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Spotlight 3:

# Leveraging Digital Financial Services for Climate Resilience

*The Role of Digital Payments and Digital Public Infrastructure in Enhancing Climate Change Readiness and Reducing Vulnerability*

February 2025

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**CALL TO ACTION**



December 2023



# Responsible Digital Payments to Accelerate Climate Action



V20 | VULNERABLE  
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# 3 Key Areas For Action

**1** Expand digital payments and digital public infrastructure for a more climate-resilient future for all

**2** Close the Digital Divide by increasing access and connectivity to reduce climate-vulnerability

**3** Put women, youth, indigenous peoples, and communities in fragile and climate-vulnerable areas at the center of adaptation planning

# How can Digital Payments\* be Leveraged to Support Climate Adaptation and Resilience Objectives?

\*Digital payments and transaction accounts are an enabler to broader financial inclusion



# Responsible digital payments are essential to respond to 4 **urgent** climate adaptation challenges:

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1. Offer a pathway to addressing Governments and humanitarian actors need to delivery timely, efficient and transparent transfers to climate-vulnerable individuals. This apply to both the **short-term** – emergency relief programs during a climate shock and in the **long-term** - to prepare in advance and build **climate resilience** through social transfers like anticipatory action, adaptive social protection
2. **“Meaningful Impact” for farmers:** A broader suite of digital financial services e.g. savings, loans, and insurance can help farmers adapt better to climate shocks by providing access to funds before and during emergencies. Furthermore, funds can be utilized to invest in resilient, climate-friendly assets, livelihoods, and infrastructure.
3. **Gender needs to be at the center of all climate:** Given our collective advocacy<sup>1</sup> for social transfers to be made to women’s accounts, there is an opportunity to expand on the links to adaptive social protection specifically for climate risks.
4. **Digital Public Infrastructure (DPI) for climate action:** enable governments to develop early warning systems and emergency response plans; **data sharing to drive solutions for climate adaptation, leveraging data to design for climate-responsive products**

Note: Expert consultations conducted in the ‘Awareness’ phase; detailed meeting notes from consultations at at CoP and NY/DC are added in the Annex

[1. Reaching Financial Equality for Women](#) - 60 million unbanked women still receive government payments in cash.

# Anticipatory action offers opportunities for expanding financial inclusion – lessons from UN-CERF in Bangladesh



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- Pre-establishes when and on what basis financing and action would be triggered ahead of a specific monsoon flooding peak; how much funding would go to which agency; and what activities the funding would be used for and in what time frame.
- The total reach of CERF was 321,715 people in 2020. 2 weeks before flood waters reached life-threatening levels, more than 220,000 people were reached including through multi-purpose, unconditional cash to 22,434 families via mobile transfers.
- More people were reached at half the cost compared with rapid responses that occurred following the 2019 floods in Bangladesh. the cost per person reached by AA was \$13, as compared with about \$26 in the 2019 humanitarian response.
- Lower loss of assets and animal mortality, lower indebtedness, lower levels of negative coping strategies. And many people were able to restart of farming production quicker.
- 90% agreed that the aid provided went to households in their community who needed it the most.
- 70% people agreed that the aid provided to cope with the floods benefited both men and women equally. Among the poorest households, women were more likely to benefit than men.

**Outcome:** The anticipatory actions resulted in a 36% decrease in households going a day without eating, a 12% increase in evacuation rates, and a 17% increase in the evacuation of livestock in the face of disasters.

Moreover, the initiative helped recipients reduce their borrowing needs and obtain more favorable loan terms, thereby mitigating costly borrowing during crises.

Source: WFP [UNOCHA](#)



*"When I got the money, I cried for half an hour. I didn't have any money to buy any food for the children. We were starving for two days. And then I got your money and bought rice and other things to eat."*

*Female, 23, Ulipur*

# Better than Cash Alliance Country Analysis: Opportunities to leverage digital payment and DPI for climate action

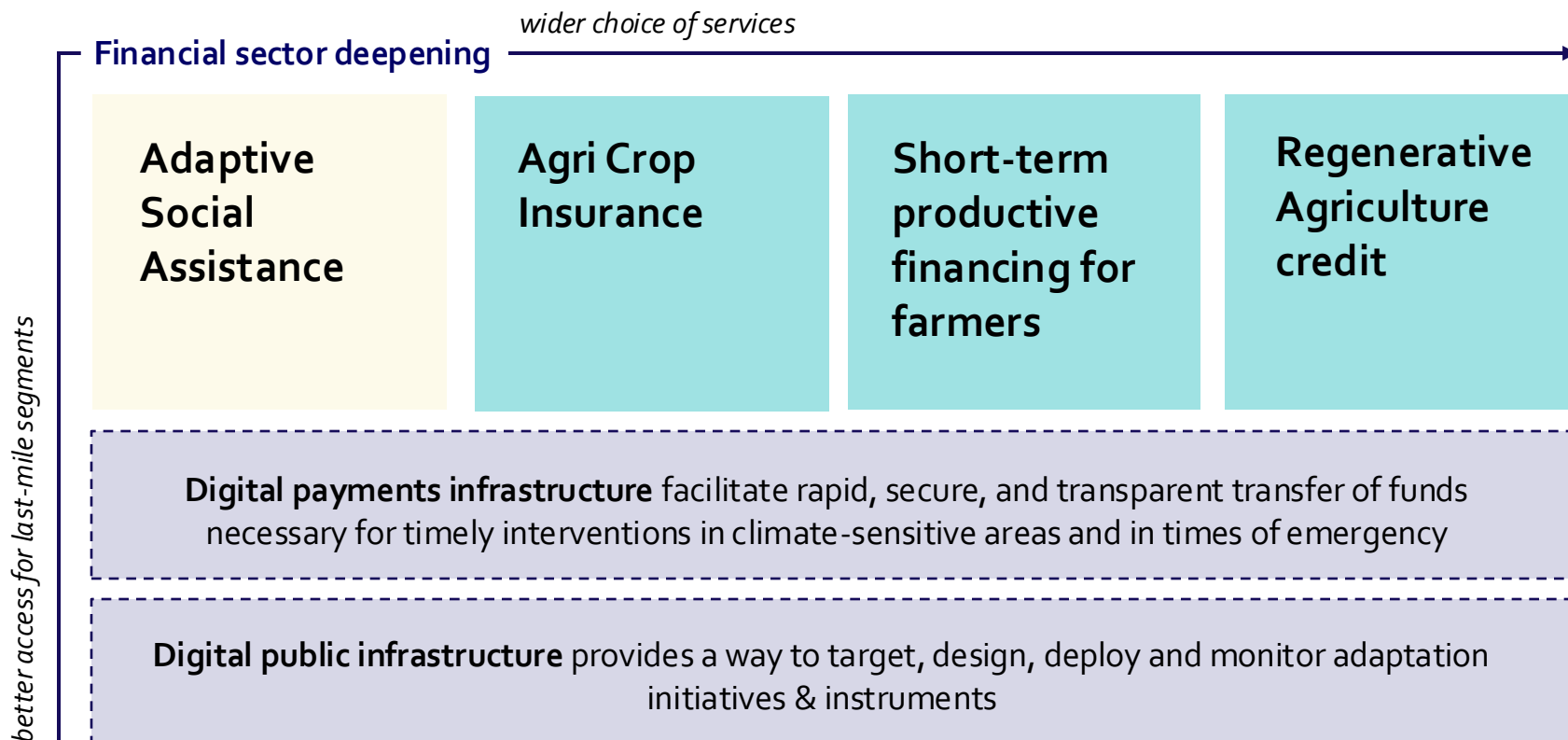
- Reviewed connections among, NAPs, NDCs, and digital payments for six countries (Bangladesh, Colombia, Ghana, Indonesia, Philippines, Rwanda), with focus on 'last mile' issues and barriers to improved access for underserved segments including women, subsistence farmers, indigenous groups, and others
- Identified the ways in which national climate strategies and goals are congruent with developments in digital payments (or broader digital public infrastructure) at the national level
- Identified gains to be had through more robust digital payment infrastructure and support government's ambition to scale up relevant programs.

There is a unique opportunity to **align climate objectives with financial sector goals** and **develop actionable recommendations to strengthen the financial sector's role in climate adaptation and resilience**



# Domestic financial services providers can play a greater role in mobilizing resources for climate adaptation

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It's critical that the financial sector actively and creatively designs services/products to mobilize funds for adaptation strategies, aligning digital financial innovations with environmental goals.

# Potential impact of digital payments integration in NAPs

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## Digital Payments and Climate Change Adaptation, by Sector



Current adaptation planning omits role for digital payments

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