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## Climate Change and Poverty

### THE CHALLENGE

Climate change is disproportionately affecting people living in poverty. Diminished agricultural production, higher frequency and severity of natural disasters, increased incidence of disease, and population displacements are endangering the livelihoods, well-being, and food security of low-income populations while threatening to drive millions more into poverty in the coming years. Most recent estimates indicate that left unchecked, climate change could push as many as 132 million people into poverty by 2030.<sup>1</sup>

Those at highest risk of experiencing climate-related shocks are often those with the least access to the resources needed to cope.<sup>2</sup>

### THE OPPORTUNITY

Given the pace, magnitude, and inequitable effects of climate change, social enterprises are devising scalable solutions to help vulnerable populations adapt to, and mitigate the effects of, climate change. Training and implementation support for climate-smart agricultural practices, weather forecasting and advi-

sory, renewable energy, water management solutions, microinsurance, and green microfinance are examples of market-based products and services being delivered by GP partners to enable climate adaptation and mitigation for households living in poverty.

### THE IMPACT

A recent analysis of climate-related activity in Global Partnerships' (GP) portfolio found that more than half of the social enterprise partners supported by GP-affiliated debt funds are helping clients adapt to and/or mitigate the effects of climate change, with the highest rates of activity occurring in agribusinesses and microfinance institutions with rural portfolios.

- Forty percent of reporting enterprises offer training on climate-related topics, including climate adaptation, natural resource and environmental risk management, climate-smart agricultural practices, and crop diversification.<sup>3</sup>

**Aldea Global** is a Nicaraguan social enterprise in GP's Smallholder Farmer Market Access and Rural-Centered Finance with Education initia-

1. "COP26 Climate Brief: Adaptation and Resilience: A Priority for Development and Poverty Reduction," The World Bank, 2021, <https://thedocs.worldbank.org/en/doc/0bc5c8591fed68d4c1750fece2948d3-0020012021/original/COP26-ClimateBrief-AdaptationResilience-Final-2610.pdf>.

2. "Addressing the climate change and poverty nexus: a coordinated approach in the context of the 2030 agenda and the Paris agreement," Food and Agriculture Organization of the United Nations, 2019, <https://www.fao.org/3/ca6968en/CA6968EN.pdf>.

3. Based on data reported by 68 of the 75 social enterprise partners that were active borrowers in one or more of GP-affiliated debt funds as of December 31, 2021.



tives. Aldea Global provides training and technical assistance on agroforestry, agricultural best practices, and environmental protection to help farmers safeguard their yields and diversify their incomes to build economic resilience in the face of climate change.

- Twenty-eight percent of reporting enterprises offer green microfinance products. The most common include loans for clean energy, irrigation systems, sustainable water use, and diversification of income streams for agricultural households.<sup>4</sup>

**Grooming Centre** is a Nigerian microfinance institution within GP's Women-Centered Finance with Education initiative. Grooming Centre offers a loan product that enables clients to access a range of affordable solar light solutions that enable improvement in household economics and quality of life while helping mitigate climate change through reduced use of carbon-emitting energy sources.

In addition to offering climate-smart products and services for clients, many of our social enterprise partners are adopting new practices to support enterprise sus-

tainability, continuity, and impact in the face of climate change. These practices include factoring climate change into organizational risk assessments and efforts to dimension, measure, and reduce the environmental footprint of their operations and supply chains.

## IMPLICATIONS

Knowing that climate change poses a large and growing threat to households living in poverty, GP is:

- Seeking opportunities for GP-affiliated funds to invest in products and services that enhance the climate adaptation and/or mitigation capabilities of households living in poverty,
- Capturing data to better understand the climate-related challenges faced by households living in poverty, while learning from and encouraging action with our social enterprise partners, and
- Enhancing our climate risk awareness and management practices to promote the consistent assessment of climate risk in our impact and financial underwriting.

4. *Ibid.*