

SESSION 6

Funding and Financing Adaptation Investments Plenary Discussion

CAIP partners



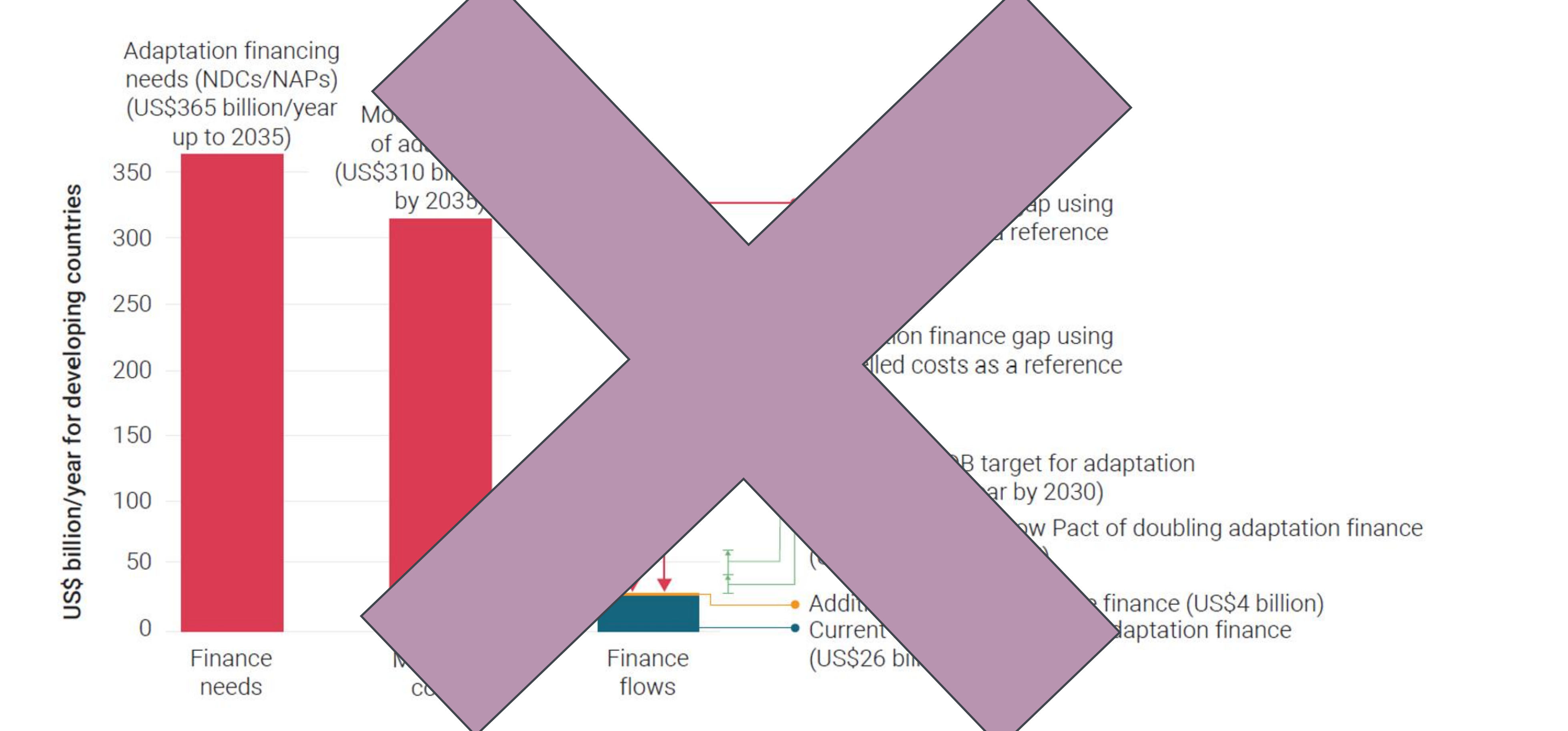
Government
of Ireland
International
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Programme



2026 Forum partners



We are not going to talk about this



We are going to talk about these...



*Efficient irrigation,
Bhutan*



*Cold chains,
Nepal*



*Weather
observation
stations, Cambodia*

Differences in cashflow generation/funding arrangement, capital intensity, and risk mean that these investment packages demand different financing pathways



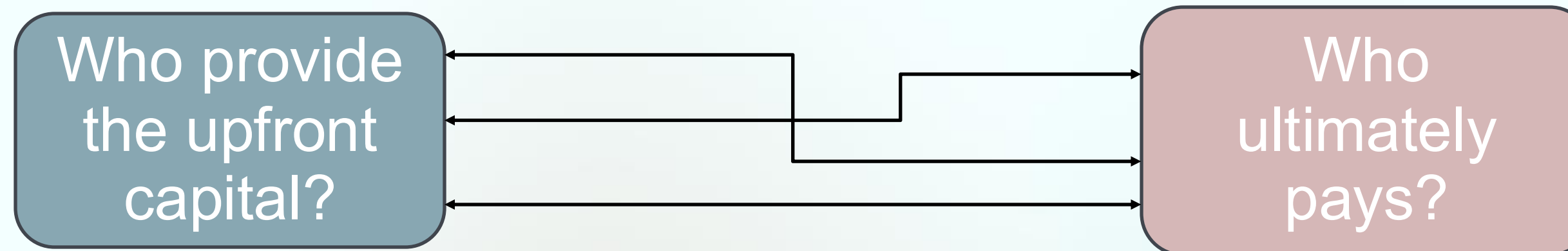
The development of financing pathways requires us to think about two separate (but related) questions

Who provides the upfront capital?		Who ultimately pays?	
		Public i.e. taxpayers	Private i.e. users
	Public i.e. govts, MDBs,	Government borrows to invest in flood protection, repaid by taxpayers	MDB finances a water utility investment programme, repaid through tariffs
	Private i.e. banks, commercial investors	Private capital finances a PPP adaptation investment, repaid by availability payments from taxpayers	Private investors finance a company providing agro-advisory services, earning profits from user fees

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The challenge is to align funding models with financing arrangements, within an enabling environment that will make the pathway work

Who is willing and able to provide capital given risks and returns?



Who is expected to benefit from the investment and what can they afford to pay?

The enabling environment determines which pathways can work ... and how quickly they can be established e.g. project preparation to establish pipelines, financial sector reform to strengthen the case for private sector capital provision

Concessional finance (international climate finance) can help make pathways work

- **Close funding gaps** – grants can cover costs that users, beneficiaries or public budgets cannot or should not bear
- **Make financing terms fit the available funding** – lower-cost capital, longer tenors and grace periods can make repayment affordable.
- **Reallocate risk** – guarantees, first-loss capital and other instruments can make risks acceptable without allocating entirely on those paying.
- **Support to improve the enabling environment** - an make both making funding arrangements more credible and/or the investment more financeable.

Returning to our packages, helps illustrate the options available



	<i>Efficient irrigation, Bhutan</i>	<i>Cold chains, Nepal</i>	<i>Weather observation stations, Cambodia</i>
Who benefits	Farmers and rural communities	Businesses and their customers	All citizens
Who might ultimately pay	Some contribution from users but likely need public support	Customers	Taxpayers/ donors
Who might provide capital	Mix of public and private sector	Opportunities for private capital	Public sector (domestic or international)
Role for international climate finance	Improve financing terms to address affordability constraints	Public support to help reduce risks	Grants to cover costs (or highly concessional loans)

A financing pathway requires considering who pays, who provides the capital and what needs to be done to connect them.

Different investments require different answers!

Who pays?

- Existing budgets?
- New taxes?
- User charges?
- Beneficiaries (i.e. Land Value Capture)?
- Grants?

Who provides the capital?

- Govt. creditors (labelled bonds)?
- DFIs?
- Commercial lender?
- Equity investor?
- Other

What is needed to make the connection?

- Support to the financing structure?
- Investment readiness?
- Enabling environment reform?