

Green Inclusive Finance: A Framework for Climate Change Response by the Poor and Low Income Vulnerable Populations in Bangladesh

For Bangladesh, the key challenge lies in finding effective strategies to simultaneously tackle poverty and inequality while adapting to the impacts of climate change. Equally important is the strengthening of institutional, financial, and operational linkages between climate actions (adaptation) and poverty or inequality reduction initiatives. The ground reality brings out the fact that GHG-intensive activities mostly serve the needs and comforts of the rich and privileged groups in society; they have the ability to protect themselves from the adverse effects of climate change through enjoying the benefits of protection and adaptation measures. In the highly unequal and poverty-ridden Bangladeshi society, public policies usually leave the poor and disadvantaged sections more exposed and susceptible to climate hazards. The adaptation policies often benefit the advantaged groups more than the poor and hence can be quite pervasive.

The proposed framework identifies three key impact pathways for Bangladesh: (i) resilience, (ii) adaptation, and (iii) transition. Within the present green inclusive finance framework, resilience refers specifically to the role of financial products and services in enabling poor and vulnerable people to prepare for, withstand, and recover from the acute risks associated with climate change. In the framework, adaptation is understood as a set of processes that enable targeted households and communities to adjust their livelihoods in response to actual or anticipated climate-related hazards. Unlike resilience which focuses on coping, adaptation highlights the importance of longer-term financial investments that reduce vulnerability and exposure to climate risks. In extreme events, climate change impacts along with resulting deterioration of ecosystem can drastically change the ability of the poor and disadvantaged people to sustain their current livelihoods. In such contexts, poor and vulnerable populations require transition strategies to reduce risks and ensure survival. Examples may include rising sea levels that destroy coastal settlements and livelihoods, increasing temperatures, shifting weather patterns, and desertification that renders traditional economic activities unsustainable. In these cases, financial products and services are essential to support the shift towards new livelihood strategies.

In a highly climate change responsive country like Bangladesh, the approach to move towards a green inclusive finance regime needs to be supported by five strategic elements:

- Inclusive and poverty/inequality sensitive climate adaptation.
- Climate-sensitive poverty/inequality reduction initiatives.
- Maximum exploitation of cross-cutting and sectoral synergies.
- Desired coherence and coordination within and among relevant institutions.
- Strengthening and supporting local initiatives.

The overall approach to establishing a green inclusive finance regime needs to be grounded in the above five strategic elements. Within this framework, a range of practical programmes and actions can serve as mechanisms to achieve the objectives of each element, tailored to the specific characteristics of each location. These can be implemented across national, regional, local, and community levels: (i) cross-cutting programmes; (ii) synergy-supporting tools; (iii) pathways for implementation; and (iv) operational considerations.

Access to a well-designed portfolio of financial products and services—combined with necessary non-financial interventions and infrastructure investments—can provide substantial benefits. For example, a small farmer may require credit to diversify crops and mitigate low-intensity weather shocks, rely on social safety nets (such as cash-for-work or food support) during moderate events, utilise insurance to cope with higher-intensity shocks, and draw on savings or remittances to maintain consumption when floods or irregular rainfall destroy harvests. Effective functioning of this system also depends on timely access to climate information and adaptive community-level infrastructure.

Additionally, several key actions are critical for Bangladesh to integrate climate change impacts into green inclusive finance effectively, leveraging financial inclusion for positive social and environmental outcomes and supporting inclusive and sustainable development:

1. Increase research on slow-onset climate risks and long-term financial solutions.
2. Mainstream climate resilience and adaptation into the development agenda.
3. Define 'green finance' comprehensively.
4. Develop broad partnerships.
5. Focus on marginalised and vulnerable groups.
6. Integrate climate considerations into financial sector reform.

Nationally, Bangladesh needs to ensure the required coordination and implementation capacity to secure the best utilisation of available financial, technological and human resources, while trying to enhance the availability of these resources by taking effective and appropriate actions focusing on green inclusive finance. For the purpose, several actions may be highlighted.

- Prioritise action programmes/projects considering the severity of the adversities caused by climate related disasters and anticipated robustness of the outcomes/benefits. However, it might be realistic to adjust the adopted priority ordering over regular intervals considering the impacts of natural disasters occurring each year. In terms of geographic locations, climate hotspots such as coastal belts, haors, islands, river banks prone to erosion and major flood-prone areas are likely to always remain in the priority list.
- Ensure full participation of the residents of the intervention areas at all stages of the intervention cycle from identification to implementation. They are the best 'consultants' to guide the design and implementation details to provide the desired outcomes.
- Ascertain proper coordination among authorities/agencies that are involved in designing and implementing respective interventions.
- Secure strict monitoring and evaluation to ensure that programmes/projects are implemented efficiently and timely without leakage of financial and other resources.

Overall, the message is unequivocal: supporting poor and low-income vulnerable populations and addressing climate change cannot be approached in isolation. Both objectives are far more achievable when pursued within an integrated framework, utilising a green inclusive finance approach in Bangladesh. The country has a critical window of opportunity to build resilience and advance adaptation and transition strategies that reduce the impacts of climate change on its most vulnerable populations through inclusive, climate-informed financial and development policies. This is particularly important for high-cost investments that are urgently required to avoid locking the economy into carbon-intensive pathways, such as in urban transport, energy infrastructure, or deforestation prevention.

Accelerating the structural transformation of the rural economy is vital to reduce the exposure of agricultural workers to climate risks. Complementary policy measures include skill development, fostering an enabling environment for sustainable enterprises, public investment in green infrastructure, and enhanced integration into global trade. The international community can support Bangladesh in adapting to climate hazards through financial assistance, technology transfer, and the development of institutional capacity.