The Intersection between Climate Change, Livelihoods, and Financial Services

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

1. **Income Generation**
   - Agri income, micro and small business, seasonal and informal labor, gig/ social/e-commerce, formal labor

2. **Essential Services**
   - Education/skills/capabilities, health, water/sanitation, connectivity

3. **Protect Basic Standards of Living**
   - Safety nets, emergency/health crisis mitigation, protecting customers, managing climate change

Using financial solutions relevant to their needs.

Such as...
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.

Environment
(Weather, sea level, biodiversity)

Public sector
Mitigation and adaptation policies, regulations, incentives, investments.

Private sector
Resource efficiency, circular economy, clean energy, low-carbon/resilience technologies.

Households
Migration, conflict, livelihoods changes, coping/recovery.

COVID-19 Recovery Spending

Economy
(Paris Agreement, carbon targets)

Society
(Behaviors, structures)

Protect Basic Standards of Living

Essential Services

Income Generation

Credit
Savings
Payments
Insurance
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.

→ **Environment**
→ **Economy**
→ **Society**

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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 change** impacts...

- **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.)
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**Income Generation**
Climate transition financial services help the poor capture opportunities and build resilience

The poor can capture opportunities and build resilience
Within the context of a climate transition

Using climate transition financial solutions relevant to their needs*

Climate change impacts on environment, economy, and society

**Income Generation…**
That is **climate-smart** and positioned for the **transition economy**
- Credit for cleantech MSMEs;
- Credit to MSMEs for climate transition upgrades;
- Education loans;
- Individual / pooled savings
- Digital payments
- Yield/income/index insurance

**Essential Services…**
That are **low-carbon**, resource **efficient**, and **climate resilient**
- Credit for resource efficient tech; PAYGO energy, water systems; Electric vehicle loans; Green mortgages
- Public green work programs
- Health insurance

**Protect Basic Standards of Living…**
That can **anticipate** transition and **absorb** climate shocks
- Credit to reduce exposure
- Pooled savings / remittances
- Safety net transfers
- Property / asset insurance; Disaster/index insurance

* Only captures examples identified in the research.
List of References


References (2)


References (3)


References (4)


Other relevant websites/organizations:

The SDG Climate Action Nexus tool (SCAN-tool) is designed to provide high-level guidance on how climate actions can impact achievement of the Sustainable Development Goals (SDGs). The SCAN-tool is meant to support policy makers to achieve greater policy coherence and to improve the efficiency of implementation. Pathways between climate mitigation and adaptation actions and the SDGs, and the literature cited, is available on the tool’s website and was used in the construction of the CGAP narrative. https://ambitiontoaction.net/scan_tool/
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