   As reputational risks are very important to the financial sector, CSOs should expand the use of reputational strategies such as litigation or public 'naming and shaming'.
3. **Strengthen Public Mobilization**
   Actions based on changing institutional processes have limitations in transforming the financial system. Public pressure and awareness-raising offer crucial additional leverage.

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This paper presents findings from the research project **"Climate Change and Global Finance at a Crossroads"** (SuFi), funded by the German Federal Ministry of Research, Technology and Space (BMFTR). Based on over 40 interviews with CSOs, financial sector actors, and policy makers, as well as a document analysis, our research examined the 'channels of influence' (following Fichter et al. 2025) through which civil society tries to affect finance transitions and their impact on financial sector actors and public policy making.

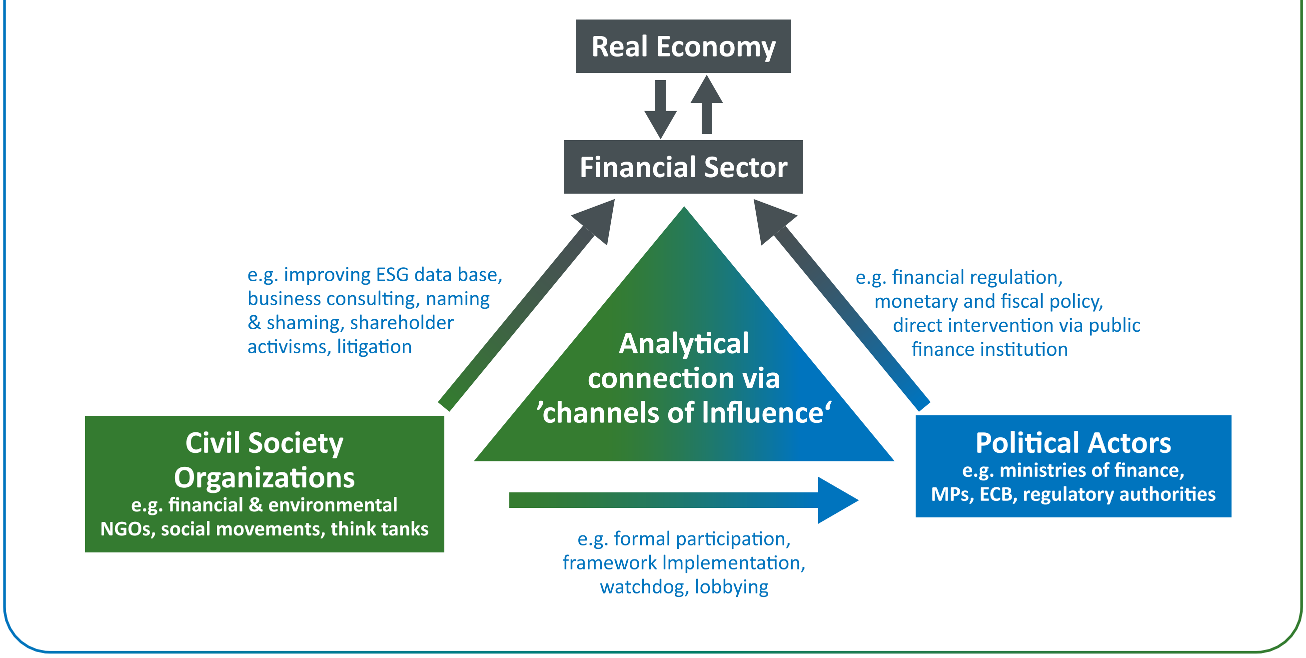
As part of the project, we produced a Policy Report (see Wullweber et al. 2025a) and a Policy Brief (see Wullweber et al. 2025b) that is of particular interest to CSOs engaged in policy advocacy. These publications focus on concrete financial and monetary policy instruments that could help align capital flows with sustainability objectives and close the green financing gap. In contrast, this reflection paper zooms in on the strategic considerations of CSOs in this space and asks: What strategies are CSOs using to promote the transition to sustainable finance in the EU? Drawing on this analysis, we offer initial insights to inform collective deliberation and help shape future priorities.

## CSO Strategies: Four 'Channels of Influence'

To better understand how CSOs currently aim to influence the finance transition, our research considered four key 'channels of influence' (see Figures 1 and 2). These channels capture the strategies CSOs use to influence the behavior of financial and political actors, either by working within existing rules (Channels A and B) or by pushing to reform them (Channel C). We also argue that CSOs can play a significant role by engaging citizens and the broader public (Channel D). This framework can serve both as a tool for analysis and a guide for strategic reflection within civil society.

Our research finds that most CSO activity pushing for a finance transition currently focuses on **Channel A**: targeting financial actors directly, particularly through reputational mechanisms. These include producing influential rankings and databases (e.g., Urgewald's Global Coal Exit List), engaging in shareholder activism, and developing frameworks for responsible finance. These approaches have contributed to increasing the visibility and perceived credibility of CSOs in the financial

**Figure 1: Interplay between Civil Society Organizations, the Financial Sector, and Political Actors**



sector, especially when it comes to managing reputational risks. However, the impact often remains limited to surface-level adjustments of financial actor strategies rather than triggering deeper systemic changes of the financial system.

**Channel B**, engaging in existing legal and institutional frameworks, is the least used by CSOs but offers targeted opportunities to act as watchdog and ensure compliance, for example, by monitoring central bank activities. This role has helped CSOs spotlight institutional contradictions and gaps in regulatory enforcement, especially around ECB monetary policy. However, limited access to official advisory bodies and the high technical demands of engagement restrict broader participation of CSOs.

More commonly, CSOs engage directly in shaping financial regulation through **Channel C**. This includes lobbying, drafting policy recommendations, and participating in public consultations. While CSOs are increasingly recognized as credible and constructive voices in policy debates, often serving as a counterweight to industry lobbying, resource constraints and the dominance of the financial sector lobby limit their influence. Campaigning can increase visibility and public pressure, but may create tensions with more cooperative forms of engagement, which many CSOs pursue.

Finally, **Channel D** focuses on public awareness and empowerment. While fewer CSOs operate in this space, it is widely seen as essential for building societal pressure and legitimacy. Activities include media work, campaigns, workshops, and network-building. Some CSOs also see direct actions such as demonstrations or civil disobedience as effective tools for attracting public attention. Several CSOs point to the limits of influencing existing institutions, especially when the status quo needs to be fundamentally challenged. Increasing public pressure through protest and mobilization is, therefore, viewed as an important complementary lever.

**Figure 2: Simplified Overview of the 'Channels of Influence' Framework**

| Channels of Influence | Activities |
|---|---|
| **A Using existing corporate governance mechanisms**<br>→ Private financial actors | 1. Databases, Rankings, Reports<br>2. Frameworks and Tools<br>3. Formal and Informal Consulting<br>4. Naming and Shaming<br>5. Shareholder Activism<br>6. Litigation |
| **B Using existing legal and institutional frameworks**<br>→ Public policies | 7. Participation in Implementation Processes<br>8. Acting as Watchdog<br>9. Litigation |
| **C Creating legal and institutional frameworks**<br>→ Public policies | 10. Formal Participation<br>11. Lobbying and Policy Advice<br>12. Political Campaigning |
| **D Raising public awareness, empowerment of citizens**<br>→ Citizens and general public | 13. Media Outreach & Informing<br>14. Capacity Building<br>15. Direct Action |

## Impact of CSOs on Financial Sector Actors and Public Policy Making

Our analysis paints a mixed picture of civil society's influence on the financial sector. Many CSOs focus on redirecting financial flows through cooperative strategies rather than questioning the structural power and profit logics of the finance industry itself. This has increased their visibility, especially in relation to reputational risk, but has rarely led to deeper shifts in financial sector practices. Many financial sector actors acknowledge the need for reform but hesitate to act due to the lack of attractive risk-return profiles (i.e., bankability) of green investments and the high bankability of fossil investments (Wullweber et al. 2025).

While CSOs are increasingly contributing to the development of sustainable finance policies, the field remains dominated by industry lobbying and a 'light-touch' regulatory approach (Baioni et al. 2025; Fichtner et al. 2025). EU officials have described CSO input as a much-needed counterweight to financial sector interests. Nevertheless, many of their activities focus on transparency and reporting mechanisms rather than supporting policies that would affect risk-return profiles of investments.

## Considerations for Future CSO Strategies

Despite growing activity, our research finds that civil society engagement in finance remains limited compared to other policy fields. Key barriers include a lack of funding, technical capacity, and the perceived distance of financial issues from everyday concerns. As a result, many efforts remain within expert communities and fail to reach broader public discourse. Yet, there are signs of growing momentum. The increasing number of CSOs entering the field suggests that awareness and capacity are gradually building. The emergence of sustainable finance as a policy domain opens new entry points for influence but also requires a clearer strategic orientation.

Based on our findings, three key considerations emerge for the future engagement of civil society actors in sustainable finance.

### 1. Building Capacity and Alliances

Civil society's broader engagement with the financial system remains limited, largely due to its technical complexity, low public visibility, and lack of resources. While activity has increased, structural barriers persist. Addressing them requires investment in expertise, staffing, and institutional capacity, particularly in areas like data analysis, legal work, and advocacy. More importantly, CSOs could strengthen alliances. Due to the small number of CSOs active in sustainable finance, many interviewees emphasised the importance of cooperation and division of labour across CSOs. Environmental and finance-focused organizations often work in silos, despite shared goals. Strategic coordination, joint campaigns, and knowledge-sharing platforms could potentially amplify impact.

### 2. Making more Use of Confrontational Approaches

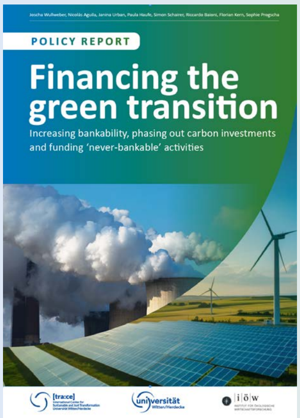
The financial sector's sensitivity to reputational risk has been confirmed by our interviews with financial sector actors. It potentially offers a powerful point of leverage for CSOs. Strategies such as public 'naming and shaming' and litigation so far remain underutilized, despite their potential to influence financial actors' behavior. Legal action is often perceived as too costly or complex, yet expanding its use could significantly increase pressure for change. At the same time, civil society's role as watchdog becomes increasingly important in periods of regulatory stagnation or rollback. As financial institutions monitor CSO activity to manage their own risk exposure, civil society's visibility and influence can grow, making its oversight role both more potent and politically consequential. Stronger disclosure rules and public data access are essential for ensuring transparency and democratic oversight in a sector often shielded from public scrutiny. CSOs should, therefore, invest in holding financial sector actors accountable.

## 3. Strengthening Public Mobilization

Finance continues to be seen as a remote and technical economic activity, making public mobilization difficult. The limited public engagement with the topic of finance over an extended period may have undermined the effectiveness of the strategies pursued, as public attention to this sector remains relatively low compared to, for example, the fossil fuel industry. However, the role the financial industry plays in delaying sustainability transitions is a topic that deserves considerable public attention. A combination of re-focusing CSO activity towards questioning the central mechanisms of finance – namely risk-return profiles – along with educational efforts could strengthen public interest in this sector. Educational tools, strategic communication, and capacity building within civil society could create more visible pressure and broader societal engagement. CSOs should invest in translating finance into tangible, relatable issues, linking it to everyday concerns like housing, energy, and pensions. At the same time, protest and disruption remain necessary to put pressure on existing practices of the financial sector. In times of political stagnation or deregulatory backlash, public action is a strategic necessity for keeping systemic change on the agenda.

Our findings point to a central tension in civil society's engagement with the financial system between wanting to "keep a seat at the table" and remaining a credible actor, and more radical demands for reform, even when such demands are believed to be necessary for systemic transitions. In the short term, many CSOs rightly focus on defending existing gains: safeguarding sustainability frameworks from rollbacks and ensuring proper implementation. Yet this defensive stance must not overshadow the importance of developing a proactive, long-term vision that challenges the structural logics of the current financial system. Civil society has a crucial role to play in pushing for deeper reforms at the EU level and within the broader global financial architecture in line with ecological limits and social justice concerns.

This reflection paper has centered on strategy considerations for civil society actors active in the field of sustainable finance transitions. For proposals on how finance and monetary policy can support this shift, including instruments to scale up green investment and phase out carbon-intensive activities, and invest in 'never bankable' activities, we invite readers to consult our Policy Report and Policy Brief on **'Financing the green transition'**.





**Project page:**
For more information about the SuFi project, please see: https://www.uni-wh.de/en/climate-change-and-global-finance-at-the-crossroads-sufi

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## Imprint

**Authors & Contact**
Sophie Progscha, Institute for Ecological Economy Research (IÖW), Sophie.progscha@ioew.de
Janina Urban, Witten/Herdecke University, Janina.Urban@uni-wh.de
Dr. Florian Kern, Institute for Ecological Economy Research (IÖW), Florian.Kern@ioew.de
Simon Schairer, Witten/Herdecke University, Simon.Shairer@uni-wh.de
Riccardo Baioni, Witten/Herdecke University, Ricardo.Baioni@uni-wh.de
Nicolas Aguila, Witten/Herdecke University, Nicolas.Aguila@uni-wh.de
Paula Haufe, Witten/Herdecke University, Paula.Haufe@uni-wh.de
Prof. Dr. Joscha Wullweber, Witten/Herdecke University, Joscha.Wullweber@uni-wh.de

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