CAIP Climate Adaptation Investment Planning

ADB

LESSONS 3

The CAIP method involves a five-step approach.

STEP 1 starts with a country-context analysis, including planning and financing frameworks, and identifies the actors and entry points for adaptation.

STEP 2 builds on existing climate risk assessments to develop a strategic climate diagnostic.

STEP 3 develops the adaptation priorities into packages, based on urgency and sequencing.

STEP 4 assesses the benefits and the costs of these packages, including their potential economic and financial viability.

STEP 5 investigates the financing opportunities for each package, considers multiple sources, and matches each package with appropriate financial instruments.

Financial Matchmaking in the Climate Adaptation Investment Planning Process

Introduction to the Climate Adaptation Investment Planning Process

The Climate Adaptation Investment Planning (CAIP) program of the Asian Development Bank (ADB) aims to support selected developing member countries in adaptation investment planning. As part of the overall national adaptation plan (NAP) or nationally determined contribution (NDC) process, this takes identified adaptation priorities from these documents with the objective of developing investment packages that can unlock finance at scale for a priority sector or area.

To do this, the CAIP approach moves beyond small, individual projects to pipelines of bankable adaptation packages, taking a strategic and programmatic approach aligned with national and sector-based planning, economic, and fiscal frameworks. It then identifies opportunities for mobilizing finance from multiple sources, including public, private, and blended finance, as well as the enabling factors that might support these activities.

Throughout this process, the CAIP approach embeds stakeholder co-creation and identifies the enabling conditions needed to help deliver adaptation. The outcome of the CAIP process is a bankable project pipeline and an investment prospectus.

This note provides insights and lessons related to **Step 5 of the CAIP process**. It draws on the experience of the first six CAIP countries.

CAIP Sector: **Agriculture**
Country: Armenia, Cambodia, Indonesia, Nepal
CAIP Sector: **Water**
Country: Bhutan, Mongolia



Photo by Jitendra Bajracharya, ICIMOD.

Background and Introduction

Developing countries in Asia and the Pacific recognize the importance of scaling up investments in climate adaptation for advancing sustainable development. While the countries have taken actions to improve planning for adaptation, large gaps remain in turning the priorities identified in nationally determined contributions (NDCs) and national adaptation plans (NAPs) into investments that can attract financing.

One reason for these gaps is that the adaptation priorities listed in these documents do not explicitly consider how they could be financed. While there is a growing focus on developing financing plans or investment plans for NDC and NAP implementation, these have tended to be developed in the abstract rather than in the context of a set of specific investment opportunities.[1] There has also been a greater focus on financing climate mitigation than adaptation.

The CAIP program seeks to address these challenges through a structured financing matchmaking analysis that helps countries better align adaptation priorities with appropriate financing instruments and sources.



Photo by Dorji Khando.

[1] D. Nassiry and J. Dixon. 2025. Bridging the Gap: NDCs 3.0, National Transition Plans and Climate Investment Prospectuses. WSP, with support from Aviva Investors. https://ndcpartnership.org/sites/default/files/2025-03/bridging-gapntps-and-cipsfinal-a4.pdf.

Overview of Financing Matchmaking in the CAIP Process

The CAIP process takes a "policy-first" approach to adaptation, starting with development objectives intended to be achieved through the adaptation investments, rather than a "science-first" method that begins with climate model projections to identify adaptation priorities. It also takes a more programmatic approach, using a more strategic climate risk assessment (including multi-hazard risk analysis and considering cross-sector risk linkages), and it has a greater focus on providing information to inform adaptation decisions. The analysis groups NAP or NDC actions for a specific sector into strategic adaptation investment packages. The CAIP process also has an explicit focus on articulating the benefits of these packages (and the options within them) and then extending this to their economic and financial benefits.

Step 5 of the CAIP process uses a structured **financing matchmaking analysis**. This analysis seeks to overcome the barriers and challenges to financing adaptation and helps developing countries align their adaptation priorities with appropriate financing instruments and sources. One of the aims is to examine how international public finance can be complemented by other sources of finance, including opportunities for the private sector. This note summarizes some of the key lessons learned from implementing this step of the process.

The **finance matchmaking analysis** takes the adaptation investment packages assembled in Step 3 of the process, along with the analysis of their potential economic and financial benefits in Step 4. It then analyzes potential sources of finance, the financial instruments through which finance may be channeled, and, where appropriate, the funding approaches through which finance may be repaid. This includes, for each package, identifying specific institutions and sources that may be relevant.

In conducting this analysis, the CAIP approach builds on a framework proposed by the World Bank and Food and Agriculture Organization of the United Nations, which seeks to identify suitable financing pathways—whether through private

Box 1: Key Definitions

A number of key concepts and definitions are important for finance matchmaking.

Financing relates to how the upfront costs and sometimes the ongoing costs of an investment or activity are covered. An example would be a loan from a multilateral development bank (MDB) or a commercial bank.

Funding relates to how the investment is ultimately paid for, including how any financing costs might be paid. For example, if a government takes out an MDB loan for an adaptation activity, then the funding ultimately will be sourced from taxpayers.

Economic analysis (appraisal) is based on the principles of welfare economics and aims to assess the ability of a policy or investment to improve social welfare or well-being. It is carried out from the perspective of society and includes the economic valuation of nonmarket effects, such as environmental benefits and costs.

Financial analysis (appraisal) is different. It considers the incremental revenues and costs generated by an investment, and the ability to generate cash flows that might be used to repay any financing. It is, therefore, carried out from the perspective of an investor. A financial analysis excludes environmental or social benefits except where these are reflected in financial cash flows.

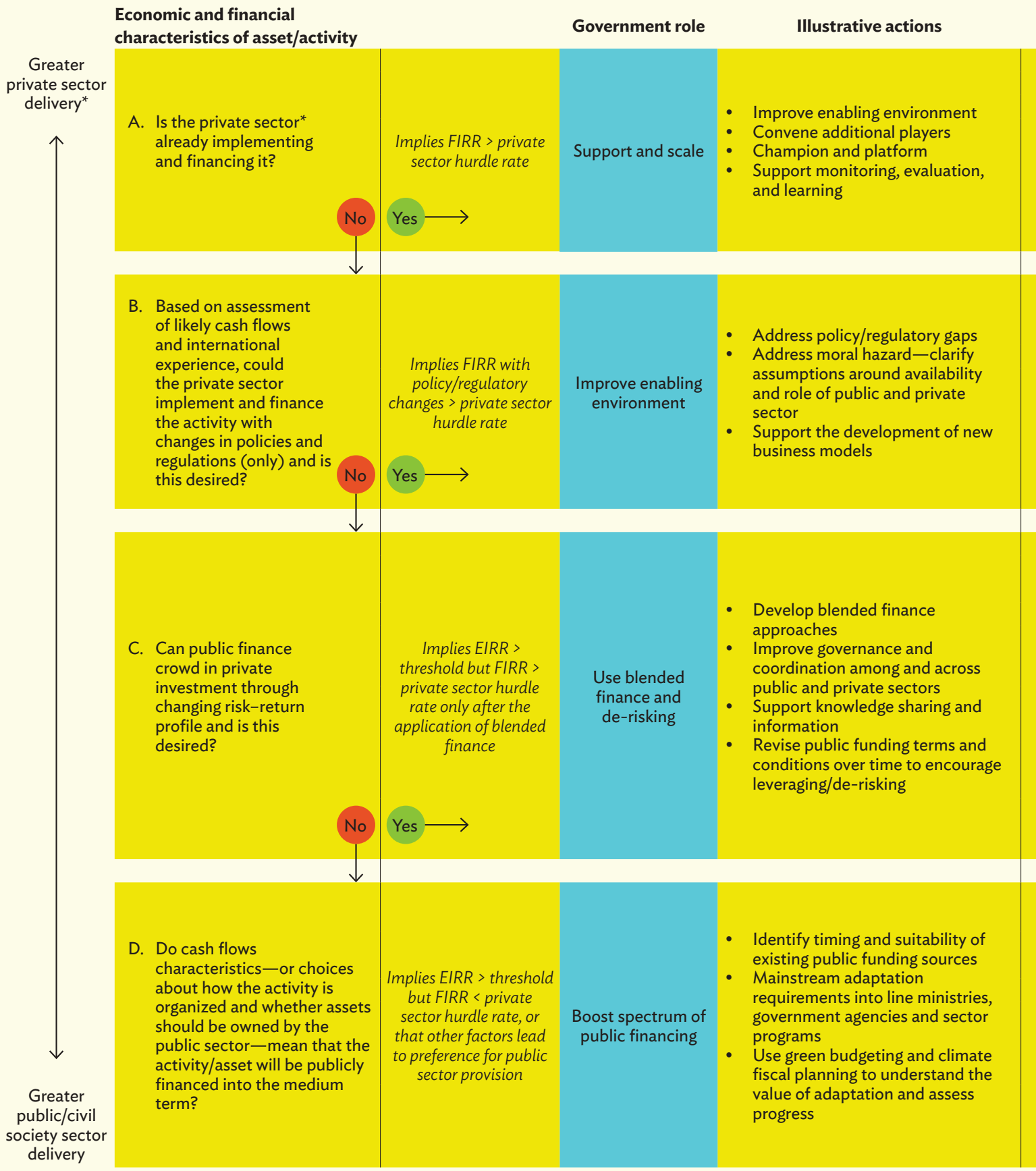
Economic and financial metrics. The results of economic and financial analyses are often expressed in terms of one or more key indicators that provide information on the level of return. The higher the value, the higher the net economic benefits or economic or financial return.

- Economic net present value (NPV): The value today of a project's economic benefits minus its economic costs. A positive NPV means the project creates net value.
- Economic benefit–cost ratio: A comparison of a project's economic benefits and costs. A ratio above 1 means benefits are greater than costs.
- Economic internal rate of return: The project's rate of return from an economic or societal perspective, including wider benefits and costs.
- Financial internal rate of return: The project's rate of return based on actual financial cash flows, such as costs, revenues, and investment returns.

Hurdle rate: The minimum expected financial rate of return that an investor or lender requires before considering an investment commercially acceptable.

Source: Authors.

Figure: Decision Tree for Assessing



EIRR = economic internal rate of return, FIRR = financial internal rate of return, IFI = international financial institution, MEL = monitoring, evaluation, and learning.
Source: ADB. 2026. Climate Adaptation Investment Planning: Lessons Learned.

Financing Sources and Instruments

Potential financial instruments and key considerations



* It may also be possible for corporatized state-owned enterprises (SOEs) to undertake the same activities as the private sector. These bodies could access various debt instruments but some/all ownership would reside in the public sector, meaning that they could not access private equity finance.
The pros and cons of SOE versus full private ownership will depend on national circumstances. SOE models may promote public accountability and better serve nationally determined development objectives but may risk greater operational inefficiency and can create a fiscal burden if they make losses.
** Subject to international market access or sufficient local capital market development.

finance, blended finance, or public finance—for different types of adaptation.[2] Figure shows a decision tree intended as a screening heuristic. As a practical, first-order tool that helps organize adaptation packages by their likely financing pathway, the decision tree is not intended to replace detailed financial appraisal, investor due diligence, or project preparation. It sets out a series of logical questions concerning the economic and financial characteristics of each adaptation investment package which, in turn, help identify the likely roles of public and private actors, and the enabling conditions needed to support implementation. Box 1 outlines some of the key terms used within the framework.

In applying the decision tree, it is important to distinguish private sector participation from private finance. Private actors may not only support adaptation as financiers, but also as operators, contractors, technology providers, input suppliers, aggregators, offtakers, or insurers. Some adaptation packages may remain primarily publicly financed while still offering meaningful scope for private delivery, operation and maintenance, service provision, or technology deployment.

The **decision tree** starts at the top by asking whether the package is already commercially viable for one or more relevant private sector actors, and whether there is evidence of existing or emerging private sector participation and financing. This will often be the case for investments with a sufficiently high financial internal rate of return to meet or exceed the relevant investor's hurdle rate—that is, the minimum expected rate of return required for the investment to be considered commercially attractive (see Box 1 for definitions). Drip irrigation, for example, may fall into this first level—where farmers, agribusinesses, equipment suppliers, microfinance institutions, or commercial lenders already have experience investing in or financing these systems, and where expected water savings, productivity gains, or reduced climate-related losses can support repayment or returns.

However, the hurdle rate should not be interpreted as a single, generic private sector benchmark. It will vary by actor: commercial banks, for example, may apply different return requirements from institutional investors. It will also vary by activity, depending on factors such as the sector and country in which the investment will take place and the maturity of the business model. As the Figure shows, the risk profile and scale of an investment will also determine which financial instrument is appropriate. Riskier investments will typically have more limited access to debt finance and therefore rely more heavily on equity or risk-mitigation instruments, while different types of investors will be suited to different project sizes. Nonetheless, for all investments in this category, the public sector's role is to enable, scale, and safeguard private sector participation and investment through market information, standards, and targeted incentives.

Moving down the decision tree to the second level, if private sector participation or financing is not already occurring at scale, the analysis asks whether targeted policy, regulatory, institutional, or market-development actions could make this possible, and whether this would be desirable from a public policy perspective. These actions may include clarifying risk allocation, improving procurement or public–private partnership (PPP) frameworks, addressing affordability constraints, aggregating demand, clarifying technical standards, or strengthening data availability.

These reforms will succeed only where governments are clearly committed to implementing them. Development partners can support implementation through technical assistance, policy dialogue, investment lending, or, in the case of international financial institutions, policy-based lending. Relevant initiatives include the NDC Partnership.



Photo by Rigzin Yeshi Jamtsho.

[2] W. G. Janssen et al. 2021. Cli mate-Smart Agriculture Investment Plan: A Study Implemented in Collaboration with Government of Nepal, Food and Agriculture Organization and World Bank. World Bank Group. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099405004272216892.



Photo by Jitendra Bajracharya, ICIMOD.

Moving down one level in the decision tree, even when the enabling environment is supportive, private finance may not flow to adaptation solutions at scale. In these cases, blended finance solutions might be pursued. Blended finance uses concessional public or philanthropic finance to mobilize private capital in support of public policy objectives and can include guarantees, subordinated finance, grants, and similar instruments when structured to mobilize private finance. This should be linked to a clearly identified barrier or risk, rather than treated as a generic solution.

The relevance of different blended finance instruments depends on the specific constraint. For example, guarantees or first-loss capital may be appropriate where the perceived or actual credit risk is high; concessional credit lines or interest-rate subsidies may be relevant where tenor, affordability, or liquidity constraints limit lending; viability gap funding or results-based grants may be needed where revenues are insufficient to cover costs; and matching grants, patient equity, or returnable grants may be better instruments for early-stage businesses or technologies. In lower-income or fragile settings, blended finance may be used initially to demonstrate proof-of-concept business models, rather than to mobilize large volumes of capital immediately.

Blended finance can be provided by conventional development partners or by specialized climate finance actors, such as the Green Climate Fund. Conventional development finance may be particularly relevant for development priorities that bring adaptation co-benefits, for example solar irrigation technologies. Dedicated climate finance may be more suitable for investment packages where adaptation is the primary objective or higher concessionality is needed, for example supporting the development and multiplication of climate-resilient seeds.

Finally, at the bottom of the figure, some adaptation investment opportunities will rely on public finance, at least into the medium term. This will often be so where investment packages have strong economic and adaptation benefits—reflected, for example, in a high economic internal rate of return—but limited private financing potential because of weak or uncertain cash flows, public-good characteristics, affordability constraints, or governments' preference for public ownership. However, public financing does not necessarily imply public delivery only. Even where assets remain publicly owned and financed, private sector participation may take place through complementary roles that include project design and engineering; construction and installation; operations and maintenance; the supply of technology, equipment, materials, or other inputs; and insurance and risk-transfer services.

The appropriate sources of finance and instruments for publicly financed adaptation packages will depend on several factors, including the nature of the asset or activity, the expected lifetime of benefits, recurrent cost requirements, the strength of the adaptation rationale, and the country's fiscal and debt context.

- Ongoing recurrent costs, such as for the operation of early warning systems, climate information services, or routine maintenance, will typically need to be financed from predictable domestic funding sources, including budget allocations, user charges, or other public revenues. This is important for fiscal and financial sustainability. In contrast, adaptation options associated with the creation of long-lived assets may be financed through external financing instruments such as grants, concessional loans, or other forms of debt.

Box 2: Proposed Financing Model Identified in Indonesia

Adaptation problem. Climate-smart agriculture (CSA)—including resilient seeds, improved water management, and organic inputs—can improve productivity, profitability, and resilience. However, many smallholder farmers and agricultural micro, small, and medium-sized enterprises cannot access affordable formal credit because of high interest rates, limited collateral and credit histories, and lenders' concerns about agricultural and climate risk.

Actors and financing instrument. The proposed Green *Kredit Usaha Rakyat* (Green KUR) would adapt Indonesia's existing K*redit Usaha Rakyat* (People's Business Credit). Banks and nonbank financial institutions would provide loans for eligible CSA investments, supported by government-funded interest subsidies and credit guarantees. Farmers would receive loans at a preferential 3% interest rate, while government agencies would define eligible activities, oversee implementation, and support farmers through extension services. The model falls under Category C of the decision tree as public finance improves the risk–return profile and crowds in private lending.

Funding and repayment logic. Farmers would repay principal and interest from agricultural revenues, supported by the higher yields and lower production costs associated with CSA. Public resources would fund the interest subsidy and guarantee fee. Potential sources include existing budget allocations, green or resilience bonds or *sukuk*, and international climate finance. The analysis estimates that the equivalent of $1 in public subsidy could mobilize $3–$15 in private finance.

Barrier addressed and public sector role. The model addresses inadequate collateral and credit information, lenders' limited ability to assess climate risks, and insufficient recognition of the financial benefits of adaptation. Rather than financing the full investment, the public sector uses targeted subsidies, guarantees, extension services, and enabling regulation to make private lending viable.

Lesson from applying matchmaking analysis. The case shows that blended finance is most suitable where adaptation investments generate identifiable private financial benefits, but specific market failures prevent finance from flowing at scale. Building on an established credit platform can be more practical than creating a new facility, provided the level of subsidy and guarantee is carefully calibrated and tested through piloting.

Source: ADB. 2025. *Indonesia: Green Financing Innovation Climate Adaptation Investment Plan for Green KUR for Climate-Smart Agriculture*. Consultants' report (TA 6629-REG).



Photo by Sonam Choden Wangdi.



Photo by Jitendra Bajracharya, ICIMOD.

- For options that create assets, the primary objective of the investments is a key determinant of the appropriate financing instrument. Investments primarily focused on delivering adaptation outcomes, such as measures to reduce flood risk, are more likely to be able to access concessional or grant financing from international climate finance sources. Investments that primarily deliver development benefits but also provide adaptation co-benefits, such as rehabilitation to improve the climate resilience of rural roads, are more likely to be financed through conventional development finance, although incremental costs of strengthening climate resilience may make them eligible for more concessional climate finance.
- The appropriate degree of concessionality will also be influenced by a country's income level, debt sustainability, and access to finance constraints. Where incomes are lower, debt vulnerabilities are higher, or constraints on access to finance are greater, more concessional finance may be appropriate.

In addition to allocating adaptation packages to different financing sources and instruments (as shown in the decision tree of Figure), the matchmaking analysis also distinguishes the financing of adaptation from the funding of adaptation (Box 1). This may include budget allocations, user charges, transfers, availability payments, and results-based payments, among others. This distinction is important because many adaptation investment packages may be able to attract upfront financing only if there is a credible source of repayment or long-term funding.

Finally, the analysis also considers:

- The specific investors, funds, and development partners that may be appropriate, given the thematic focus, scale, and risk profile of the investment package.
- The broader enabling reforms that CAIP countries have identified as necessary to mobilize investment at scale, including reforms related to policies, regulations, institutions, procurement, PPP frameworks, standards, data, and project preparation.

The Table illustrates how the decision tree was applied to selected water sector adaptation investment packages in Bhutan. It shows that even within a single sector, financing pathways can vary significantly depending on the nature of the package, the presence or absence of cash flows, the recurrent cost requirements, and the scope for private sector participation (Table). All of the suggested models would require further legal, institutional, market, and project-specific feasibility analysis. Box 2 provides a more detailed example of a specific financing model identified through the CAIP process in Indonesia.

Table: Potential Financing and Funding Models for Selected Water Sector Adaptation Packages in Bhutan

Package	Financing and funding models	Rationale and other findings
Integrated water resources management (IWRM)	Planning, governance, monitoring, and studies financed through government budgets, technical assistance grants, or components of IFI policy-based or investment operations. Recurrent functions require budget funding. Concessional credit lines could finance established water-efficiency, storage, and water-service businesses; patient equity or returnable grants likely needed to support higher-risk start-ups.	Core IWRM functions are public goods with limited direct cash flows. Private finance is more viable for discrete technologies and services with identifiable users and benefits. Water-pricing reform, market development, and green finance capacity are needed to expand participation.
Climate-resilient water and sewerage systems	Conventional IFI finance, supplemented by climate finance for adaptation-specific elements such as rainwater harvesting. Financing is ultimately supported by public revenues and water or sewerage charges. Private actors could provide services or invest in discrete assets through management, lease, BOT, or other PPP contracts, potentially supported by guarantees or viability gap funding.	Strong economic benefits do not currently translate into adequate commercial returns because tariffs are below cost recovery. Private investment requires predictable payments, stronger regulation, appropriate risk allocation, and affordability safeguards.
Flood protection and adaptation	Large urban schemes financed through sovereign IFI loans or grants, with climate finance for incremental resilience costs or protection of vulnerable groups. Smaller rural schemes may use grants and community contributions. Possible funding sources include land-value capture or payments from businesses benefiting directly. PPPs may be used where government availability payments provide a reliable revenue stream.	Flood protection has public-good characteristics. Private participation is viable only where benefits or government payments can be captured reliably. Value-for-money assessment and clear allocation of climate risks are essential.
Urban water and stormwater management	Large infrastructure financed through IFI and climate finance resources. PPPs may be suitable for discrete assets. Payments for ecosystem services could combine water-user payments, tourism-related revenues, carbon credit proceeds, or earmarked taxes. Property owners and businesses may finance smaller measures such as rainwater harvesting, green roofs, and permeable surfaces.	Benefits are often dispersed and difficult to monetize, so public finance remains central. Private finance becomes more feasible where beneficiary payments or other revenues can be aggregated and contractually secured. Supportive fiscal incentives and stronger project development capacity are needed.
Disaster risk management and emergency response	Government budgets fund recurrent staffing, preparedness, operations, and maintenance. Grants and technical assistance from specialized multilateral and bilateral partners can support systems, equipment, training, and institutional strengthening. Private firms may participate as contractors, equipment suppliers, or technology and service providers.	Emergency preparedness and response are core public functions with no meaningful repayment cash flows.
National climate services	Grants and highly concessional IFI or climate finance can finance observation networks, data systems, and early-warning infrastructure. Government budgets cover long-term operation and maintenance. Private firms may sell specialized forecasts, agricultural advice, insurance applications, or other value-added services, initially supported by patient or blended finance.	Basic climate data and warnings are public goods and should be universally accessible. Commercial potential lies in value-added services for identifiable users. Private participation requires reliable access to public data, digital connectivity, clear data pricing rules, and early-stage risk finance.

BOT = build–operate–transfer, IFI = international financial institution, IWRM = integrated water resources management, PPP = public–private partnership.
Source: Royal Government of Bhutan. 2026. *Climate Adaptation Investment Plan for the Water Sector in Bhutan*.

Concluding Lessons and Insights

Application of the finance matchmaking approach across different CAIP countries generated several lessons for adaptation investment planning:

First, adaptation investment plans require a portfolio of financing models, not a single financing solution. Even within a particular sector, successful delivery of an adaptation investment plan will require finance from a variety of sources and the use of different instruments and funding models. Some packages may be suitable for conventional public investment, while some may require dedicated climate finance, some may benefit from blended finance, and others may offer opportunities for private sector participation or investment. The process must engage a broader range of actors than has traditionally been the case, including ministries of finance and planning, sector ministries, development finance institutions, climate funds, domestic financial institutions, private firms, insurers, technology providers, and service providers.

Second, while positive opportunities for the private sector do exist, public finance is likely to remain the dominant source of adaptation finance for the prioritized investments identified through the CAIP process. Despite growing interest in mobilizing private finance for adaptation,[3] the CAIP finance matchmaking analysis suggests that the bulk of the adaptation investment in many countries will continue to rely on public finance. This reflects the nature of many adaptation priorities identified in NDCs and NAPs, which often focus on public goods, infrastructure, planning systems, climate information services, or investments targeting vulnerable populations. Future NAPs will need to assess private sector adaptation priorities and financing needs more comprehensively. For example, capital-intensive activities such as rural road rehabilitation, flood protection, hydrometeorological services, and planning and management functions are likely to continue to require significant public finance. Indicative analysis suggests that, under current institutional and policy conditions, an estimated 80%–90% of the finance associated with CAIP adaptation investment packages in least developed countries and lower-middle-income countries may need to come from the public sector. This is broadly consistent with wider literature. For example, the World Bank's Country Climate and Development Report for Armenia estimated that about 70% of adaptation investment would need to be publicly financed.[4]

Third, opportunities for private sector participation are highly sector-specific and should not be reduced to private finance alone. The scope for private sector involvement varies significantly by sector, market maturity, revenue model, and the role that private actors are expected to play. There are significant possibilities for private sector participation and investment in developing climate-resilient agricultural value chains in Armenia, Cambodia, Indonesia, and Nepal. These include opportunities in climate-resilient seed development and multiplication, production, irrigation technologies, storage, processing, logistics, insurance, and market aggregation. In these areas, the private sector is already active; the challenge lies in redirecting or scaling investment toward adaptation-aligned practices, technologies, and business models. By contrast, there may be fewer opportunities for private sector financing in sectors and activities such as flood protection and hydrometeorological services. However, even in these instances, private actors can still support project design and engineering; construction and installation; operations and maintenance; supply of technology, equipment, materials, or other inputs; and insurance and risk-transfer services.

Fourth, blended finance can help unlock private participation and investment, but it should be targeted to specific barriers and used with realistic expectations. Even in agriculture, which has stronger private sector potential, significant volumes of concessional or catalytic finance may be needed, especially in low-income and lower-middle-income countries. Possible instruments include guarantees, concessional credit lines, interest-rate subsidies, matching grants, patient equity, first-loss capital, and returnable grants. However, these instruments should be matched to the specific barrier being addressed, such as credit risk, lack of collateral, limited tenor, demand uncertainty, affordability constraints, technology risk, or weak project preparation. In lower-income or fragile settings, blended finance may be more useful for demonstrating proof-of-concept business models and building markets than mobilizing large volumes of private capital immediately.[5] These models may also need to be designed carefully to ensure that they reach the groups that are most vulnerable to climate change.

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3 H. Krichene. 2025. Rethinking Climate Adaptation for Global Resilience. Allianz Research. https://www.allianz.com/en/economic_research/insights/publications/specials_fmo/250415-climate-adaptation.html; D. Oehling et al. 2025. The Private Equity Opportunity in Climate Adaptation and Resilience. Boston Consulting Group and Temasek. https://www.bcg.com/publications/2025/investment-opportunities-in-climate-a-and-r; and Institutional Investors Group on Climate Change. 2025. Climate Resilience Investment Framework. https://www.iigcc.org/climate-resilience-investment-framework

4 World Bank Group. 2024. *Armenia Country Climate and Development Report. CCDR Series. p. 13*. https://doi.org/10.1596/42379.

5 H. P. Lankes. 2021. *Blended Finance for Scaling Up Climate and Nature Investments. Report of the One Planet Lab. One Planet Lab and Grantham Research Institute on Climate Change and the Environment*. https://www.lse.ac.uk/granthaminstitute/publication/blended-finance-for-scaling-up-climate-and-nature-investments/.

Fifth, policy and institutional reforms are often necessary to expand private sector participation. The CAIP experience shows that financing solutions alone will not be sufficient where underlying policy, regulatory, institutional, or market barriers remain unresolved. The Bhutan water sector CAIP estimates that, under current policy and institutional conditions, around 90% of the adaptation investment plan would need to be publicly financed, reflecting public management of domestic water supply and low or absent water pricing in urban and rural areas. It further estimates that policy reforms—such as improved water pricing and strengthened public–private partnership frameworks—could increase the privately financed share of the investment plan to 25%–33%.[6] However, such reforms need careful design to ensure that increased private sector participation does not compromise affordability, equity, or access for climate-vulnerable populations.

The importance of reform places a premium on financing sources and modalities that can support both capital investment and policy change. This may include investment loans with complementary technical assistance, policy-based lending to support agreed reforms, or financing packages that combine investment and policy-based instruments. Such approaches can help address the enabling conditions needed to mobilize finance, including PPP frameworks, risk allocation, standards, and project preparation.

Finally, moving from adaptation investment planning to implementation will require continued technical assistance, capacity building, and institutional strengthening. These activities, and their associated costs, should be included in investment plans from the outset. Across the CAIP countries, there are ongoing capacity needs associated with project preparation, financial structuring, policy reform, coordination, and engagement with development partners and the private sector. Coordination and project preparation facilities, including those discussed in the context of country climate platforms, could help carry forward programmatic investments through a structured and harmonized approach that combines strong government ownership with coordinated development partner support.[7]

[6] Royal Government of Bhutan. 2026. *Climate Adaptation Investment Plan for the Water Sector in Bhutan.*
[7] M. Gul et al. 2025. *The Realities of Country Platforms for LDCs and SIDS: Ten Key Lessons. Climate & Development Ministerial.* https://www.iied.org/22630g.

The Climate Adaptation Investment Planning (CAIP) program helps developing member countries translate their adaptation priorities into strategic investment packages and bankable project pipelines. The CAIP Lessons Series shares practical insights from applying the five-step CAIP approach in the program's first six participating countries.

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