



# A Green Future for All

How financial services can  
build more inclusive carbon  
markets

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**A CGAP Webinar**

10 December 2024

# Meet Our Speakers



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# Learn more about the role of inclusive financial services in the global climate response




**8 Billion Reasons**

Inclusive Finance as a Catalyst for Climate Action

June 2024




WORKING PAPER



**A Green Future for All**

How Financial Services Can Build More Inclusive Carbon Markets

November 2024 • Max Mattern, Elizabeth Kiamba, and Bennett Gordon



And visit [www.cgap.org/climate](http://www.cgap.org/climate) to find our complete collection of publications, blog posts, videos, and more!



# About CGAP

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*Adam Yusuf, 2017 CGAP Photo Contest*

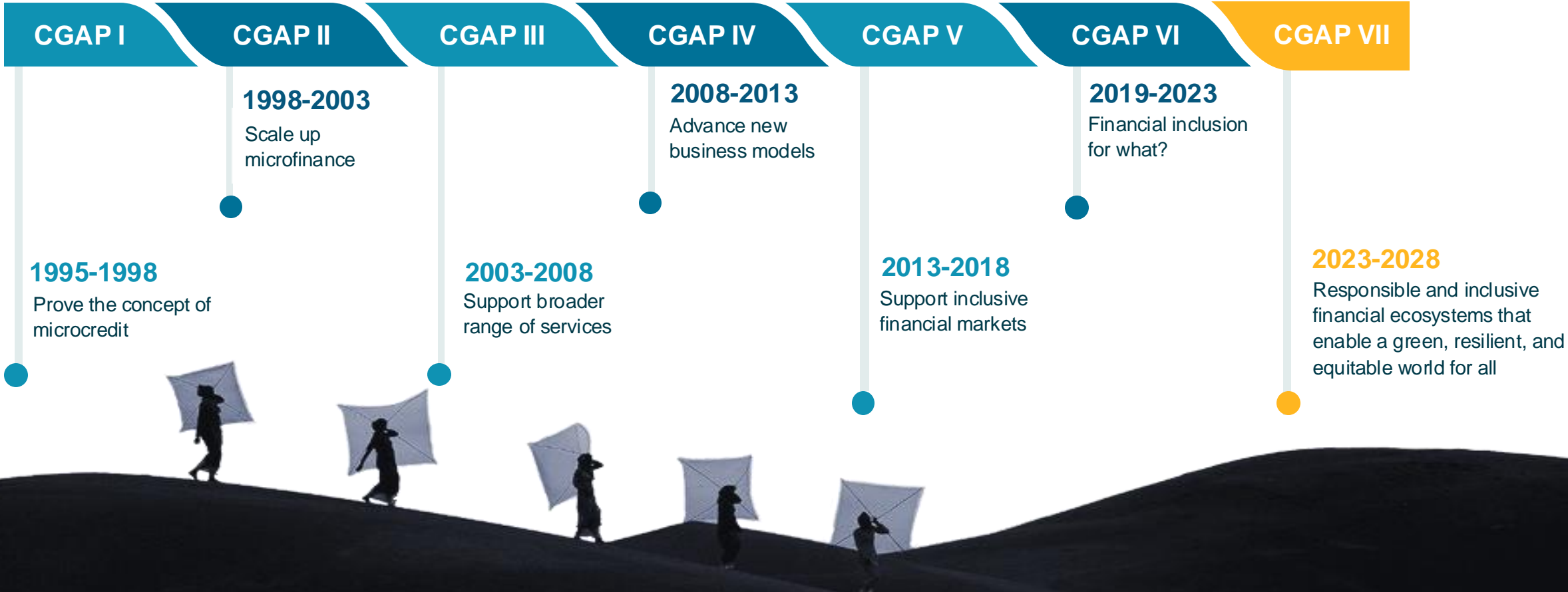
# CGAP focuses on the frontier of financial inclusion

**WE ARE:** A global partnership of over 30 leading public, private, and philanthropic development and financial institutions and organizations, housed at the World Bank.

**OUR VISION:** Responsible and inclusive financial ecosystems that enable a green, resilient, and equitable world for all.

**OUR MISSION:** CGAP works at the frontier of inclusive finance to test solutions, spark innovation, generate evidence, and share insights. Our knowledge enables public and private stakeholders to scale solutions that help financial ecosystems meet the needs of poor, vulnerable, and underserved people and MSEs, including advancing women's economic empowerment.

# CGAP's vision has evolved over time and shaped the financial inclusion field



Our current vision aims to maximize the impact of financial inclusion and its contribution to global development goals



**What do you view as the most pressing challenge facing carbon markets in the next 10 years?**



## The Role of Carbon Markets in a Just, Green Transition

Carbon markets can support a just, green transition in EMDEs – but only if they include low-income households and small businesses

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**A green transition can unlock opportunity**

**11** SUSTAINABLE CITIES AND COMMUNITIES



**8** DECENT WORK AND ECONOMIC GROWTH



**3** GOOD HEALTH AND WELL-BEING



**5** GENDER EQUALITY



**7** AFFORDABLE AND CLEAN ENERGY

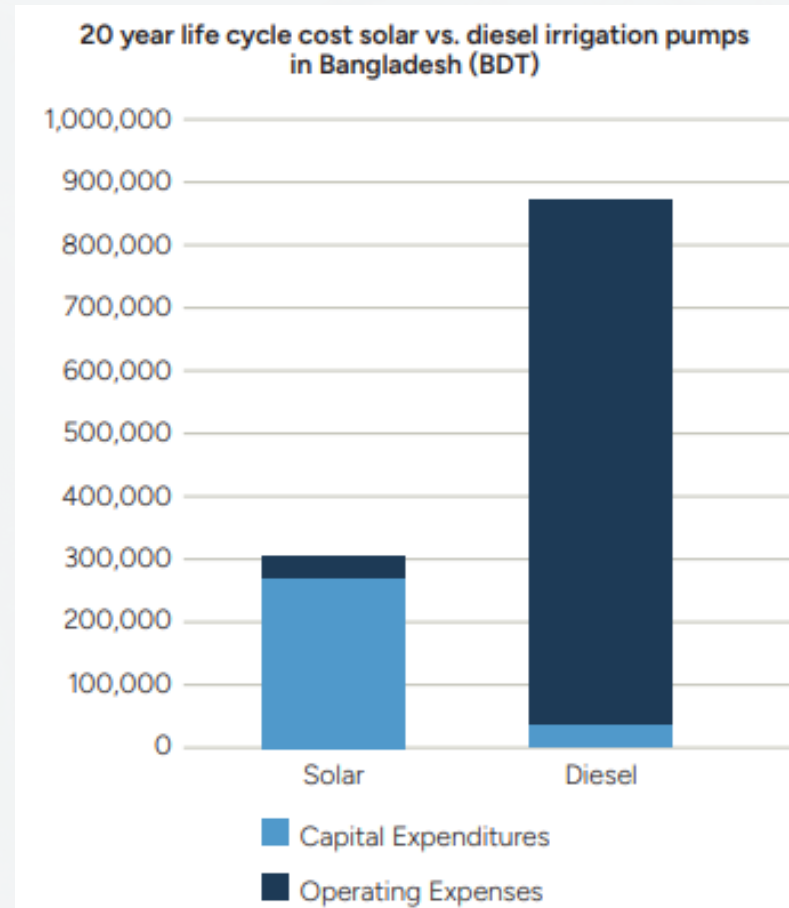


**2** ZERO HUNGER



# But high costs, limited availability, behavior change are barriers

- The **higher upfront cost** of green technologies and practices remains a critical barrier for low-income households and MSMEs
- **Cost of operations** for businesses makes it difficult to sustainably serve low-income customers at a price point they can afford
- **Resistance to changing longstanding practices** further constrains demand, increases risks/cost for businesses



Source: [Islam et al 2022](#)

# Carbon markets can address barriers to a green transition in EMDEs



## Increasing Availability

Companies providing green technologies and practices are turning to VCMs to get their products and services into the hands of low-income and rural customers.



## Improving Affordability

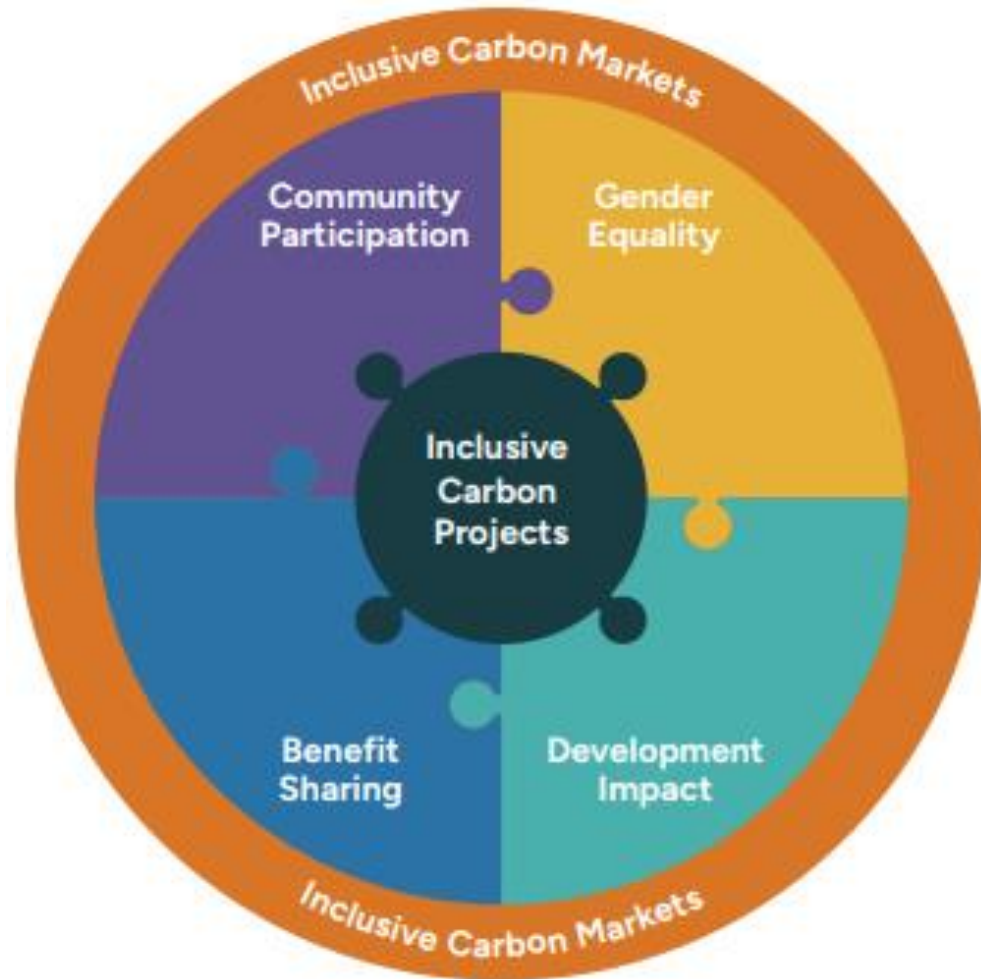
Revenues from sale of credits help to reduce the cost of green technologies and practices for customers.



## Incentivizing Behavior Change

Sharing carbon revenues directly with communities can incentivize shifts in behavior and encourage the adoption and use of green technologies and practices.

## Realizing this potential begins with making carbon projects more inclusive



Inclusive carbon projects prioritize community participation, equitable benefit sharing, gender equality, and development impact

**When carbon markets are inclusive, they can help to drive a transition that is not only green, but also just**

# Unfortunately, many carbon projects are not designed to benefit low-income people

OPINION  
**Carbon markets that benefit the West will not solve Africa's climate crisis**  
Western interests dominated the Africa Climate Summit for African nations to put themselves first  
Claire Naville Peter Ossigo  
15 September 2023, 1:10pm

**The age of extinction**  
● This article is more than 1 year old  
**'Nowhere else to go': forest communities of Alto Mayo, Peru, at centre of offsetting row**

The Guardian visits the Peruvian Amazon as part of an investigation into forest-based carbon credit projects

- Revealed: 'over 90% of rainforest carbon credits are worthless'
- Greenwashing or a net zero necessity?
- Carbon offsets flawed but we are in

**The revenue from carbon credit sales often does not filter down to the local communities working to protect their ecosystems.**  
**-- White and Case, 2022**

**The Scramble for African Carbon Credits – Should Governments Intervene?**  
22 Aug 2023  
Home / Reports and Commentary / The Scramble for African Carbon Credits – Should Governments Intervene?

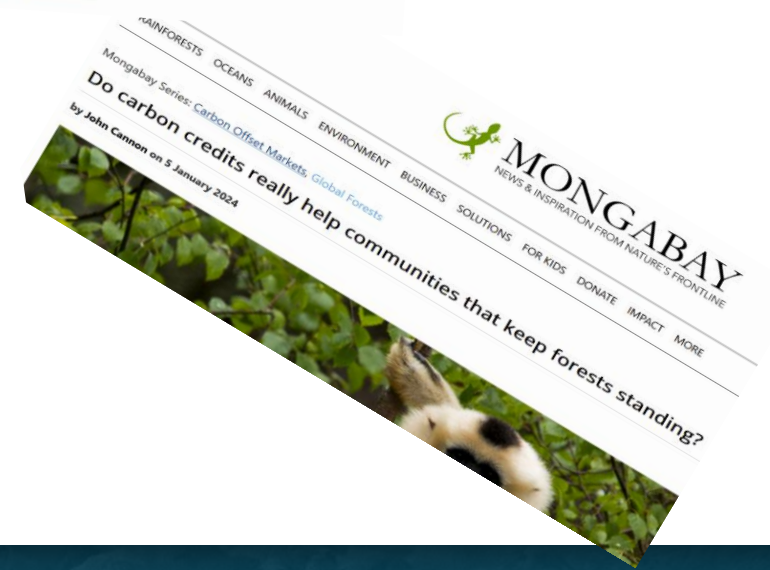
Host governments for carbon credit projects are trying to ensure as much revenue as possible stays in the country and benefits the local communities. But the way they are going about it risks having the opposite effect.

RAINFORESTS OCEANS ANIMALS ENVIRONMENT BUSINESS SOLUTIONS FOR KIDS DONATE IMPACT MORE

Mongabay Series: Carbon Offset Markets, Global Forests

**Do carbon credits really help communities that keep forests standing?**

by John Cannon on 5 January 2024



# Several barriers stand in the way of more inclusive carbon projects



Barriers to  
Participation of  
Low-Income  
Communities



Lack of  
Transparency in  
Benefit Sharing



Disruptions to  
Livelihoods



Lack of  
Development  
Impact



Gender Barriers

# Women face barriers to participating in – and benefiting from – carbon projects

- **Unequal access to resources** (such as land, capital, technology, or training) can limit women's participation and ownership of carbon
- **Burden of unpaid household labor, limited mobility, and exposure to gender-based violence** mean women are less likely to be employed in carbon projects
- **Gendered social norms that limit women's decision-making** can constrain their ability to access and control project benefits

Many of the challenges that prevent women from improving their livelihoods and resilience also limit their ability to benefit from carbon markets



## An Opportunity for Inclusive Financial Services

CGAP's research demonstrates how financial services can help to build more inclusive carbon markets

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# Financial Services can Contribute to More Inclusive Carbon Markets

CGAP's research has identified 5 opportunities for financial services to make carbon projects more inclusive of and impactful for low-income communities in EMDEs:



Credit and savings products can enable low-income households to participate in carbon projects and maximize benefits



Digital payments can make benefit-sharing fairer and more transparent



Financial services can help participants adapt and diversify their livelihoods



Women-centric financial services can equip women to participate in carbon projects



Financial inclusion can enhance development impact

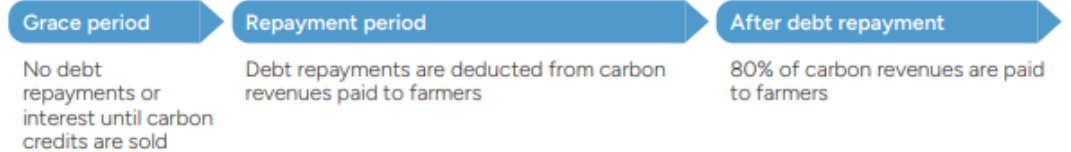
# How Acorn's credit model is helping to scale smallholder agroforestry

- Acorn provides smallholder farmers with the inputs and training needed to adopt agroforestry
- Farmers receive inputs on credit, with repayment deducted from future carbon revenues
- After loans are repaid, farmers receive 80% of the revenues from the sale of their carbon



FIGURE 5. An illustration of Acorn's financing model

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Carbon revenues	-	-	-	€30	€30	€60	€60	€90	€90	€120	€120	€120	€90	€90	€90
Financing and repayments	-€150	-	-	€12	€12	€24	€24	€36	€36	€6	-	-	-	-	-
Farmer Earnings	€0	€0	€0	€12	€12	€24	€24	€36	€36	€90	€96	€96	€72	€72	€72



Note: This is for illustrative purposes only. Actual figures will vary depending on project context.

Source: Adapted from Rabobank (2023).

# ATEC combines digital payments with dMRV to power an innovative new benefit sharing model

- ATEC sells IoT-enabled electric cookstoves that allow the company to track usage in real time
- Customers finance the stoves on installment plans, ensuring that they are affordable to low-income users
- ATEC's data allows them to sell high quality carbon credits, with 70% of revenues sent directly to users via mobile money for each kw hour their stoves consume



Source: [MECS, ATEC 2023](#)

# Vi Agroforestry uses VSLAs to minimize livelihood disruptions

- In Kenya, project developer Vi Agroforestry helps smallholder farmers adopt agroforestry and regenerative agriculture
- Vi Agroforestry has found that in communities where farmers are part of strong village savings and loan associations (VSLAs), participants are more likely to remain in the project
- A study also found that project participants organized into VSLAs saved more and more often, had higher levels of food sufficiency, and spent more of their incomes on their children's education



Photo Credit: Dorothy Tindi, CGAP Photo Contest

# SEWA provides women with tailored loans to participate in carbon projects

- In India, SEWA's loans allow rural women to participate in carbon projects
- Seasonal salt farm workers using solar water pumps receive 90% of the revenues from carbon credits their pumps produce, helping to smooth consumption during off-season months
- SEWA works with Sistema.bio to offer financing for carbon-subsidized biodigesters, bringing the cost down from Rs 35,000 to Rs 5,000



Photo Credit: Sistema.bio

# Financial Inclusion can Enhance Development Impact

- The impact of financial inclusion is not only measured through account ownership but also by its contribution to the SDGs.
- Financial services can help maximize project co-benefits, with evidence that financial inclusion can advance gender equality (SDG 5).
- Inclusive finance impact measurement and management frameworks and initiatives can be adapted to carbon projects for co-benefits measurement.

WORKING PAPER



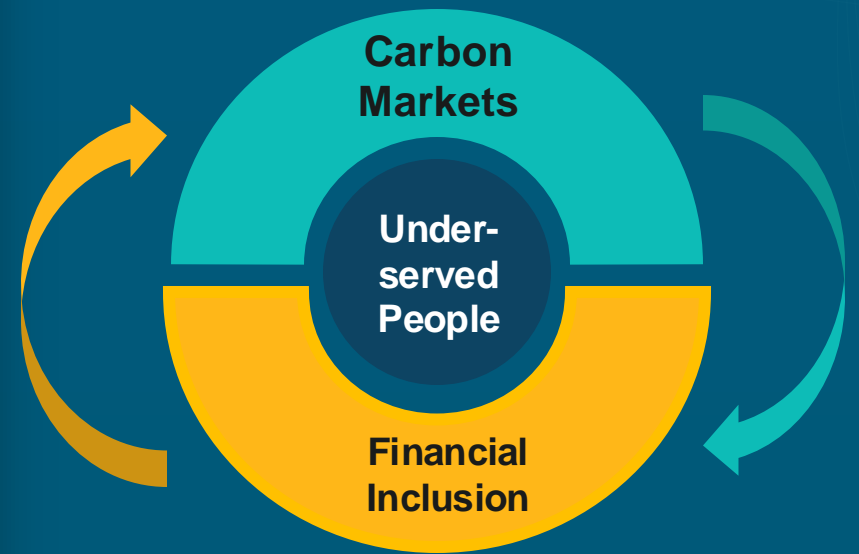
## Investing for Financial Inclusion: Four Enablers for Outcomes Measurement and Management

October 2024 • Estelle Lahaye, Charlotte (Charley) Clarke, Elizabeth Kiamba

# Financial service providers can also leverage carbon finance to advance financial inclusion in EMDEs

**Carbon finance presents an opportunity for financial institutions and other financial service providers to expand their outreach to low-income customers:**

- Carbon projects can break down barriers to account ownership
- Ownership of green assets can help make participants more creditworthy
- Innovative partnerships between FSPs and carbon projects can leverage benefit sharing to further expand financial inclusion
- Carbon projects' impact on livelihoods can lead to greater financial inclusion



An aerial photograph of a river delta, showing a network of waterways and sandy banks. A line of people is walking across a narrow channel, each carrying a long pole balanced across their shoulders. The scene is captured in a monochromatic blue-green color scheme. The text "Which of these use cases most resonates with you?" is overlaid in white, bold font in the center of the image.

**Which of these use cases most resonates with you?**



# Looking Forward

Opportunities to maximize the impact of financial services in carbon markets

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# Opportunity 1: Foster Greater Collaboration Between Financial Service Providers and Carbon Project Developers



Share **infrastructure**, **knowledge**, and **trusted relationships**



**Amplify the impact** of carbon projects by offering **payments**, **savings**, **credit**, and **insurance** to project participants



Support the **measurement** and **monetization** of **co-benefits**

# Opportunity 2: Drive Greater Innovation in Financial Services for Carbon Project Participants



Digital payment-enabled **benefit-sharing** models



Considering future **carbon revenues** in **credit assessments**



Carbon **savings accounts**



**Insurance** for mitigation activities



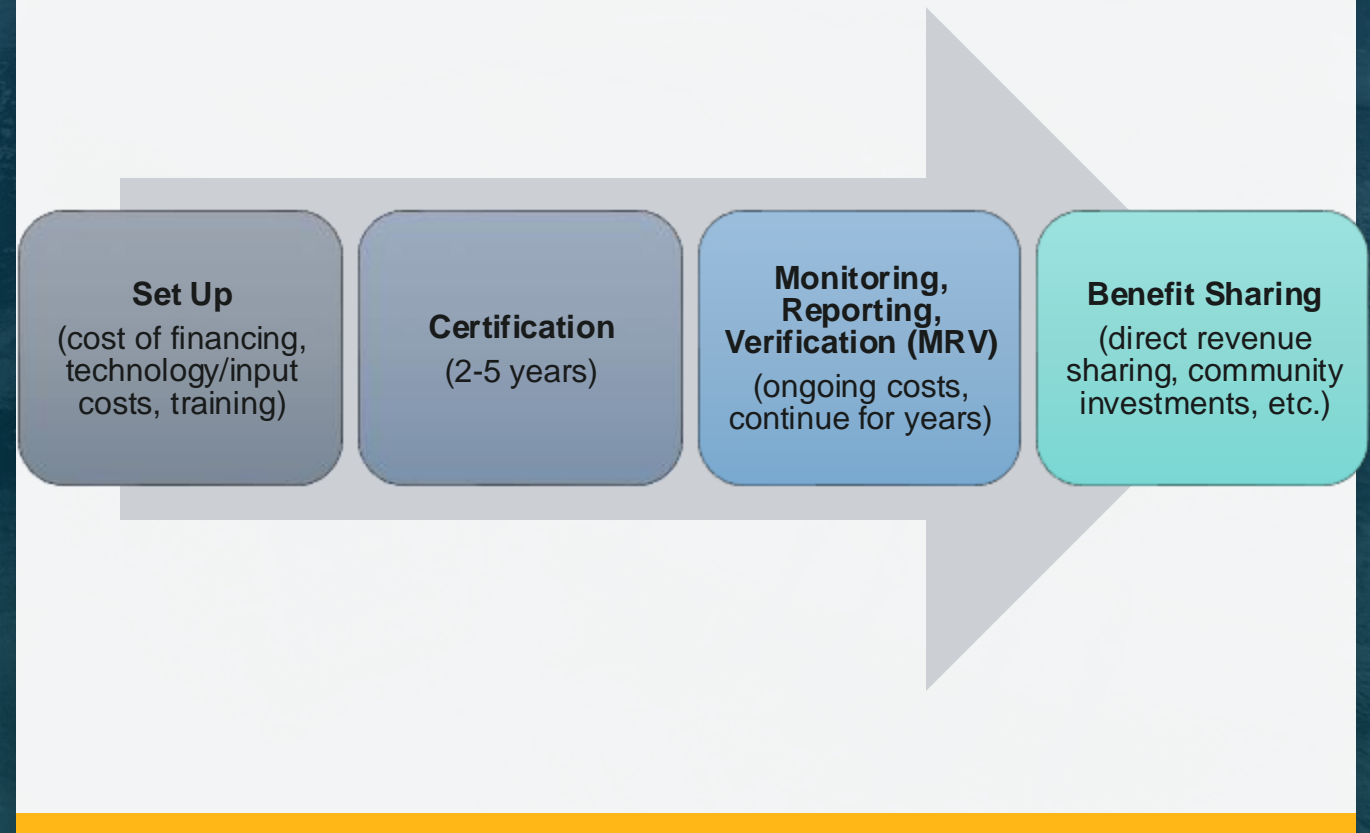
**Women-centric** financial services

# Opportunity 3: Project Financing to Prove and Scale Inclusive Carbon Projects

Donors, DFIs, and impact investors should consider the following:

- Finance pilot projects
- Grant windows to launch inclusive projects
- Concessional debt or recoverable grants for on-lending
- De-risking commercial financing
- Connecting buyers and developers

## Overview of costs for project developers



# Three Ways CGAP is Supporting More Inclusive, Financial Services-Enabled Carbon Markets

1

Technical guidance for funders

2

Inclusive financial-services innovation

3

Integrating financial inclusion into the measurement of project co-benefits

An aerial photograph of a river delta, showing a network of waterways and land. A line of people is seen carrying loads on long poles balanced across their shoulders, walking along a path. The image is overlaid with a dark blue tint and decorative white lines in the top right corner.

**Where do you see the most need for CGAP's support?**

# Discussion

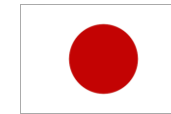
# CGAP Members



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**Thank you**

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Connect with us on these social channels:

