GLOBAL
CENTER ON
ADAPTATION

Handbook for Financial Institutions

Climate Adaptation Finance

Module 6

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In collaboration with:

European Bank for Reconstruction and Development

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About the Global Center on Adaptation
The Global Center on Adaptation (GCA) is an international organization that promotes adaptation to the impacts of climate change. It works to accelerate action and support for adaptation solutions by shaping policy reforms and influencing investments made by international financial institutions and the private sector. The goal is to bring climate adaptation to the forefront of the global fight against climate change and ensure that it remains prominent. Founded in 2018, GCA ensures a continuous, two-way exchange of knowledge and best practices that empower communities and drive resilient and inclusive growth worldwide.

About the European Bank for Reconstruction and Development
The European Bank for Reconstruction and Development (EBRD) is a multilateral development bank founded in 1991 with a mandate to foster sustainable, well-functioning market economies. Its governance and mandate enable it to combine finance, policy support and capacity building – powerful tools for unlocking private investment and scaling adaptation finance in the financial sector.

The EBRD works closely with private-sector and public partners to complement its adaptation financing. The Bank has financed climate-resilient infrastructure in its regions, advanced nature-based solutions, and strengthened the management of physical risk across sectors. Through financial institutions, the EBRD channels green finance via hundreds of thousands of sub loans, an intermediation model that the Bank also leverages to expand adaptation lending.

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Module 6

Aligning Ambition and Action

Stakeholder Engagement for Adaptation Finance

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The resulting Handbook reflects a **co-created approach**, shaped by valuable input and feedback from participating institutions. It draws on **real-world case studies, policy tools, financial instruments**, and **modelling techniques** relevant to FIs operating across both emerging and developed markets.

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Acronyms

AAAP	Africa Adaptation Acceleration Program
ACDI	African Climate & Development Initiative
ACRIS	Africa Climate Resilience Investment Summit
AFAC	African Financial Alliance on Climate Change
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AgriFin	Agriculture Finance Support Facility
ARAF	Acumen Resilient Agriculture Fund
CGIAR	Consultative Group on International Agriculture Research
CPI	Climate Policy Initiative
CISL	University of Cambridge Institute for Sustainability Leadership
DFI	Development Finance Institution
EBank	Export Development Bank of Egypt
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social, and Governance
FI	Financial Institution
GCA	Global Center on Adaptation
GCF	Green Climate Fund
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICLEI	Local Governments for Sustainability
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
MDB	Multilateral Development Bank
MoF	Ministry of Finance
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
NGO	Non-Governmental Organization
PRA	Prudential Regulation Authority
SDG	Sustainable Development Goal
SME	Small and Medium-sized Enterprise
TA	Technical Assistance
TADB	Tanzania Agricultural Development Bank
TAP	Technical Assistance Program
TCFD	Task Force on Climate-related Financial Disclosures
UNFCCC	United Nations Framework Convention on Climate Change
UNEP	United Nations Environment Programme

Module Description

Module 6: Aligning Ambition and Action – Stakeholder Engagement and Policy Support for Scalable Climate Finance

Description

This Module focuses on creating the enabling environment needed to scale adaptation finance. It highlights how financial institutions (FIs) can engage with regulators and partners to align incentives, remove barriers, and drive systemic change through collaboration and strategic leadership.

Target group

- Executive Management; Strategy Departments
- Corporate Communications and External Affairs Departments
- Policy makers, regulators, industry bodies, and development partners involved in the enabling environment and stakeholder engagement.

Learning outcomes

Chapter 1: The Role of Financial Institutions in Creating Enabling Environments

- Identify and categorise key external stakeholders relevant to enhancing adaptation finance efforts
- Understand stakeholder types, mandates and financing capacity for effective engagement with climate adaptation finance
- Examine how a robust enabling environment reduces investment barriers and enhances the effectiveness of FIs in mobilising climate adaptation finance

Chapter 2: Engaging with Governments and Regulators

- Explain the value of aligning FI activities with national climate policies
- Demonstrate engagement strategies with governments to co-shape enabling policies
- Analyse how regulatory frameworks impact adaptation finance flows and FI operations

Chapter 3: Engaging with International Development Finance Partners

- Familiarity with Development Finance Institutions' (DFIs) mandates, engagement models, and their role in climate adaptation finance
- Recognition of concessional and blended finance, technical assistance (TA), financial incentives, guarantees, and risk-sharing mechanisms as areas of engagement with DFIs

Chapter 4: Engaging with Capacity-Building Partners

- Identify key stakeholders that provide TA and capacity-building support to FIs
- Demonstrate how to engage effectively with TA and capacity-building partners by aligning with their institutional priorities and areas of expertise

01 The Role of Financial Institutions in Creating Enabling Environments

From an FI perspective, an enabling environment for climate adaptation finance involves the right institutional, policy, regulatory and market conditions to integrate climate resilience into operations and investment strategies. This includes aligning with national priorities, unlocking new markets and products, mobilising blended capital, and integrating climate adaptation into decision-making. An effective environment supports both supply-side and demand-side readiness, ensuring FIs can finance adaptation gaps and protect their portfolios from climate risks and create a sustainable and resilient future.

This chapter addresses the following questions:

- **What does an enabling environment for climate adaptation finance look like?**
- **What factors contribute to a financial system fit for climate adaptation?**
- **Who are the key stakeholdersand and why is engaging diverse stakeholders key to mobilising adaptation finance?**
- **Why is it important to develop a common approach to resilience among stakeholders?**
- **How does an enabling environment reduce investment barriers?**

Target Group: Executive Management; Strategy Departments, Corporate Communications, and External Affairs.

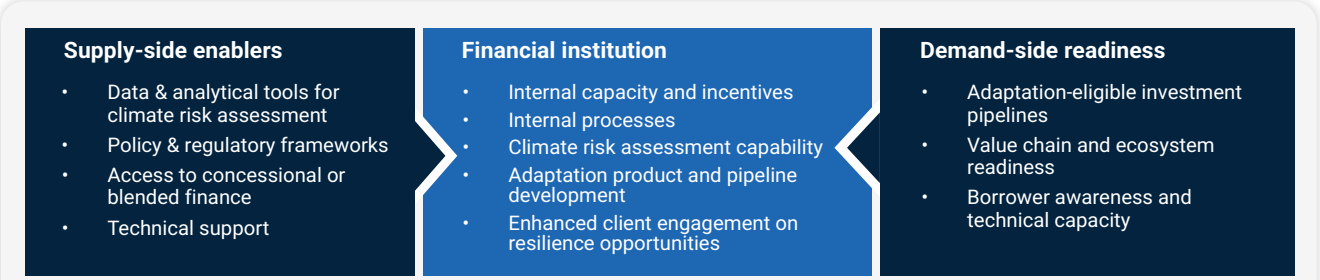
Enabling Environment for Mainstreaming Adaptation Finance

What does an enabling environment for climate adaptation finance look like?

An enabling environment for mainstreaming climate **adaptation** finance is defined by the institutional, policy, regulatory and market conditions that support the integration of climate **resilience** into their core operations. This enables FIs to align investment strategies and risk frameworks with national, sub-national and sectoral climate adaptation goals, safeguarding the long-term viability of asset value and identifying business opportunities.

As outlined in Module 1, strengthening internal institutional, particularly staff knowledge, skills and motivation, remains critical for operationalising adaptation priorities. However, internal readiness must be supported by supply-side enablers, including clear policies and regulations, access to climate data and tools, and financial instruments that guide capital toward adaptation. Demand-side enablers are equally important to strengthen the capacity of local governments, businesses and communities to identify, design and implement bankable adaptation projects, ensuring a viable pipeline for FIs (see **Figure 1**).

Figure 1: The enabling environment for climate adaptation finance: supply, institutional, and demand-side factors



Source: Authors.

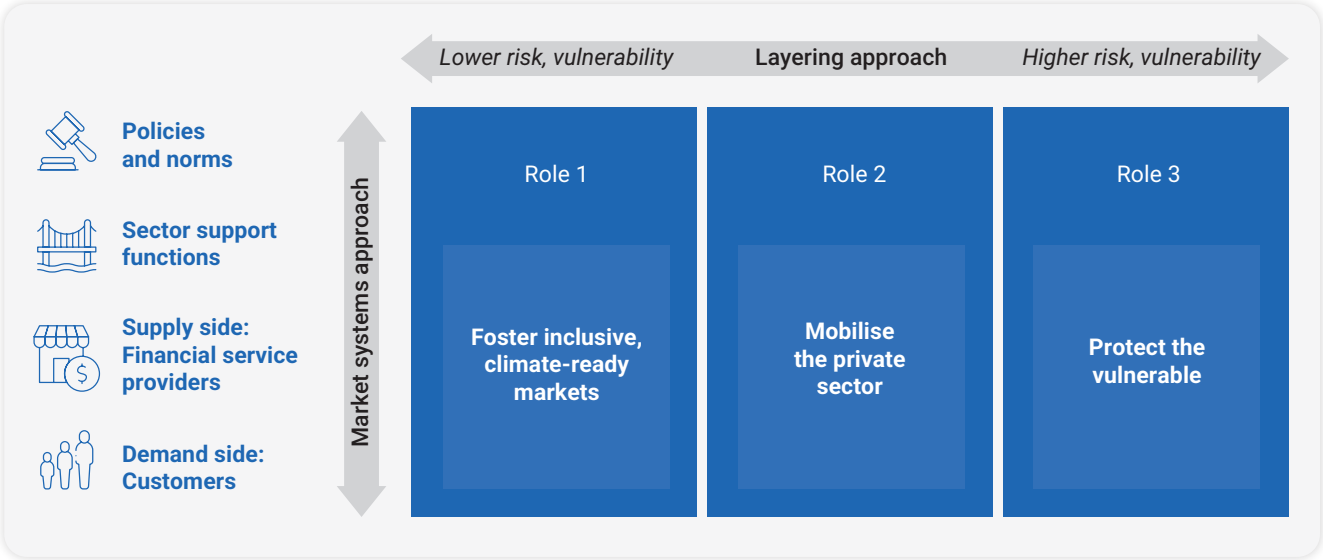
A strong enabling environment allows FIs to:

- Align with national priorities and contribute to national, regional, local and sector-level climate adaptation goals.
- Integrate climate adaptation into decision-making and investment planning, safeguarding portfolios against climate shocks (Modules 1 to 3).
- Unlock new climate-smart financial products and market opportunities
- Mobilise blended capital at scale, working alongside public and concessional sources to close adaptation financing gaps (Modules 4 and 5).

What factors contribute to a financial system fit for climate adaptation?

It requires action across financial sector actors, markets, and public institutions (see Figure 2). Financial sector actors need strengthened capacity to understand and manage climate risks, while innovating products and business models tailored to climate-vulnerable customers. Market building depends on supportive policies, regulations and data infrastructure that enable effective climate finance delivery. Mobilising the private sector involves catalysing investment through risk-sharing, insurance mechanisms and targeted incentives, including **concessional finance** for high-impact adaptation and resilience projects.

Figure 2: Roles for financial sector actors to build an enabling ecosystem for climate-responsive finance



Source: Yazbeck (2025).

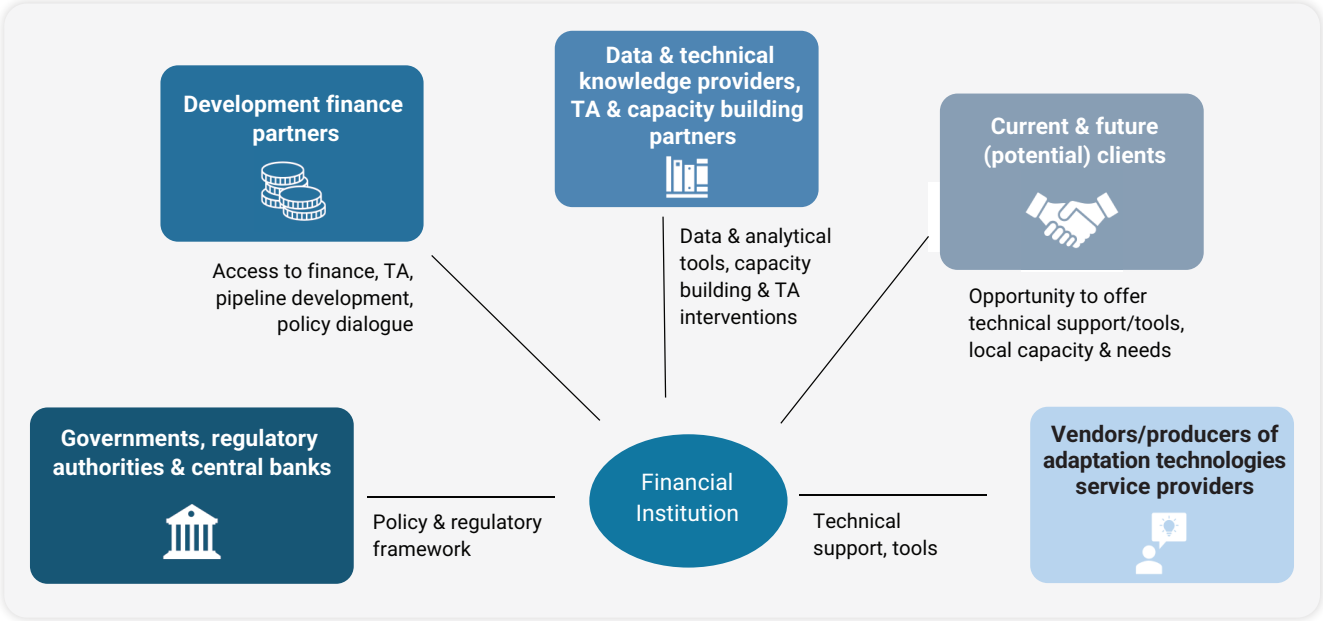
Key Actors in Adaptation Finance Ecosystems

Who are the key stakeholders and why is engaging diverse stakeholders key to mobilising adaptation finance?

Public resources alone cannot close the adaptation finance gap (United Nations Environment Programme [UNEP], 2025), particularly in vulnerable regions, where climate change undermines economic growth, deepens poverty, and amplifies social and environmental impacts. Therefore, FIs must engage a broad range of stakeholders who shape the enabling environment for delivering climate-resilient financial solutions (see **Figure 3).**

- Policy and regulatory stakeholders such as national governments, financial regulators and central banks play a pivotal role by issuing clear policy signals through **National Adaptation Plan (NAP), Nationally Determined Contributions (NDCs)**, and climate finance strategies, as well as by establishing regulatory frameworks that mandate climate risk disclosure and integrate resilience into fiscal and economic planning.
- Project pipeline and financing partners are essential to ensuring capital flows toward viable climate adaptation solutions. This includes partnerships with private sector actors (e.g., venture capital, incubators, asset managers, insurance providers), government institutions, and DFIs, Multilateral Development Banks (MDBs) and climate funds.
- Data and technical knowledge providers (e.g., research institutions and meteorological services), TA and capacity building partners offer localised climate risk data and analytical tools or support building capacity.
- The broader private sector (e.g., agribusinesses, small and medium-sized enterprises [SMEs] and households) also plays a critical role in delivering climate-resilient solutions across supply chains and markets, while also influencing the consumer's preference towards climate-adaptive goods and services. These actors are often the current and potential clients of FIs, and engaging them is essential for tailoring financial products that respond to real adaptation needs and opportunities. They provide essential insights into local climate impacts, context-specific needs and the viability of adaptation solutions.
- Vendors of adaptation technologies and specialised service providers offer concrete solutions that FIs can finance, ranging from cold storage, resilient agricultural inputs and irrigation systems to climate data services and insurance products (see Module 5).

Figure 3: Key stakeholders in the climate adaptation finance ecosystem



Source: Authors.

Mobilising a wider range of actors (e.g., private investors, DFIs, philanthropic organizations and insurers) unlocks new capital, specialised technical expertise and innovative financing models. Such collaborations broaden access to funding sources, improve alignment with national priorities, foster knowledge sharing and trust, and reflect the core of a climate-responsive financial system, where FIs, markets and public institutions jointly channel finance toward effective, bankable adaptation solutions.

Box 1: Ebank stakeholder engagement

Established in 1983, the Export Development Bank of Egypt (EBank) is a state-owned FI dedicated to enhancing Egypt's export capabilities across agriculture, industry, and commerce. The bank's business model emphasises support for SMEs, recognising their pivotal role in Egypt's economy. EBank offers a range of financial products, including corporate lending and syndicated loans, to both exporting and non-exporting industries (FirstBank, 2021).

EBank maintains strong engagement with both internal and external stakeholders to advance sustainable development and promote responsible business practices. Through ongoing dialogue, capacity-building efforts, and collaboration on sustainability-focused initiatives, the EBank aims to create meaningful impact and contribute to lasting solutions to environmental, social and governance (ESG) challenges (see **Figure 4**).

Figure 4: Scope of stakeholder engagement in strategy development at Ebank

Stakeholder Group	Description	Ways We Interact	Related Material Topics
Employees	Our valued team members who drive our success. They represent the bank's human capital and are essential to achieving our strategic objectives and delivering excellent service to our customers.	Meetings, calls, one-on-one sessions, training sessions, emails, annual employee engagement surveys, awareness sessions.	Employee Diversity and Inclusion, Learning and Development, Employee Engagement & Wellbeing, Digitalization, Governance, Transparency and Anti-Corruption.
Shareholders	Our investors and shareholders who provide capital and oversight. They play a crucial role in the bank's governance and strategic direction through their investment and voting rights.	Digital channels such as mobile banking, Online banking, Branches network, Customer Service Centers, Call Centers, Social Media Channels, Complaint Management system, customer satisfaction survey, one to one advisory meetings	Economic Performance, Governance, Transparency and Anti-Corruption, Environmental and Social Risk Management, Sustainable Finance, Digitalization.
Customers and Clients	The individuals, Corporates, exporters and non-exporters we serve through our financial products and services. Their satisfaction and success are fundamental to our business sustainability.	Annual general meetings, Quarterly reviews, Board meetings, Financial reports, Investor relations channels.	Customer Experience, Financial Inclusion, Data Privacy and Cybersecurity, Digitalization, Sustainable Finance.
Communities	The local communities where we operate, including civil society organizations and the broader public with whom we engage through our operations and initiatives.	CSR programs, Community outreach, NGO partnerships, Social media engagement, Environmental and social initiatives.	Community Investments, Environmental Management, Climate and Carbon Footprint, Financial Inclusion.
Suppliers	Our valued partners in the supply chain who provide essential goods and services to support our operations and service delivery	Regular meetings, Performance reviews, Contract management, Digital collaboration platforms, Service level agreements.	Environmental and Social Risk Management, Governance, Transparency and Anti-Corruption, Economic Performance.
Business Partners	Strategic partners who work with us to enhance our service offerings and market reach through complementary capabilities and resources.	Regular business meetings, strategic planning sessions, performance reviews, partnership agreements.	Digitalization, Economic Performance, Environmental and Social Risk Management, Customer Experience.
Government Entities	Regulatory bodies and public authorities that oversee our operations, ensuring compliance with laws and regulations while promoting financial stability.	Compliance reporting, CBE engagement, Policy updates, Regulatory meetings, Audit responses.	Governance, Transparency and Anti-Corruption, Data Privacy and Cybersecurity, Environmental and Social Risk Management, Sustainable Finance.

Source: Ebank (2024).

Why is it important to develop a common approach to resilience among stakeholders?

Developing a common approach begins with understanding stakeholder types, mandates or vision, risk appetite and financial capacity (see **Figure 5**). Each actor plays a different role: governments, climate funds and development banks may be mandated by national climate commitments, while private actors align through corporate targets or sector initiatives.

Risk tolerance and flexibility also vary, shaping how quickly stakeholders can deploy funds, adapt to changing conditions and provide catalytic support. Those with greater flexibility can adapt quickly to changing conditions and fast-track implementation (e.g., through rapid disbursement, technical support or regulatory adjustments).

Figure 5: Key dimensions to understand actors in the climate adaptation finance ecosystem

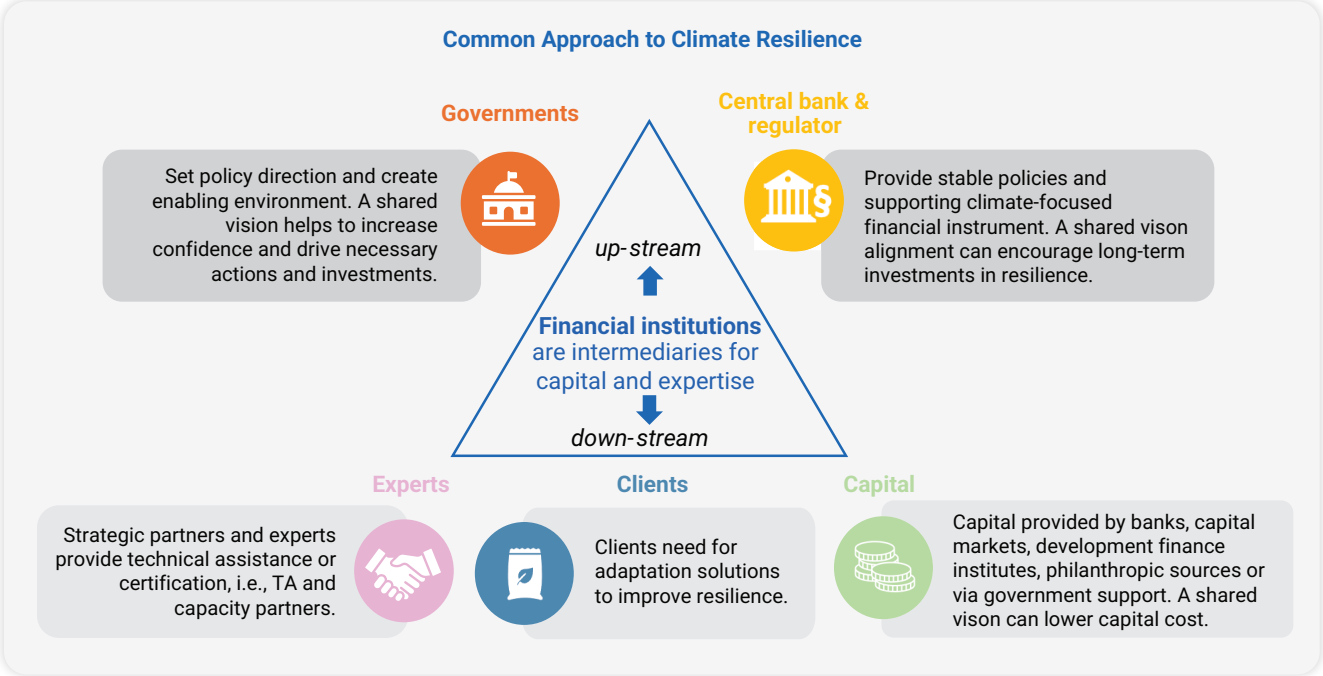
Source: Authors, adapted from Climate Policy Initiative and Global Center of Adaptation (CPI & GCA, 2025).

By recognising these differences, FIs can tailor engagement, avoid mismatches and leverage convening power, technical expertise and fundraising capacity across the ecosystem. The interactive report by CPI & GCA (2025) examines financial innovation for climate adaptation in Africa, mapping actors, the instruments they use, the target sectors, the key barriers to mobilising finance and illustrative case studies. While regionally focused, its classification of actors, based on risk appetite, climate mandates, ability to raise funds and flexibility in deploying capital, is applicable in other global contexts.

A common approach to climate resilience should coordinate the complementary roles of relevant actors, enabling clear policy signals, coherent financing frameworks, and lower costs of capital for climate adaptation investments (see **Figure 6**). This approach should account for differences in risk appetite, fundraising capacity, flexibility in deploying capital and climate-related mandates.

The role of FIs is both strategic and catalytic. They are both capital providers and can use their expertise to shape investment priorities, influence policy alignment and build trust among diverse actors and with clients and partners, thereby enhancing the feasibility, scale-up, and impact of adaptation finance, as discussed in the subsequent chapters.

Figure 6: Common approach to climate resilience



Source: Authors, based on University of Cambridge Institute for Sustainability Leadership (CISL, 2020).

How an Enabling Environment Reduces Investment Barriers

How does an enabling environment reduce investment barriers?

A robust enabling environment reduces investment barriers for climate adaptation finance by addressing the key risks, uncertainties and transaction costs that often deter both private and public investors from engaging in climate adaptation projects (see **Table 1**).

Table 1: Barriers to adaptation finance, enabling responses, and key stakeholders

Barrier Type	Description	Enabling Environment Measures	Relevant Stakeholders
Policy & Regulatory Risk	Unclear or inconsistent climate adaptation policies (e.g., unclear multi-year targets) create uncertainty and risk disorderly transitions, limiting investment appetite.	Clear, stable and supportive adaptation policies and targets (e.g., multi-year targets) and regulations provide confidence and predictability.	National governments, regulatory agencies, central banks, the Ministry of Finance (MoF), and the Ministry of Environment
Information Gaps	Lack of reliable climate and adaptation data makes it difficult to quantify climate risks and assess the costs and benefits of investing in adaptation solutions.	Investment-grade climate data, modelling, analytics, and knowledge-sharing platforms reduce uncertainty.	Research institutions, meteorological agencies, DFIs, and non-governmental organizations (NGOs)
Market Failures	Externalities and undervaluation of adaptation benefits reduce private sector interest.	Incentives (e.g., subsidies, tax breaks) and public-private partnerships internalise adaptation benefits.	Governments, DFIs, and the private sector
Capacity Constraints	Limited technical and institutional capacity hinder project design and evaluation.	Capacity-building initiatives, TA and advisory support improve bankability.	International donors, NGOs, and local governments
High Transaction Costs	Small-scale, fragmented projects raise due diligence and monitoring costs.	Project aggregation mechanisms and standardised financial products streamline processes and lower costs.	Project developers, DFIs, financial intermediaries and climate funds
Lack of Pipeline	Insufficient pipeline of bankable adaptation projects	TA programmes and support in project design, aggregation and development improve investment readiness	Incubators, project developers and TA providers
Perceived Low Returns	Adaptation projects may not generate clear or immediate financial returns.	Blended finance instruments (e.g., guarantees, concessional capital) improve risk-return profiles.	DFIs, investors and philanthropic organizations
Legal and Institutional Weaknesses	Weak enforcement or a lack of land and resource rights deters investment.	Strengthening governance, legal frameworks and land tenure systems creates a secure investment climate.	Local governments, the judiciary, and civil society organizations

Source: Authors.

02 Engaging with Governments and Regulators

Adaptation solutions are key to translating national climate commitments into implementable, real-economy outcomes. Targeted financial solutions for areas, such as climate-resilient infrastructure, water resource management systems, or climate-smart agriculture, enable countries to operationalise national adaptation priorities. For FIs, alignment with these priorities is a matter of policy coherence and a strategic enabler: alignment strengthens institutional credibility, unlocks access to concessional and blended finance, and enhances investor confidence. Operationalising this alignment requires proactive and sustained engagement with governments, regulators and central banks to ensure that financial products, risk frameworks and capital deployment are consistent with national climate strategies.

This chapter addresses the following questions:

- **Why should FIs align adaptation investments with national adaptation policies?**
- **Who are the key governmental stakeholders to engage with?**
- **How can engagement with governments unlock adaptation finance?**
- **Why are regulatory frameworks critically important for climate adaptation finance?**
- **How can engagement with central banks and regulators unlock adaptation finance?**

Target Group: Executive Management; Strategy Departments; Corporate Communications and External Affairs Departments, Policy Makers and Regulators.

Aligning with National Adaptation Climate Policies

Why should FIs align adaptation investments with national adaptation policies?

Climate adaptation solutions (discussed in Module 4) advance national commitments by translating priorities in NDCs, NAPs, and related strategies into implementable actions across climate-vulnerable sectors. Moreover, many climate adaptation interventions generate co-benefits aligned with the **Sustainable Development Goals (SDGs)**, including improving food security (SDG 2), water access (SDG 6), and building sustainable cities (SDG 11; see **Figure 7**).

Figure 7: Sustainable Development Goals linked with different sectors

Source: Thacker et al. (2018).

For FIs, aligning adaptation investments with national policies enhances project credibility, builds investor confidence and can unlock concessional or blended finance from climate funds, DFIs or donor agencies. Embedding solutions within national frameworks also drives systemic, long-term resilience by mainstreaming climate risk considerations across sectors and regions. In doing so, FIs both strengthen resilience and support countries in meeting their climate and sustainable development commitments (Republic of Rwanda, 2022).

Who are the key governmental stakeholders to engage with?

For FIs, engaging with government stakeholders across different levels improves the enabling environment for adaptation finance:

- At the **national level**, central government agencies (e.g., Ministries of Environment, Finance, and Planning) are critical entry points. They shape national adaptation priorities, lead the development of frameworks such as NAPs and NDCs, and influence fiscal and investment policies. MoFs play a pivotal role in integrating climate risks into economic planning, offering FIs an opportunity to co-develop financial instruments or incentives that reduce project risks. Sector-specific ministries (e.g., ministries of agriculture, water, health, transport, and infrastructure) translate national goals into sectoral climate adaptation strategies. Engagement with these ministries enables FIs to ensure that supported investments are technically sound, aligned with sector development plans, and positioned to benefit from the available public support mechanisms.
- **Local governments** are indispensable for implementation, providing insights into vulnerabilities, streamlining permitting or implementation processes, and helping ensure that adaptation finance reaches the most affected communities.

FIs may also coordinate with National Designated Authorities or focal points for climate funds, like the Green Climate Fund (GCF). These bodies facilitate project approvals; help ensure alignment with national climate goals and funding criteria; and often support capacity building and pipeline development. At the international policy level, initiatives like the Coalition of Finance Ministers for Climate Action influence fiscal and policy frameworks that shape the investment landscape (see box below).

Box 2: Coalition of Finance Ministers for Climate Action

The Coalition of Finance Ministers for Climate Action brings together over 80 finance ministries committed to making climate change a core part of economic and fiscal policymaking. It promotes the integration of climate risks into national budgets, investment planning, and financial regulation. While FIs do not directly participate in the Coalition, its work influences the policy landscape that shapes climate adaptation finance by the Coalition of Finance Ministers (2021):

- Integrating climate risks and resilience into fiscal policy and public investment planning
- Advancing carbon pricing, green budgeting, and climate-informed macroeconomic management
- Supporting the implementation of NDCs and adaptation goals through the finance ministry leadership

FIs can track developments and benefit from anticipating trends, as well as engage with the MoF on aligned initiatives, particularly those that support climate adaptation-aligned investment strategies.

How can engagement with governments unlock adaptation finance?

Governments shape the enabling environment by establishing policies, standards, and incentive mechanisms, while FIs contribute capital, risk assessment capabilities, and market insights. Strategic engagement between the public and private actors enables the co-creation of the conditions necessary to mobilise and deploy adaptation finance at scale. Public-private collaboration is essential for driving systemic change in climate-vulnerable sectors such as agriculture, energy, health, real estate, and infrastructure (CISL, 2025). Through such partnerships, policy frameworks and market solutions reinforce one another, reducing investment risks and catalysing capital flows toward high-impact, resilience-enhancing investments (see **Figure 8**).

Figure 8: FI engagement with governments to advance climate adaptation finance

FI Actions	Engagement Objectives
Participate in national consultations on NAPs/NDCs; share investment priorities and sector insights.	Influence national strategies to reflect private finance needs and scalable adaptation solutions.
Collaborate with ministries and donors to co-design guarantees, blended finance tools, or insurance schemes.	Lower risk to attract private capital into underserved adaptation sectors (e.g., water, agriculture).
Provide input on fiscal incentives, tax reforms, or results-based financing linked to resilience outcomes.	Establish financial incentives that improve returns for adaptation projects.
Partner with governments to co-develop project pipelines; offer investment criteria for early-stage screening.	Generate a steady pipeline of bankable, high-impact adaptation projects.
Co-fund or support TA programs; provide training to public agencies on bankability and financing structures.	Strengthen institutional ability to structure and promote investable adaptation projects.
Join national climate finance platforms or multi-stakeholder task forces.	Improve alignment and coordination across public and private sectors on adaptation finance.

Source: Authors.

Box 3: Examples of financial institution engagement with governments

- **The Kenyan government** facilitated multi-stakeholder dialogues to integrate adaptation into national development plans, involving private sector actors, DFIs, and civil society to identify priority adaptation investments and financing needs (Republic of Kenya, 2016).
- **The Sustainable Finance Advisory Committee in Germany** was established to advise the government on developing the country into a leading sustainable finance hub. This committee operates as an independent multi-stakeholder dialogue platform, including members from the real economy, financial sector, civil society, and academia (Sustainable Finance Beirat, 2022). The committee supports the German government in implementing its sustainable finance strategy, which aims to contribute to financial market stability and finance activities necessary to achieve the United Nations' SDGs, the Paris Climate Agreement, and the Montreal Biodiversity Agreement.
- **The Africa Climate Resilience Investment Summit (ACRIS)** is a public-private platform focused on advancing climate resilience investment across Africa, connecting investors, governments, and development partners. The ACRIS hosts dialogues between African governments, the private sector, and FIs to discuss adaptation finance solutions, policy frameworks, and concrete investment opportunities in sectors like agriculture, infrastructure, and water management (Economic Commission for Africa, 2024).
- **ComBank Summit 2025 – Demonstrating FI Engagement:** In June 2025, the Commercial Bank of Ceylon convened the *ForwardTogether* summit, bringing together government ministries, the Central Bank, DFIs, private sector leaders, and civil society to accelerate Sri Lanka's sustainability agenda. The event focused on national priorities such as energy transition, water security, climate-smart agriculture, and equitable access to climate finance, directly linking to the SDGs. By positioning itself as convener, the bank enhanced its credibility in sustainable finance and created a platform for public-private dialogue, regulatory alignment and identification of adaptation finance opportunities. This illustrates how FIs can actively engage stakeholders to strengthen enabling environments and expand pipelines for resilience-building investments (ComBank, 2025).

How Regulatory Frameworks Enable Adaptation Finance

Why are regulatory frameworks critically important for climate adaptation finance?

Adaptation investment challenges can include high upfront costs, uncertain payback profiles, benefits realised through avoided future losses and limited climate risk data. These features make cash flows difficult to assess, elevate perceived risk and constrain capital mobilisation by FIs (see Module 4).

Strong regulatory frameworks are therefore essential, as they establish the rules, standards and incentive structures needed to address these barriers, and embed climate risk and adaptation considerations into financial decision-making. By providing clear eligibility criteria for adaptation investments, improving transparency, and aligning finance with national and international climate goals, regulation enables FIs to integrate climate risks into their operations while safeguarding financial stability (see **Table 2**). By standardising approaches and signalling political and regulatory commitment, adaptation-focused frameworks encourage long-term investment

planning, foster cross-sector collaboration, and protect financial stability in the face of escalating climate risks (Network for Greening the Financial System [NGFS], 2020), in addition to enhancing transparency and aligning regulatory signals and supervisory expectations with national and international climate objectives. Regulation enables FIs to systematically integrate climate risks into their operations while safeguarding financial stability.

Table 2: How regulatory measures enable adaptation finance

Key Regulatory Functions	Description	Sources
Defining adaptation through national taxonomies	Provides clear criteria for what qualifies as adaptation investments, guiding project eligibility	UNEP Finance Initiative (2019)
Integrating climate risks into financial oversight	Enables better risk assessment and management by including physical climate risks in supervision	UNEP Finance Initiative (2019) and NGFS (2020)
Promoting transparency via mandatory disclosure	Improves data quality and investor confidence through consistent climate risk reporting	Task Force on Climate-Related Financial Disclosures (TCFD, 2017)
Supporting innovation with tailored instruments	Facilitates the development of resilience bonds, climate insurance and concessional finance to de-risk projects	World Bank (2021)
Aligning with national and global goals	Ensures investments align with NAPs, NDCs and Paris Agreement commitments	United Nations Framework Convention on Climate Change (UNFCCC, 2022).

Central banks, financial regulators, and MoFs play complementary roles in shaping an enabling financial system for climate adaptation. Within their existing mandates, central banks and supervisors increasingly treat climate-related **physical risks** and **transition risks** as material risks to financial stability (see Module 2), while MoFs shape the fiscal and policy frameworks that support adaptation investment. To enable finance flows aligned with the objectives of the Paris Agreement and the Global Biodiversity Framework, their actions in these areas may include:

- Integrating climate stress testing and climate risk assessment into micro-prudential oversight to better assess the systemic implications of physical and transition risks
- Issuing supervisory guidance to support FIs in incorporating climate adaptation and climate-related risks into their risk management frameworks, including guidance on relevant climate metrics and the use of locally available data sources to inform sound investment decisions (see Module 3).
- Exploring climate-aware prudential approaches, where consistent with existing mandates, such as adjustments to capital requirements or risk weights to better reflect climate-related financial risks and support climate-resilient lending and investment.
- Developing sustainable finance taxonomies and roadmaps that explicitly recognise adaptation-relevant activities (e.g. investments in resilient infrastructure or climate-resilient agriculture), thereby establishing common definitions and eligibility criteria to align financial flows with climate adaptation objectives.

- Implementing climate-related disclosure requirements, requiring FIs to report their exposure to climate risks and disclose adaptation-related activities, with the aim of enhancing transparency, reducing greenwashing, and supporting more informed investment and risk-management decisions.

In addition to these entities, engaging a broader set of stakeholders, including line ministries, subnational governments, civil society, international FIs and global standard-setters, is essential to ensure a comprehensive, inclusive and implementable approach to adaptation finance.

Box 4: Example of an adaptation-related taxonomy

One example of a climate adaptation-focused taxonomy is the South African Green Finance Taxonomy, developed by the National Treasury of South Africa in collaboration with the International Finance Corporation (IFC) and other stakeholders. The taxonomy provides a classification system to define environmentally sustainable economic activities in South Africa, aligned with the country's climate and development goals. It includes explicit guidance on adaptation activities, in line with the European Union Taxonomy and local climate priorities. This helps FIs identify and classify investments that contribute to climate resilience, such as resilient infrastructure development, climate-smart agriculture, water resource management, and ecosystem-based adaptation. It is designed for use by banks, asset managers, insurers, DFIs and regulators to support the scaling up of green and adaptation finance.

STEP 1	Become familiar with the principles of the Taxonomy. To classify an economic activity, users must adhere to the principles outlined in the Taxonomy, ensuring that all three principles are met. **Taxonomy principles:** • Make a substantial contribution to one of six environmental objectives • Do no significant harm (DNSH) to any of the other environmental objectives • Meet minimum social safeguards
STEP 2	Identify the environmental objective(s) that the economic activity aims to support. The economic activity must substantially contribute to at least one of the 6 objectives.
STEP 3	Assess if the economic activity is incorporated in the Taxonomy.
STEP 4	Assess the performance of the economic activity against the associated Technical Screening Criteria (TSC) (as per the environmental objective under consideration). The **Technical Screening Criteria** are a set of "rules and metrics" which determine the performance requirements used to assess if the economic activity meets the criteria for environmental sustainability.
STEP 5	Assess the performance of the economic activity under consideration against the associated Do No Significant Harm (DNSH) criteria. The objective of the **Do No Significant Harm criteria** is to guarantee that an activity, while making a significant contribution to an environmental objective, does not negatively impact any of the other objectives.
STEP 6	Assess the performance of the economic activity under consideration against the Minimum Social Safeguards (MSS). The **Minimum Social Safeguards** ensure that companies engaged in sustainable activities adhere to standards relating to human and labour rights. Issuers disclosing under the Taxonomy must assess their compliance with MSS through policies and governance aligned with certain South African labour laws.
STEP 7	Disclose the results using the guidance in the Taxonomy.

Sources: IFC (2022), ESG-edu (2022), and Greenomy (2022).

How can engagement with central banks and regulators unlock adaptation finance?

Engagement with central banks and regulators can unlock adaptation finance by reducing regulatory and fiduciary uncertainty. Clear supervisory guidance and policy signals help FIs integrate climate adaptation considerations into risk pricing, capital allocation and product design within existing mandates, enabling more informed, consistent action. To ensure legitimacy, alignment and sector-wide adoption, central banks and supervisors must work in tandem with FIs by issuing clear supervisory expectations or frameworks. In turn, by actively participating in consultations and policy dialogues, FIs can help shape a regulatory environment that encourages transparency, aligns climate adaptation finance with market standards, and integrates climate risk into financial stability assessments (see **Figure 9**).

Figure 9: Engaging central banks and regulators to advance climate adaptation finance

FI Actions	Engagement Objectives
Engage in consultations on disclosure regulations; adopt and pilot TCFD-aligned frameworks for adaptation.	Promote consistent, transparent reporting on physical climate risks and adaptation strategies.
Advocate for inclusion of adaptation activities in green finance taxonomies; submit use cases and criteria.	Ensure adaptation is formally recognised and valued within sustainable investment classification.
Share approaches to pricing physical climate risks; support inclusion in stress testing and risk reviews.	Integrate climate risk into financial stability assessments and supervisory expectations.
Propose or participate in green refinancing schemes or concessional credit lines tied to adaptation metrics.	Expand access to liquidity and credit for adaptation-relevant sectors (e.g., SMEs, agriculture).
Partner with regulators and agencies to improve access to climate risk data and develop shared analytics tools.	Strengthen risk modelling capacity across the financial sector to inform resilient investment.

Source: Authors.

Collaborative platforms such as the NGFS illustrate how supervisors are developing shared approaches to climate risk. By aligning with such frameworks, FIs strengthen consistency, credibility and effectiveness in scaling adaptation finance.

Box 5: Network for Greening the Financial System (NGFS)

The NGFS is a global coalition of central banks and supervisors focused on contributing to the development of environment and climate risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy (NGFS, 2020). The NGFS set up the Task Force on Adaptation in 2024, as a follow-up of the Blended Finance Initiative in 2023, which laid the first NGFS works on the topic. The objective of the Adaptation Task Force is to explore the interlinkages and relationships amongst the topics of adaptation finance, insurance protection gaps and the prudential risks that adaptation (or the lack thereof) could pose to the financial sector. Critical areas for further and deeper analysis, including the need for robust metrics, enhanced policies and supervision, and strengthened international collaboration. As stated in its Conceptual Note on Adaptation, the NGFS highlighted critical areas of focus regarding central banks' and supervisors' roles in enabling climate adaptation, including the need for robust metrics, enhanced policies and supervision and strengthened international collaboration.

Box 6: Example of a financial institution regulator collaboration

- The UK insurance sector initially raised alarms about climate risk exposure, prompting then-Bank of England Governor Mark Carney to articulate the issue in his 2015 "Tragedy of the Horizon" speech (Bank of England, 2015), calling for a systemic response to climate-related risks. This momentum led the Bank of England's Prudential Regulation Authority (PRA) to issue a formal supervisory statement on climate-related financial risks in 2019 (Bank of England, 2019), giving FIs the regulatory backing to act. Moreover, **the UK Climate Financial Risk Forum** – a joint initiative by the PRA and Financial Conduct Authority – developed tools, case studies and guidance to support FIs in assessing physical climate risks, designing adaptation strategies, and the role of regulators in facilitating this process. This is a good example of a wider ecosystem acting as it should: Market actors raise issues, regulators respond, and collaborative structures support practical implementation.
- **The Sustainable Insurance Forum** is a global platform for insurance regulators and industry leaders to promote the development of sustainable insurance solutions for climate adaptation. It facilitates policy dialogues on adaptation, risk mitigation, and financial products for climate resilience.
- Germany has developed a **Sustainable Finance Cluster** as part of its broader efforts to align the financial sector with climate goals, including adaptation. This initiative fosters close collaboration between FIs, regulators, and policymakers, aiming to integrate ESG considerations, particularly climate resilience, into investment and financial decision-making. Key features of this collaboration include regulatory alignment with climate goals, development of practical tools and guidance for FIs, and enabling partnerships and knowledge sharing**.**

03

International Development Finance Partners

DFIs play a pivotal role in mobilising adaptation finance. They help unlock private sector investment by providing concessional and blended finance, guarantees, and risk-sharing instruments that improve the financial viability of adaptation projects. They also offer critical TA and support for project preparation to ensure adaptation initiatives are bankable and aligned with broader resilience goals.

This chapter addresses the following questions:

- **Why are DFIs important for scaling adaptation finance?**
- **What are the benefits for FIs of engaging with DFIs, and who are the main partners?**
- **How do FIs engage with DFI partners?**

Target Group: Executive Management; Strategy, Corporate Communications and External Affairs Departments, Development Partners

Why are international DFIs important for scaling adaptation finance?

International DFIs play a central role in scaling climate adaptation finance. More than 90% of climate adaptation finance in emerging markets and developing economies (excluding least developed countries) was provided by public entities, with multilateral DFIs providing 58%, bilateral DFIs contributing 23%, and governments accounting for 14% (CPI, 2024). DFIs provide concessional finance, **blended finance**, guarantees, and risk-sharing mechanisms that reduce investment risk, while also offering TA to mobilise private capital. For example, the EBRD actively supports climate adaptation initiatives by integrating resilience into its investment strategies and providing TA to enhance climate risk management. The EBRD's commitment is demonstrated, for instance, through its Climate Adaptation Action Plan (EBRD, 2025c), its Paris Alignment Methodology (EBRD, 2025b) and its Green Economy Transition approach (EBRD, 2025a). By addressing challenges in financing climate adaptation outlined in Module 4, DFIs help to create an enabling environment for climate adaptation investments (see Module 5 "What if a climate-smart product cannot be offered on fully commercial terms?"). In addition, DFIs support TA, for instance, in project preparation to develop bankable climate adaptation projects that can attract private capital (see the next chapter) and support policy development.

What are the benefits for FIs of engaging with DFIs, and who are the main partners?

Collaboration between FIs and DFIs helps overcome barriers such as high upfront costs, uncertainty around climate risks, and inadequate project pipelines, barriers which often deter private investment (Organisation for Economic Co-operation and Development, 2023; World Bank, 2020). Through partnerships, FIs gain access to larger capital pools, more favourable financing terms, and risk-sharing opportunities for climate adaptation projects, particularly in developing countries (African Development Bank [AfDB], 2012). Engagement also strengthens institutional capacity building and supports the mainstreaming of climate adaptation within FIs (see Module 1 on the importance of building institutional capacities). Importantly, because DFIs operate under strong adaptation finance mandates and targets, FIs that align their projects with these priorities are better positioned to secure financing and technical support.

Key DFI partners are:

- **MDBs:** FIs should collaborate early in project development and strategy formulation. The ten MDBs that form the MDB Working Group include AfDB, Asian Development Bank, Asian Infrastructure Investment Bank, Council of Europe Development Bank, EBRD, European Investment Bank, Inter-American Development Bank Group, Islamic Development Bank, New Development Bank and World Bank Group. These banks offer blended finance solutions, policy advisory, and TA that help design robust, bankable adaptation projects aligned with national priorities(EBRD, 2024; European Investment Bank, 2024). Engaging MDBs at this stage ensures access to expert support and enhances project credibility. The MDB Working Group on Climate Adaptation aims to harmonise adaptation finance tracking methodologies, improve the quality and scale of climate adaptation finance, and enhance collective impact through shared learning and coordination (MDBs, 2024).
- **DFIs:** When structuring financing or seeking risk mitigation instruments, FIs can benefit from partnering with DFIs such as the Kreditanstalt für Wiederaufbau or Proparco (the private arm of the French Development Agency). They provide concessional finance, guarantees and other tools to lower investment risk and attract private capital. Collaborating during these stages improves financial viability and opens

opportunities for co-investment. Many DFIs also collaborate through the DFI Adaptation and Resilience Investors Collaborative, a working group established to scale up adaptation investments, share best practices, and coordinate efforts to maintain climate resilience in private sector finance (CPI, 2022). Through the International Development Finance Club, DFIs work together to implement the SDGs and the Paris Climate Agreement agendas.

- **Climate Funds:** FIs should engage climate funds like the GCF, Global Environment Facility, and Adaptation Fund when projects require concessional grants or subsidies, especially in vulnerable sectors and regions (GCF, 2024). These funds are pivotal during early project preparation and financing gaps, providing catalytic resources that complement private sector investments.

How do FIs engage with DFI partners?

To scale climate adaptation finance, FIs need to engage international DFIs strategically and proactively. Many DFIs and MDBs operate through regional offices or have designated contact points. Building direct relationships with these teams early enables FIs to tap into partnerships to co-develop bankable projects and align with the investment criteria of each partner. **Figure 10** outlines the key areas where FIs can engage with development finance partners to scale up climate adaptation finance. Each engagement area represents a potential entry point for engagement.

Figure 10: Engaging international development finance partners to mobilise adaptation finance

FI Actions	Engagement Objectives
Participate in co-financing arrangements with DFIs, MDBs, and climate funds.	Leverage concessional finance to de-risk investments and scale adaptation projects.
Partner with DFIs and MDBs to access guarantees, insurance, and credit enhancements.	Share financial risk and unlock capital for high-risk adaptation sectors.
Collaborate with MDBs and climate funds to provide TA for project preparation.	Improve the bankability of adaptation projects and build institutional capacity.
Engage in policy forums and dialogues to shape adaptation finance frameworks.	Influence national and international policy frameworks to better integrate adaptation finance.
Work with DFIs and MDBs to identify and develop adaptation projects in priority regions.	Ensure a steady pipeline of investable adaptation projects, particularly in vulnerable regions like Africa.

Source: Authors.

Box 7: Acumen Resilient Agriculture Fund – Green Climate Fund (FP 078)

The Acumen Resilient Agriculture Fund (Acumen, 2021) is a pioneering blended finance initiative launched by Acumen with anchor investment from the GCF (2018). It is the first global equity fund dedicated to enhancing the climate resilience of smallholder farmers in Sub-Saharan Africa. ARAF invests in early-stage agribusinesses that deliver innovative, climate-smart products and services, such as drought-tolerant seeds, solar irrigation, climate data tools, and inclusive financial services like weather-indexed insurance. By leveraging concessional capital from GCF to de-risk investments, the fund attracts additional private capital to support scalable and sustainable adaptation solutions. Focused on countries like Kenya, Uganda, Ghana, and Nigeria, ARAF aims to improve the livelihoods and adaptive capacity of over 10 million smallholder farmers, driving systemic change in agricultural value chains and fostering climate-resilient rural economies.

Area of Engagement	FI Actions to Engage	Goal of Engagement
Co-financing and Blended Finance	• Identify complementary finance mechanisms (e.g., concessional debt, equity) • Partner with Acumen/GCF to leverage catalytic capital for adaptation investments. • Mobilise commercial capital for scalable adaptation solutions.	De-risk private investments and increase total available financing for high-impact adaptation solutions.
Risk Mitigation Instruments	• Utilise guarantees, first-loss tranches, or insurance mechanisms offered by Acumen/GCF • Integrate climate risk tools into underwriting. • Work with development partners to design tailored risk-sharing mechanisms.	Reduce perceived or real financial risks of adaptation investments and incentivise entry into underserved markets.
TA and Capacity Building	• Leverage GCF/Acumen TA facilities for internal staff training and client awareness. • Support investees/clients in financial literacy, business planning, and climate-smart practices. • Integrate climate risk into credit assessment.	Strengthen institutional and client capabilities to mainstream climate adaptation into business operations.
Policy Advocacy & Dialogue	• Participate in public-private dialogues facilitated by Acumen or GCF. • Engage local regulators on enabling policy for adaptation finance (e.g., climate disclosures, tax incentives). • Share lessons and insights from portfolio experience.	Support the development of enabling environments for adaptation finance and increase the FI voice in policy forums.
Pipeline Development	• Collaborate with Acumen on sourcing and co-evaluating investible adaptation projects • Use Acumen's impact lens to screen viable early-stage or undercapitalised adaptation businesses. • Develop tailored products (e.g., agriculture loans with resilience indicators).	Create a strong pipeline of bankable adaptation projects and align with strategic priorities in underserved sectors.

Source: GCF (2028), Acumen (2021)

04

Engaging with Capacity Building Partners

TA and capacity building are key to creating an environment that attracts and scales adaptation finance. FIs can face barriers such as limited capacity to structure and monitor bankable adaptation projects or inadequate access to data for assessing climate risks and measuring project effectiveness. TA and capacity building help overcome these challenges, improving the quality and bankability of projects, reducing risks and aligning national climate priorities. This engagement supports FIs to successfully scale up in adaptation finance.

This chapter addresses the following questions:

- **Why are TA and capacity building important in developing an enabling environment for adaptation finance for FIs?**
- **Who are the key stakeholders to engage in TA and capacity building?**
- **What are the key TA and capacity-building interventions to consider?**
- **How should FIs engage with TA and capacity-building partners?**

Target Group: Executive Management; Strategy Departments: Corporate Communications and External Affairs Departments; Capacity Building and Development Partners; Industry Bodies

Why are TA and capacity building important in developing an enabling environment for adaptation finance for FIs?

TA and capacity building help create an enabling environment that can attract, deploy, and scale adaptation finance. As highlighted in Module 1, many FIs, can face barriers that hinder their ability to engage effectively in climate adaptation finance, including:

- Limited institutional capacity to originate, structure and monitor bankable adaptation projects, particularly in sectors with complex climate risks.
- Insufficient access to reliable data, tools and methodologies for assessing physical climate risks and designing evidence-based investments or metrics to measure climate resilience outcomes.
- Absence of (clear) climate adaptation targets or strategies within FIs, restricting strategic alignment, pipeline development, and integration of climate adaptation considerations into investment processes.
- Lack of in-house technical expertise to keep investment pace with evolving climate policies, taxonomies, and regulatory frameworks.

TA and capacity-building support may be embedded within specific projects (e.g., feasibility studies, risk assessments, pipeline development) or through broader institutional programmes (e.g., strengthening climate risk management systems, developing adaptation strategies, and building data and analytics capabilities). Strengthening institutional, technical and human capacities help improve the quality and bankability of climate adaptation projects, reduce project and portfolio risk, and ensure alignment with national climate priorities.

Who are the key stakeholders to engage in TA and capacity building?

A wide range of actors provide TA and capacity-building support for FIs. In practice, one institution can take on several of these roles depending on its mandate and expertise:

- **TA providers and think tanks:** Organizations such as GCA, NDC Partnership, and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) offer sector-specific methodologies, climate finance diagnostics, and implementation support, all of which are essential for supporting institutional governance, developing climate-aligned financial products and pipeline of adaptation investments. In addition, DFIs (see Chapter 3) also offer TA programmes, climate risk assessment tools, and co-financing for institutional development.
- **NGOs:** Groups like the World Wildlife Fund (WWF), Local Governments for Sustainability (ICLEI), Latin American Network of Environmental Funds, and India's Development Alternatives often lead adaptation efforts and can offer deep local knowledge, social impact insights, and vulnerability data that are invaluable for designing inclusive and context-specific climate adaptation investments. Their involvement ensures that adaptation investments are inclusive and context-specific, while helping FIs build trust with communities on the ground.
- **Academic and research institutions:** Universities and research institutes, like the International Institute for Environment and Development (IIED), Centre for International Research on Care

Labor and Equalities in the UK, the Centre for Climate Change Studies in the Caribbean, the Asian Institute of Technology in Thailand, and the University of Cape Town's African Climate & Development Initiative (ACDI), provide data, tools and climate models that enhance FIs' ability to assess physical climate risks and adaptation needs. They support the development of science-based metrics for tracking climate adaptation outcomes. Their research supports FIs in evidence-based investment decisions.

- **Industry associations and training networks:** Initiatives like the UNEP Finance Initiative, the Alliance for Financial Inclusion (AFI) and the Global Ethical Finance Initiative support FIs through peer-learning platforms, guidelines, and training programmes. These networks offer practical guidance on climate risk disclosure (e.g., TCFD implementation), sustainable finance standards, and integrating sustainability considerations into investment decision-making.
- **Sector-specific finance initiatives**, such as the Agriculture Finance Support Facility (AgriFin) and Sustainable Infrastructure Foundation, offer targeted assistance for climate adaptation-relevant sectors. These initiatives help FIs address sector-specific challenges and develop resilient financial products tailored to high-impact areas like water, agriculture, and infrastructure.

What are the key TA and capacity-building interventions to consider?

Targeted TA and capacity-building interventions should focus on strengthening institutional readiness, as outlined in Module 1. **Table 3** provides an overview of key TA and capacity-building areas that FIs should consider when building a robust adaptation finance approach.

Table 3: TA and capacity-building interventions to strengthen FI readiness for adaptation finance

Intervention Area	FI Role	Example TA/Capacity Building Partners
Climate risk diagnostics and integration	Use climate data and tools to assess physical risk exposure and integrate findings into risk management.	GCA, GIZ, C40 Cities Finance Facility, African Risk Capacity, ACDI and ClimateADAPT
Development of climate-aligned financial products	Collaborate in the design of lending instruments and insurance products that address local adaptation needs.	MDBs, GCA, IIED, AgriFin, Sustainable Infrastructure Foundation
Pipeline development and project bankability	Co-develop investment-ready adaptation projects, with support for structuring and risk mitigation.	MDBs, GCF Readiness Program, NDC Partnership, Proparco, GCA
Climate policy and regulatory alignment	Align internal strategy with national climate plans (NAPs, NDCs) and emerging taxonomies and disclosure rules.	UNEP Finance Initiative, AFI, Africa Adaptation Finance Accelerator (AFAC), Organisation for Economic Co-operation and Development, NGFS
Institutional strategy and governance support	Integrate adaptation into core strategy, policies, and governance processes.	MDBs, DFIs, GCF, GCA, Green Bank Network
Training and peer exchange	Build internal awareness and technical knowledge through staff training and peer learning.	UNEP Finance Initiative, AFI, Frankfurt School, ICLEI Africa, Local Climate Adaptive Living Facility
Data and impact measurement	Improve systems for tracking adaptation finance flows and outcomes.	CPI, IIED, Adaptation Fund

How should FIs engage with TA and capacity-building partners?

FIs should adopt a structured approach that matches institutional needs with partner expertise. This engagement should combine relationship-building, participation in networks, targeted collaboration and sustained internal capacity development, as illustrated in **Figure 11. Figure 12** summarises the goal of engagement.

Figure 11: A structured approach to engaging TA and capacity-building partners

Sources: Authors.

Figure 12: Engagement with TA and capacity building partners

Type of Partner	FI Actions	Engagement Objectives
TA Facilities & Think Tanks	Engage TA facilities to support project preparation and access advisory expertise	Improve project design and bankability; integrate climate risk into investment decisions.
NGOs/Civil Society	Partner on community-level adaptation projects; co-develop implementation models.	Ensure locally relevant and inclusive adaptation solutions; build trust and impact.
Academia/ Research Institutions	Collaborate on climate risk analytics, impact measurement tools, or knowledge co-generation.	Strengthen data-driven decision-making and improve reporting on adaptation outcomes.
Industry Associations/ Networks	Join training cohorts, working groups, and peer learning networks.	Build institutional capacity and align with international standards (e.g. TCFD, ISSB).
Sector-Focused Platforms	Engage in sector dialogues and pipeline development programmes.	Access specialised project support and identify investment-ready opportunities.

Sources: Authors.

Box 8: Examples of technical assistance programmes, tools, studies, and frameworks by different partners

- The GCA (2023) plays a pivotal role in delivering TA for climate adaptation across Africa through its Technical Assistance Program (TAP), a core component of the Africa Adaptation Acceleration Program (AAAP). TAP focuses on enhancing the capacity of African institutions to access and effectively utilise adaptation finance, thereby accelerating the implementation of climate-resilient projects (GCA, 2024).
- Under AAAP, GCA supports the AFAC initiative through the Africa Climate Change Fund. AFAC was established in 2018 as a platform to engage a network of African FIs whose mission is to mobilise and direct private capital flows towards continent-wide low-carbon and climate-resilient development. A notable example of the AFAC initiative is GCA's support to the Tanzania Agricultural Development Bank (TADB) to mainstream climate resilience across its lending portfolio. This support is in collaboration with AfDB under TADB Phase II project. AfDB and GCA work closely with TADB to assess climate-related portfolio risks, integrate climate considerations into institutional processes and investment decisions, thereby aligning financial performance with climate resilience (GCA, 2025).
- Through its CCAFS – Climate Change, Agriculture and Food Security, the Consultative Group on International Agriculture Research (CGIAR) has supported the co-development of practical, science-based tools that inform decision-making in climate-vulnerable agricultural systems, often in collaboration with African research institutes, governments, and FIs. For example, the Climate-Smart Agriculture Profiles, created in partnership with national governments and the World Bank, assess the suitability and investment readiness of climate-smart agriculture practices, and have been used in countries like Kenya, Zambia, and Ethiopia. CGIAR has also produced Climate Risk Profiles that inform public policy and private finance by detailing vulnerability and exposure at sub-national levels. Additionally, the EX-ACT tool – initially developed by the Food and Agriculture Organisation with input from the CGIAR – estimates the carbon balance of agricultural interventions. Integrated models like AgMIP and IMPACT (from the International Food Policy Research Institute, a CGIAR centre) simulate long-term climate impacts on food systems and are used to support investment and policy strategies at the continental scale
- Since 2018, UNEP Finance Initiative (2022a) has been exploring how the finance sector can build resilience to physical climate change impacts while supporting climate adaptation across society and the economy. This involves addressing physical risk assessment and disclosure through their Climate Risk Program, which helps banks, investors, and insurers assess, measure, disclose, and manage physical climate risks. They have published several key resources, including "Physically Fit?" (UNEP Finance Initiative, 2022b) and "The Climate Risk Landscape 2023" (UNEP Finance Initiative, 2023). To scale finance for adaptation, UNEP Finance Initiative collaborates with governments, businesses, and civil society to develop innovative policy and financing approaches. Additionally, UNEP Finance Initiative has developed the Climate Adaptation Target Setting guidance for banks.

05 Additional Resources

Further sources on adaptation and resilience impact measurement to align with the ambitions

Reports

- Adaptation & Resilience Impact: A measurement framework for investors - UNEP Finance Initiative (2025).This report provides a robust framework for measuring the impact of investments on climate adaptation and resilience. Designed for development finance institutions, multilateral development banks, and impact investors, the report demonstrates how the metrics framework can be embedded in the investment cycle and outlines a set of impact metrics examples that can be used for individual investments or aggregated across portfolios.
- Adaptation and Resilience Impact Measurement Toolkit: A practical framework for financial institutions - UNEP Finance Initiative (2026). This UNEP Finance Initiative toolkit equips sustainability, investment, and risk teams with a credible framework for assessing, tracking, and reporting adaptation and resilience impact across financing activities. It is particularly relevant for bank practitioners seeking to build business cases for adaptation finance, demonstrate pre- and post-investment impact to stakeholders, and navigate climate risk disclosure requirements and sustainable finance taxonomies.

06

Glossary

Adaptation: In human systems, the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects (IPCC, 2023).

Blended finance involves the strategic use of development finance and philanthropic funds to mobilise private capital. It typically combines concessional funds (from DFIs, for example) with private sector investments to make climate adaptation projects more viable, thus reducing risks for private investors while also ensuring that public funds are leveraged effectively (Authors).

Concessional finance refers to loans or grants offered on more favourable terms than market conditions, often at lower interest rates or with longer repayment periods. This helps reduce the financial burden on adaptation projects, especially in low-income countries, by making the cost of capital more affordable and accessible (Authors).

National Adaptation Plan (NAP) outlines how countries will adapt to climate change in the medium- and long-term (Authors).

Nationally Determined Contributions (NDCs): A term used under the UNFCCC whereby a country that has joined the Paris Agreement outlines its plans for reducing its emissions. Some countries'

NDCs also address how they will adapt to climate change impacts, and what support they need from, or will provide to, other countries to adopt low-carbon pathways and to build climate resilience. According to Article 4, paragraph 2 of the Paris Agreement, each Party shall prepare, communicate and maintain successive NDCs that it intends to achieve. In the lead up to the 21st Conference of the Parties in Paris in 2015, countries submitted Intended Nationally Determined Contributions. As countries join the Paris Agreement, unless they decide otherwise, this intended nationally determined contribution becomes their first NDC (Authors).

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes impacting organizations' premises, operations, supply chain, transport needs, and employee safety (TCFD, 2017).

Resilience: The capacity of interconnected social, economic and ecological systems to cope with a hazardous event, trend or disturbance, responding or reorganising in ways that maintain their essential function, identity and structure. Resilience is a positive attribute when it maintains capacity for adaptation, learning and/or transformation (IPCC, 2023).

Transition risks are related to extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements for accelerating the transition towards a lower-carbon economy. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations (TCFD, 2017).

Sustainable Development Goals (SDGs): The 17 global goals for development for all countries established by the United Nations through a participatory process and elaborated in the 2030 Agenda for Sustainable Development. The goals include ending poverty and hunger; ensuring health and well-being, education, gender equality, clean water and energy, and decent work; building and ensuring resilient and sustainable infrastructure, cities and consumption; reducing inequalities; protecting land and water ecosystems; promoting peace, justice and partnerships; and taking urgent action on climate change (Authors).

07

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08 Practice Questions

The following set of 15 single-response, multiple-choice questions is designed to test understanding of key concepts covered in **Module 6: Aligning Ambition and Action**. The questions are intentionally challenging and go beyond simple recall, requiring application, analysis, and comparison of concepts. The questions cover the following chapters of Module 6:

- **Chapter 1: The Role of Financial Institutions in Creating Enabling Environments**
- **Chapter 2: Engaging with Governments and Regulators**
- **Chapter 3: International Development Finance Partners**
- **Chapter 4: Engaging with capacity building Partners**

Each question has **four answer options**, with only **one correct solution**, followed by an explanation clarifying the reasoning and key learning point.

1 Which of the following best describes a key characteristic of an enabling environment that allows FIs to effectively mainstream climate adaptation finance?

A. The presence of high-yield investment opportunities in fossil fuel infrastructure.
B. Institutional readiness is supported by supply-side and demand-side enablers that align with national adaptation goals.
C. Exclusive reliance on international climate funds for financing adaptation projects.
D. A strong internal focus on profit maximisation without external policy alignment.

2 Which of the following actions is most essential for building an adaptation-responsive financial system across financial sector actors, markets and public institutions?

A. Prioritising short-term profit maximisation through conventional lending practices.
B. Strengthening capacity to manage climate risks, supported by policies, data infrastructure, and public sector contingency financing.
C. Reducing regulatory oversight to encourage rapid financial innovation.
D. Limiting private sector involvement to avoid risk-sharing in climate adaptation projects.

3 Which stakeholder group plays a key role in shaping the policy and regulatory environment for climate-resilient financial solutions?

A. Ministries of Finance and Environment and financial regulators.
B. Agribusinesses and SMEs.
C. Meteorological services and research institutions.
D. Technology vendors and insurance providers.

4 How does a robust enabling environment help reduce investment barriers in climate adaptation finance?

A. By centralising all adaptation funding under one government agency.
B. By offering short-term returns through fossil fuel subsidies.
C. By eliminating the need for climate risk assessments.
D. By addressing risks, data gaps and transaction costs that deter investors.

5 Why is it important for FIs to align climate adaptation investments with national adaptation policies?

A. It allows FIs to bypass regulatory requirements.
B. It guarantees immediate financial returns for all adaptation projects.
C. It limits FIs to investing only in government-led projects.
D. It enhances credibility, unlocks concessional finance, and supports national climate and SDG goals.

6 Which group of stakeholders plays a central role in shaping a climate-resilient financial system through climate stress testing, regulatory frameworks and disclosure requirements?

A. Civil society organizations and local communities.

B. Central banks, financial regulators and Ministries of Finance.

C. International donors and philanthropic foundations.

D. Technology vendors and adaptation service providers.

7 Why is engagement with central banks and financial regulators critical for FIs to scale adaptation finance?

A. It allows FIs to bypass fiduciary responsibilities.

B. It guarantees access to unlimited public funding.

C. It ensures regulatory legitimacy and alignment for climate-related financial actions.

D. It removes the need for climate risk disclosure.

8 Why are international DFIs critical for scaling climate adaptation finance?

A. They replace the need for national governments in climate finance planning.

B. They regulate FIs and enforce climate disclosure rules.

C. They focus exclusively on funding fossil fuel projects in developing countries.

D. They provide concessional finance, risk-sharing tools and TA to mobilise private capital.

9 Why should FIs engage with DFIs to support climate adaptation finance?

A. DFIs offer concessional finance, risk-sharing and technical support to overcome investment barriers.

B. DFIs guarantee profit for all adaptation investments.

C. DFIs eliminate the need for internal capacity building.

D. DFIs replace the role of FIs in financing adaptation projects.

10 Which of the following is a key reason FIs should engage with MDBs during early project development?

A. MDBs offer retail banking services for climate adaptation.

B. MDBs provide blended finance, TA and policy support to design bankable adaptation projects.

C. MDBs replace national governments in implementing adaptation strategies.

D. MDBs focus only on mitigation and do not support adaptation finance.

11 What is a key strategy for FIs to effectively engage with DFIs and scale climate adaptation finance?

A. Building early relationships with DFI regional teams to co-develop bankable projects.

B. Waiting until project completion to approach DFIs.

C. Relying solely on internal financing and avoiding external partnerships.

D. Engaging DFIs only for regulatory approvals.

12 Why are TA and capacity building critical for FIs in scaling adaptation finance?

A. They eliminate the need for climate risk assessments.

B. They replace the role of regulators in climate finance.

C. They strengthen institutional capacity, improve project bankability, and align investments with climate priorities.

D. They ensure all projects receive automatic funding.

13 Which type of stakeholder is most likely to support inclusive, community-based adaptation efforts?

A. Academic institutions.

B. Central Banks.

C. Industry associations.

D. NGOs

14 Which stakeholder group is best positioned to support FIs in developing science-based metrics for tracking climate adaptation outcomes?

A. Academic and research institutions with climate modelling expertise.

B. Sector-specific finance initiatives like AgriFin and Sustainable Infrastructure Foundation.

C. NGOs focused on community-based adaptation.

D. Industry associations offering peer-learning platforms.

15 Which intervention best supports FIs in integrating physical climate risk into their investment decision-making?

A. Staff peer exchange programmes.

B. Development of ESG marketing campaigns.

C. Climate risk diagnostics and integration using data and modelling tools.

D. Legal advisory services for contract negotiation.

09

Question Solutions

1

Correct: B

Explanation: An enabling environment for FIs involves both internal institutional readiness (e.g., staff skills, motivation) and external enablers:

- Supply-side enablers: policies, regulations, climate data/tools and financial instruments.
- Demand-side enablers: capacity of local actors to design and implement bankable adaptation projects.

This dual support structure allows FIs to align with national and sectoral adaptation goals, safeguard asset value and unlock new markets.

2

Correct: B

Explanation: An adaptation-responsive system needs coordinated efforts: Financial actors must manage climate risks, markets need supportive policies, and public institutions must provide contingency financing.

3

Correct: A

Explanation: Ministries and regulators issue policy signals (e.g., NAPs, NDCs) and frameworks that guide climate risk disclosure and resilience planning.

4

Correct: D

Explanation: A strong enabling environment reduces uncertainty, improves data access, lowers costs and supports capacity, making adaptation investments more attractive.

5

Correct: D

Explanation: Aligning with national policies builds trust, attracts concessional funding and ensures investments support broader climate and development goals.

6

Correct: B

Explanation: These institutions guide financial stability by managing climate risks, setting disclosure rules and incentivising climate-resilient investment.

7

Correct: C

Explanation: Engaging with regulators helps FIs act within their mandates, align with supervisory expectations and shape policies that support adaptation finance.

8

Correct: D

Explanation: DFIs reduce investment risk and support project development through blended finance and TA, helping attract private sector investment in adaptation.

9

Correct: A

Explanation: DFIs help FIs address high costs, climate risk uncertainty and weak project pipelines by providing financial and technical support.

10

Correct: B

Explanation: MDBs help FIs structure robust adaptation projects by offering concessional finance, technical expertise and alignment with national priorities.

11

Correct: A

Explanation: Early engagement with DFIs helps FIs align with investment criteria, access support and co-develop viable adaptation projects.

12

Correct: C

Explanation: TA and capacity building help FIs overcome barriers like limited expertise and data access, enabling better project design and alignment with national climate goals.

13

Correct: D

Explanation: NGOs often lead community-based adaptation and offer deep local knowledge, helping FIs design inclusive and context-specific climate finance solutions.

14

Correct: A

Explanation: Academic and research institutions provide data, tools and climate models that help FIs develop evidence-based metrics for adaptation impact tracking.

15

Correct: C

Explanation: Climate risk diagnostics help FIs assess exposure to physical risks and integrate findings into risk management and investment planning.

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