

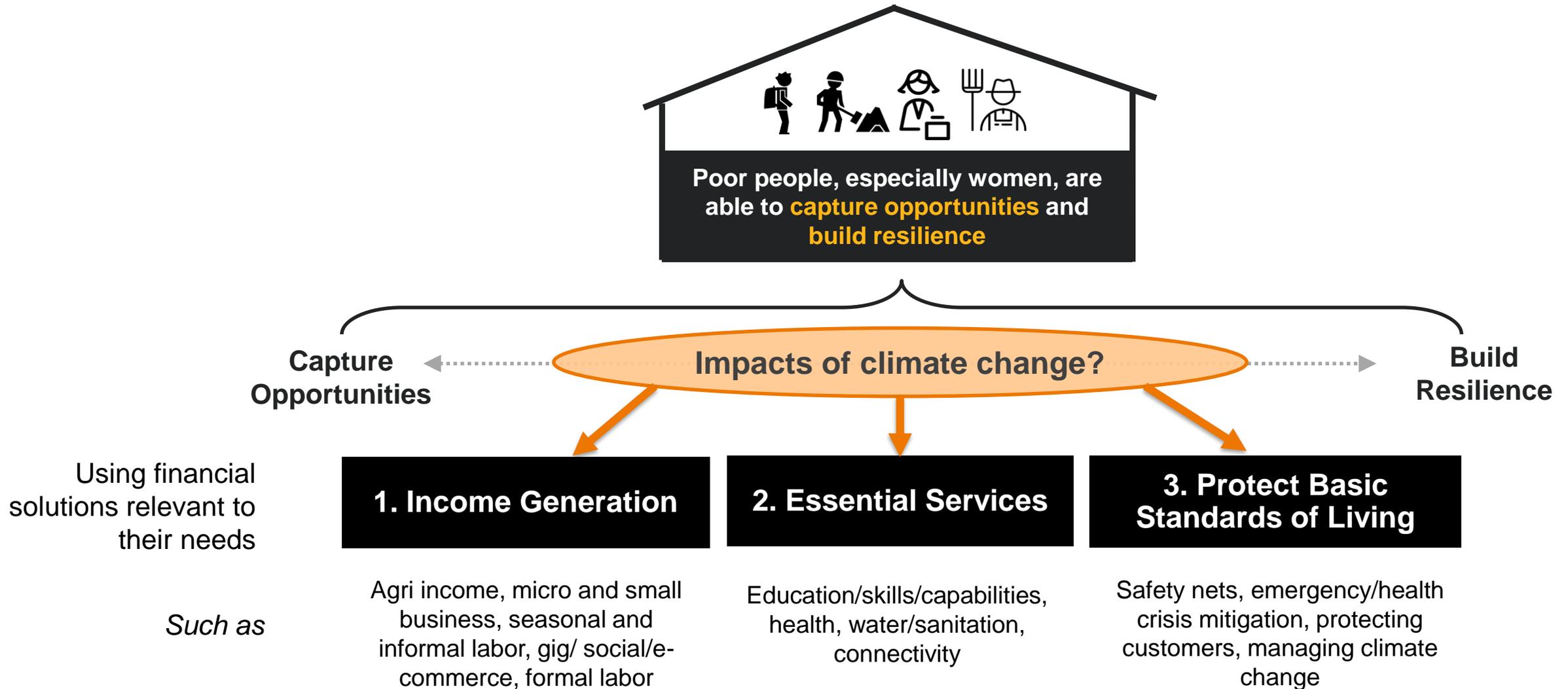


Photo: Mahfuzul Hasan Bhuiyan for CGAP

The Intersection between Climate Change, Livelihoods, and Financial Services

December 2020

This research focuses on three broader objectives where financial services can play a meaningful role in building poor people's livelihoods



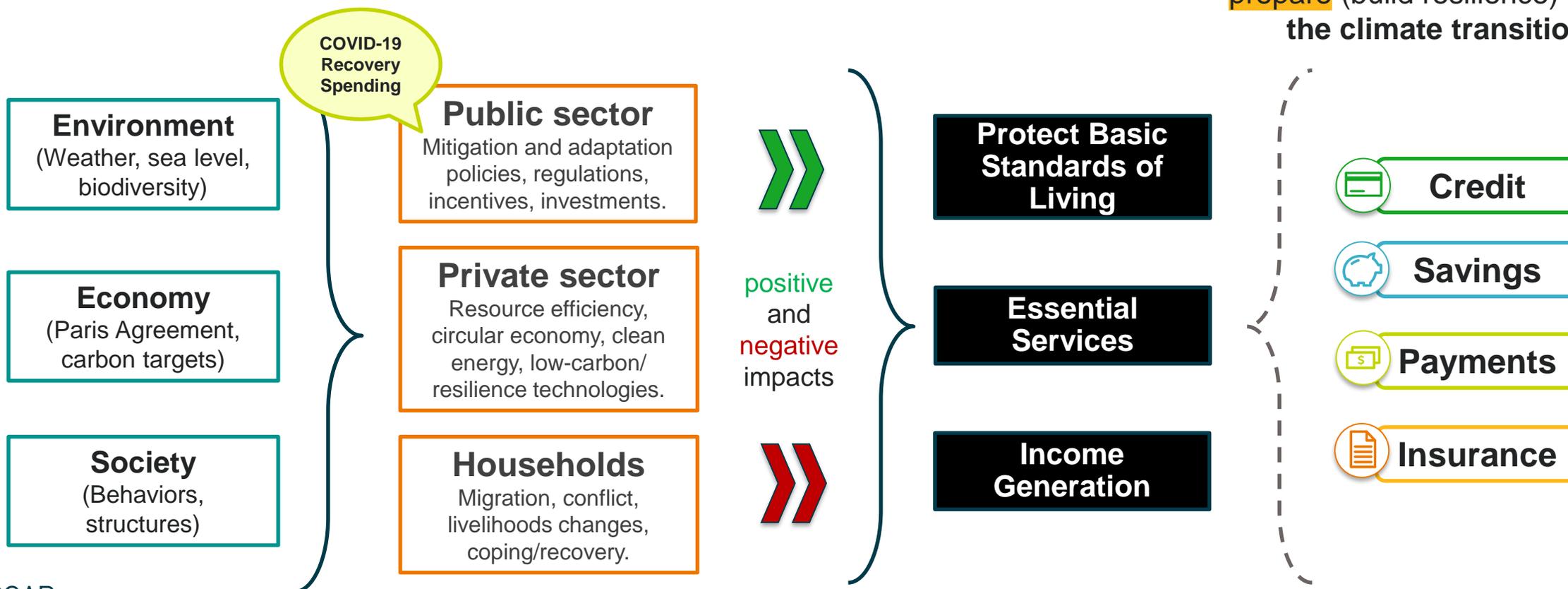
Financial services can help the poor **participate** in and **prepare** for the climate transition

Climate change is driving system disruption in...

...resulting in **climate transition activities** by all actors and across industries...

...which can have **positive** and/or **negative** impacts on poor people's livelihoods...

...and **retail financial services** can enable the poor to **participate** (capture opportunities) and **prepare** (build resilience) **within the climate transition.**



During shocks, the poor need tools to **protect basic living standards**

Climate change impacts...

Protect Basic Standards of Living

→ Environment

- Reduction in arable land
- Extreme weather events, higher temperatures
- Pests/agri-diseases

→ Economy

- Volatility in agri/food markets
- Failure of/no access to livelihood activities (e.g., crops, fisheries)
- Infrastructure and public services failures (e.g., roads)

→ Society

- Migration, displacement, eviction
- Death, disability
- Conflict, criminality, GBV
- Loss or sale of assets / land
- Reduced food or water access/affordability



...requiring **transition activities and investments** in areas that affect the poor such as...



Climate data, early warning and emergency response systems



Resilient, resource efficient and affordable **housing**



Improved **resource efficiency** and redistribution



New or enhanced **safety net programs**, especially via digital government



Education and capacity building on resilience and recovery planning



Services for **displaced communities**, especially **women**



Food price/access stabilization mechanisms

...and **climate-transition FS** can help the poor to **anticipate transition** and **absorb shocks**.



Pooled Remittances in Nepal

Communities save remittances into a pooled reserve fund in case of climate-event asset shock



Index-based Insurance in Kenya

Livestock-dependent households avoided distress livestock sales in case of climate event



Green Mortgages in Mexico

Financed 36,000 energy-efficient houses, enabling savings on energy bills, improved cooling/heating, and reduction of CO₂ emissions.

Financial services enable access to low-carbon, efficient and resilient essential services

Climate change impacts...

Essential Services

→ Environment

- Higher temperatures
- Air pollution
- Extreme weather events (natural disasters)

→ Economy

- Low-carbon energy and transportation systems
- Climate-resilient infrastructure/services/digital connectivity
- Expansion of land under conservation/protection

→ Society

- Changes in energy, transport, and land prices/access
- Increase in related illnesses
- Health and education access



...requiring **transition activities and investments** in areas that affect the poor such as...



Resilient, affordable, reliable **clean energy access**, including for cooking



New /upgraded **resilient infrastructure** (e.g., roads, water, waste)



Resilient, affordable, reliable **clean transportation access**



Resilient, accessible, climate-smart **health and educational facilities**



Resilient, accessible, affordable **digital connectivity**



Affordable healthcare for climate change-related illnesses (e.g., heart/lung disease, bacterial infections)

...and **climate transition financial services**, can support low-carbon, efficient, and resilient essential services.



Community Mini-grids in India

Self-help groups use MFI loans to purchase community-owned solar mini-grids that can power 50 households.



PAYGO Solar Fridges in Kenya

Fridges can be included in PAYGO solar home system contracts, saving households time and money.



Green Public Works in Ghana

Public work programs pay local communities for projects that drive the green economy and increase climate change resilience.

Financial services position the poor for **income generation** in the transition

Climate change impacts...

Income Generation

→ Environment

- Soil degradation, less arable land
- Pollution, reduced water access, higher temperatures

→ Economy

- Low-carbon energy and transportation systems
- Climate-resilient infrastructure/ services/digital connectivity
- Sustainable agriculture, forestry, fishing
- Agrifood and carbon/ecosystem markets

→ Society

- Changes in prices of inputs (energy, transport, land, etc.)
- Changes in labour markets
- Viability of rural and urban livelihood activities
- Transition to low-carbon diets



...requiring **transition activities and investments** in areas that affect the poor such as...



Renewable energy, energy efficiency, clean transport technologies



Climate-smart, resilient **crop and livestock solutions** and technologies, agroforestry, land restoration



REDD+, **ecosystem services**, and other nature-based solutions



Digital connectivity, climate/weather info services



Industrial and SME development in low-carbon/circular economy/efficiency sectors and technologies



Reskilling for formal jobs and informal livelihoods in the new transition economy

...and **climate transition FS** must position the poor for **climate-smart** and **transition economy** income generation.



Ecosystem Payments in Peru

The community is paid for protecting over 1,000 acres of forest via Regen Network's blockchain-based payment system.



Bundled Input Insurance in Africa

In 10 countries Pula offers seed replanting guarantees and area-yield index insurance (AYI) through a bundled B2B distribution model.



Green MSME Leasing in Mongolia

Energy and water efficiency technology upgrades for small firms via XacLeasing.

Climate transition financial services help the poor capture opportunities and build resilience

