

## Terms of Reference

<b>Consultant:</b>	tbd
<b>Thematic Area:</b>	<b>Sector Support</b>
<b>Project Title:</b>	<b>Financial sector solutions for climate change mitigation and adaptation</b>
<b>From:</b>	03/30/2020
<b>To:</b>	06/30/2020
<b>Task Manager:</b>	Michael Tarazi, Lead Financial Sector Specialist

### About CGAP

The Consultative Group to Assist the Poor (CGAP) is a global multi-donor partnership dedicated to advancing financial inclusion for the poor. CGAP plays a unique role as a donor-coordination mechanism for funders working to improve the lives of poor people through the power of financial inclusion, providing a valuable platform for information, dialogue and reflection to advance progress towards a collective vision. Using action-oriented research, CGAP tests, learns and disseminates knowledge intended to help build inclusive and responsible financial systems that move people out of poverty, protect their assets and advance broader global development goals. CGAP leverages its relationships with businesses, governments and the non-profit sector to share insights, mitigate risks and protect customers, and help others bring solutions to scale. CGAP serves as a global advocate for the financial inclusion community by collaborating with strategic institutions that influence policy and market development and providing evidence-based research and practical lessons that guide their work.

CGAP is supported by more than 30 partners including bilateral and multilateral development agencies, development finance institutions and private foundations committed to advancing financial access for the poor. CGAP is housed in and administered by the World Bank.

CGAP is guided by a five-year strategy and annual workplans. The next five-year strategy, CGAP VI, covers the period July 1, 2018 – June 30, 2023 and is built on a theory of change (ToC) that has identified four collective outcomes:

- Customers have information, incentives, trust, confidence and networks to participate in the financial system.
- Providers offer affordable, responsible, and accessible financial solutions for poor people that are sustainable and at scale.
- An infrastructure that enables ubiquitous, efficient, open and safe markets is in place.
- A policy and regulatory framework for responsible financial inclusion is in place and enforced.

To contribute toward achievement of these outcomes, CGAP's strategy has identified four priority technical areas including:

- Creating customer value
- Emerging business models
- Enabling Infrastructure

- Next Generation Policy

Additionally, CGAP will continue to provide industry-level support to share knowledge and scale impact beyond its core partners. This will include improving global learning on impact evidence, supporting CGAP's members, and focusing on capacity development to scale learning with providers and policymakers.

Implementation of CGAP VI is carried out by the Operational Team through a "portfolio of projects" designed to achieve the high-level collective outcomes articulated in the theory of change.

## About the Project

Extreme weather events, including drought, flooding, storms, extreme temperatures, and other climatic changes are occurring with greater frequency and intensity, increasing risks to health, livelihoods, food security, water supply, economic growth and human rights. As these risks increase, so does the vulnerability of households, businesses and ecosystems, threatening to undermine sustainable development and efforts to eradicate poverty.

Supporting the mitigation of and adaptation to changing climate conditions has become a high priority on national and international development agendas. Most explicitly, the sustainable development goal (SDG) 13 mandates "urgent action to address climate change and its impacts," including strengthening resilience and adaptive capacity to climate related hazards.<sup>1</sup> Evidence shows that low-income countries and people are impacted the most by climate change but are the least able to build resilience.

The emergence of a variety of financial sector solutions (including retail financial services and products, bundles of financial and non-financial services, financial sector infrastructure, development finance and investment products) that seek to support activities that mitigate or adapt to climate change suggest that there is a role for the financial sector in advancing SDG 13. Capital markets are offering a variety of investment and lending instruments that promote responsible practices and the reduction of global carbon emissions.<sup>2</sup> At the same time, financial products and services can help households adapt to their changing environment, build capacity to weather shocks and smooth consumption without resorting to unsustainable levels of debt or selling productive assets. Climate risk insurance, for example, can help reduce the impact of climate related shocks.<sup>3</sup>

CGAP's work on financial sector solutions addresses development problems that may be caused or enhanced by climate change. CGAP, as well as other research institutions, have studied how microfinance institutions can support climate change adaptation through targeted financial products, flexible loan repayment schedules and installments for clients struck by natural disasters or failing crops, or by influencing practices of businesses, communities and households.<sup>4</sup> There is also a sound body of work on the role of financial services in supporting smallholder

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<sup>1</sup> See UN website on [climate change](#).

<sup>2</sup> Including „clean“, „sustainable“, „climate“, and „climate change“ investment and asset financing instruments. See also [OECD Working Paper on Definitions \(2012\)](#) and UNEP website on [Climate Finance](#).

<sup>3</sup> See [GIZ website on climate risk insurance](#), among others.

<sup>4</sup> See [CGAP Focus Note \(2009\)](#), [CGAP Blog Series \(2012\)](#), [Institute for Global Environmental Strategies \(2016\)](#), [ODI Policy Brief \(2016\)](#), [IPA Research Paper \(2017\)](#), [European Microfinance Award 2019 \(2019\)](#), among others.



farmers in the face of climate change and in adopting climate-smart agricultural practices.<sup>5</sup> Other financial services and products that contribute to climate change adaptation include PayGo solutions for accessing basic services, work on cash transfers and remittances to forcibly displaced populations as well as social protection payments.

What is missing, however, is a clear narrative of how financial sector solutions support poor people's ability to generate income, access essential services and protect their basic standard of living in the face of changing climate conditions. In addition, the development community lacks a shared definition of financial sector solutions that support climate change mitigation and adaptation.<sup>6</sup> So far, only a few studies have started addressing these gaps, including recent work by IPA and AFI.<sup>7</sup>

CGAP seeks to develop a framework that helps understand how changing climate conditions affect the ability of low-income households to (i) to generate income, (ii) access essential services, and (iii) protect their basic standard of living. CGAP seeks a cohesive narrative on the role of the financial sector in enabling the poor to (i) mitigate the negative effects of climate change and (ii) adapt to such effects. The objective of the output is to inform CGAP's strategy, positioning, and potentially its work program (and those of its member organizations), by addressing the following research questions:

- How do changing climate conditions affect the ability of low-income households to (i) generate income, (ii) access essential services, and (iii) protect their basic standard of living?
- What financial sector solutions and taxonomies exist that support climate change mitigation and adaptation?
- In the face of changing climate conditions, what evidence exists regarding the role of financial sector solutions in enabling poor people, especially women, to (i) generate income, (ii) access essential services, and (iii) protect their basic standard of living?
- Who are the leading CGAP members and other development actors supporting financial services in climate change adaptation and mitigation?
- What are the gaps and opportunities around which CGAP could play a leading role?

## Scope of Work

The consultant will be engaged in the following types of work, per agreement with the Task Manager:

- Define the concept of climate change mitigation and adaptation and its key components, both broadly but more specifically as it applies to financial sector solutions.
- Articulate the opportunities and risks that climate change poses for low-income populations. Some specific demographic segments may be suggested for profiling (e.g., based on gender or geography).

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<sup>5</sup> See CGAP work on [smallholder farmers](#) and FAO website on [climate-smart agriculture](#).

<sup>6</sup> Currently the EU is working on a classification system to introduce a common taxonomy for sustainable investments. See EU website on [Green Finance](#).

<sup>7</sup> See IPA Study on *Building Resilience through Financial Inclusion: A Review of Existing Evidence and Knowledge Gaps* (2019) and AFI Special Report on [Inclusive Green Finance](#) (2019).



- Determine how and where financial sector solutions can play a role in enabling poor people, especially women, to (i) generate income, (ii) access essential services, and (iii) protect their basic standard of living.
- Outline the landscape of key stakeholders active in and influential on the topic of climate change adaptation and mitigation in low-income countries, describing the current area(s) of focus for each organization, the learning questions they are pursuing, and their major initiatives and outputs.
- Develop a conceptual narrative to illustrate the role of financial sector solutions in climate change adaptation and mitigation, including identification of nodes and actors at and through which certain interventions can drive change benefiting low-income people in low-income countries.
- Identify gaps and opportunities for CGAP to play a leading role, building upon CGAP's engagement to date in this area (smallholder finance, PayGo solutions, cash transfers, remittances, etc.).

### Methodology and Specific Tasks

The scope of work will require the Consultant to engage in a literature review, conduct interviews with key stakeholders, consult with CGAP staff who have been working on associated topics, and draft analytical outputs. The consultant will coordinate all work closely with the Task Manager or the Task Manager's assignee and will:

- Synthesize literature, including emerging evidence, to define the concept of climate change mitigation and adaptation and its key components and to articulate the opportunities and risks that climate change poses for low-income populations. (approx. 2 days)
- Conduct literature review and interviews with subject matter experts to determine how and in which contexts financial services can play a role in enabling poor people, especially women, capture opportunities and build resilience in the face of changing climate conditions. (approx. 5 days)
- Review literature and conduct at least 5 interviews with development funders and implementation partners (including but not limited to CGAP members) and relevant sector support organizations on their perspectives and relevant (existing and envisioned) projects. (approx. 6 days)
- Preparation of internal research report and summary slide deck. (approx. 3 days)
- Develop a conceptual narrative to illustrate the role of financial sector solutions in helping the poor mitigate the negative impact of climate change – or adapt thereto. (approx. 3 days)
- Identify gaps and opportunities for CGAP to play a leading role. (approx. 1 days)

### Deliverable(s)

The following are expected deliverables based on the scope of work defined above

- Implementation plan, including research methodology, timeline, and approach to interactions with CGAP.
- Literature review.
- Notes from stakeholder interviews.



- Written output that (i) synthesizes how climate change is and will affect poor people's, and especially women's, ability to generate income, access essential services and protect their basic standards of living, (ii) outlines the landscape of key actors, (iii) illustrates a narrative of how financial services can help poor people adapt to or mitigate the negative effects of climate change, and (iv) provides recommendations for CGAP. This paper and/or PPT deck (to be agreed upon with the Task Manager) should be presented in an accessible, highly-visual, readable format that highlights key messages and clearly cites all sources.

### **Necessary Skills and Experience**

- Academic degree in Finance, Economics, Social Sciences, Environmental Studies, or other relevant field.
- Proven research experience in financial inclusion and climate change.
- Strong familiarity with current discourses in the development cooperation space, especially with regard to the sustainable development goals, climate change and financial inclusion.
- Strong familiarity with work programs and strategies of financial inclusion funders, including development funders, implementing partners, development finance institutions and impact investors.
- Strong familiarity with CGAP's theory of change and role in the financial inclusion sector.
- Proven qualitative research skills.
- Fluency in English and strong English writing skills.
- Senior financial inclusion specialist, with at least 20 years previous experience, with recognized expertise in the field.

### **Ownership/Control of Work Product/Publication**

All materials produced or acquired during the appointment - written, graphic, film, and digital audio/video or otherwise - shall remain the property of the World Bank unless and to the extent such rights are explicitly relinquished (in whole or in part) by the World Bank, in writing. The World Bank furthermore retains the exclusive right to publish or disseminate in all languages reports arising from such materials.

In the event of early termination of the appointment or non-renewal upon its expiration, the Consultant shall, if requested by CGAP, deliver to it copies of all materials and data developed with CGAP funds.

Any material developed by the Consultant under these TORs may not be used without written prior approval by the World Bank.

### **Authorship and Acknowledgement**

CGAP staff will generally be listed as the authors of any publication or other communication that is produced as a result of the research conducted during the appointment. The Consultant's contribution in conducting this research will be acknowledged in any such publication. If, in the reasonable view of the Task Manager, the Consultant contributes significantly to the conceptualization and drafting of any documents created, the Consultant will be listed as co-author, along with the relevant CGAP staff.



### Task Manager/Reporting

The Task Manager is Michael Tarazi. CGAP may designate another qualified task manager. The Task Manager has final sign off on deliverables and invoices.

The Consultant will report to the Task Manager.

### Schedule

All work will be completed between 03/30/2020 and 06/30/2020, unless the appointment is extended or a new appointment is made. The schedule could be further clarified in each subsequent task assignment.

### Budget and Payment

The daily rate will be determined based on the qualifications and prior experience of the consultant.

The budget ceiling for the work under these TOR is twenty (20) days and no more than XXXXXX U.S. dollars (US\$XX). The Consultant's time will be compensated based on a fee of XXXX U.S. dollars (US\$XXX) per eight (8) hour consulting day or pro-rated portions thereof.

The Consultant will also be reimbursed for miscellaneous expenses directly related to the work performed pursuant to these TORs (documented in accordance with relevant CGAP procedures) or with prior written agreement with Task Manager. Payment will be made upon receipt of the payment request through the World Bank system and its approval by the Task Manager.

### Confidentiality

All knowledge and information not already within the public domain which the Consultant may acquire from CGAP or its employees or by virtue of the assignment shall for all time and for all purposes be regarded by the Consultant as strictly confidential and held in confidence, and shall not be directly or indirectly disclosed by the Consultant to any person whatsoever excepting with the World Bank written permission.

All outputs of the work, materials produced in the course of the work, and all by-products shall remain confidential unless the World Bank authorizes public release.