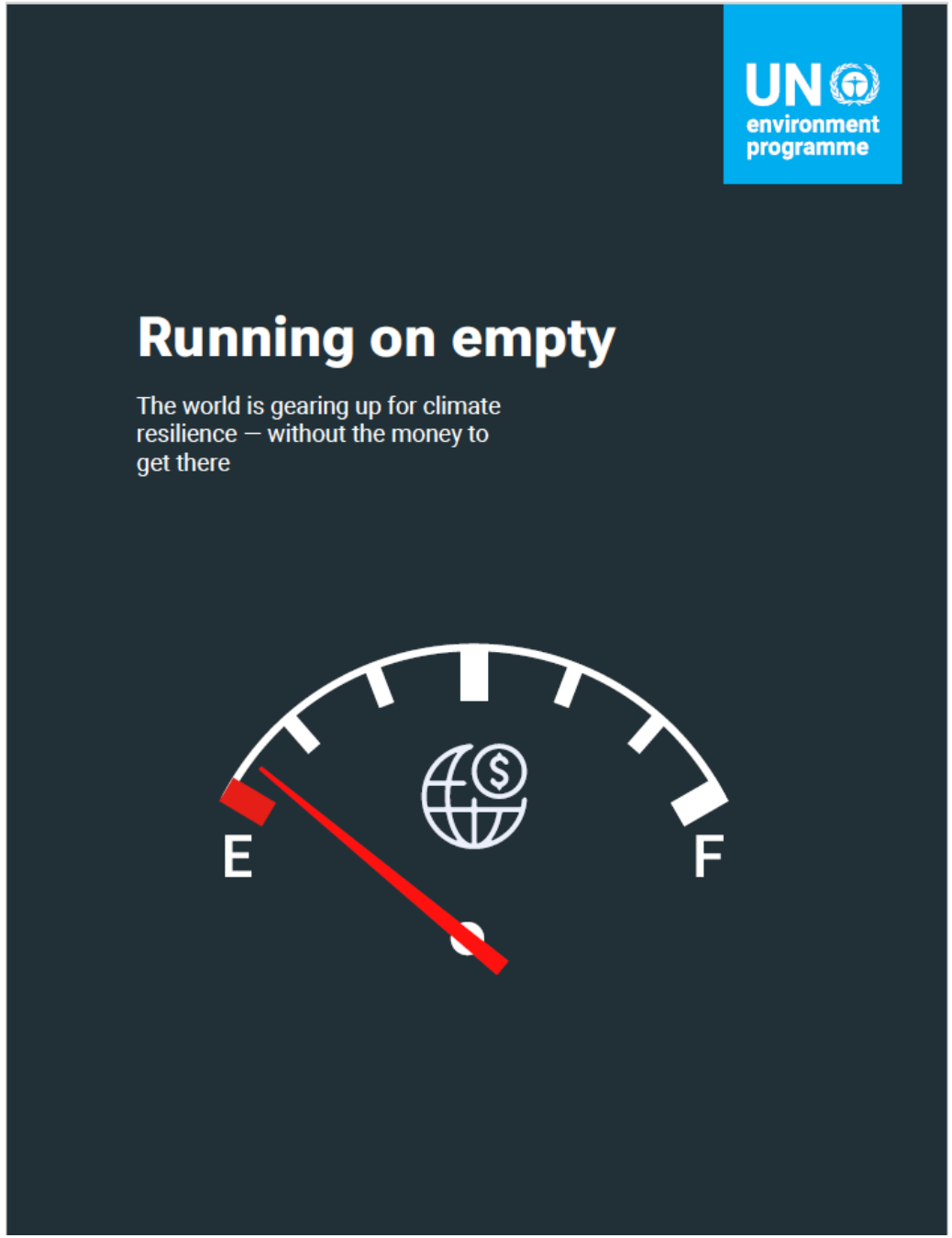


Adaptation Gap Report 2025

"Climate resilience must become an integral part of financial decision-making."

Inger Andersen
Executive Director
United Nations Environment Programme

Amid rising global temperatures and intensifying climate impacts, *UNEP's 2025 Adaptation Gap Report: Running on Empty* finds that a yawning **gap in adaptation finance** for developing countries is putting **lives**, **livelihoods** and entire **economies** at **risk**.



ADAPTATION FINANCE STRATEGY GUIDELINE

Climate Finance Network

UNDP

Sweden Sverige

UK International Development
Partnership | Progress | Prosperity

Adaptation Finance Strategy Guideline

Adaptation Finance Strategy (AFS) Guideline



Joint initiative of UNDPs Sustainable Finance Hub and the Climate Hub to be released ahead of CoP30

Purpose



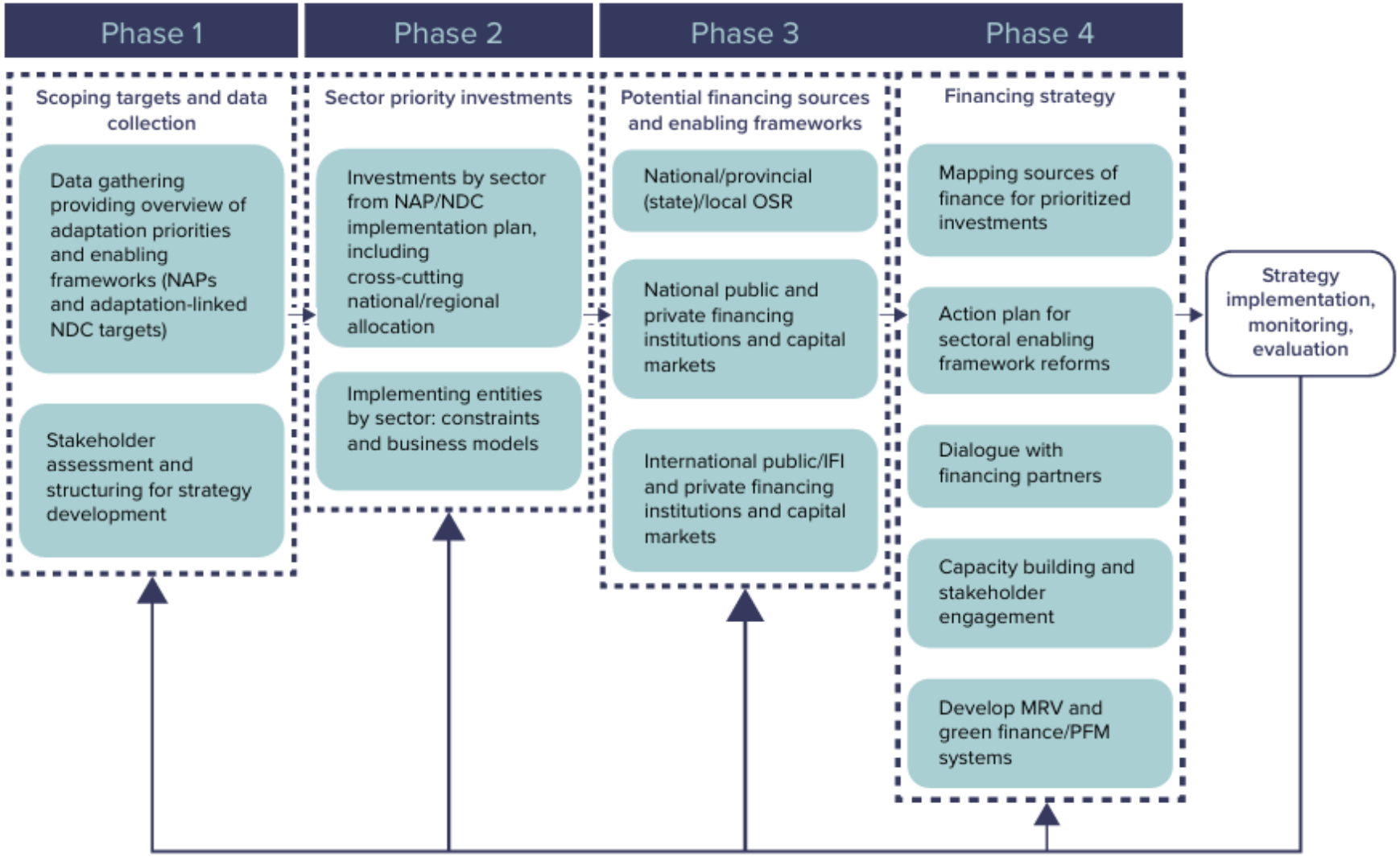
Support ministries and agencies in formulating a viable and inclusive Adaptation Finance Strategy (AFS), complementing investment plans and other frameworks such as those from OECD, ADB, NDCP, and IISD among others as part of government mandate to develop and implement NAPs, NDCs and other climate adaptation priorities.

AFSG: Why and how



It can be used for different aspects of adaptation acceleration, including adaptation investment planning process, specific sectors or at the sub-national level. It is also created for flexibility so it can be applied nationally or sectorally and adapted to different capacities and contexts.

Accelerating plans to action: practical steps of developing a financing strategy



Business models and financing mechanisms

Investment types (MDB)

1. financing for **climate-proofing projects** spanning a wide range of sectors
2. financing **adaptation-focused** projects by sector
3. important activities that **contribute to reducing the underlying causes of vulnerability** to climate change or removing barriers to adaptation

Revenue Streams

1. projects that have significant revenue streams;
2. projects without current revenue streams but with options to generate them; and
3. projects with no realistic prospect of achieving a dedicated revenue stream.

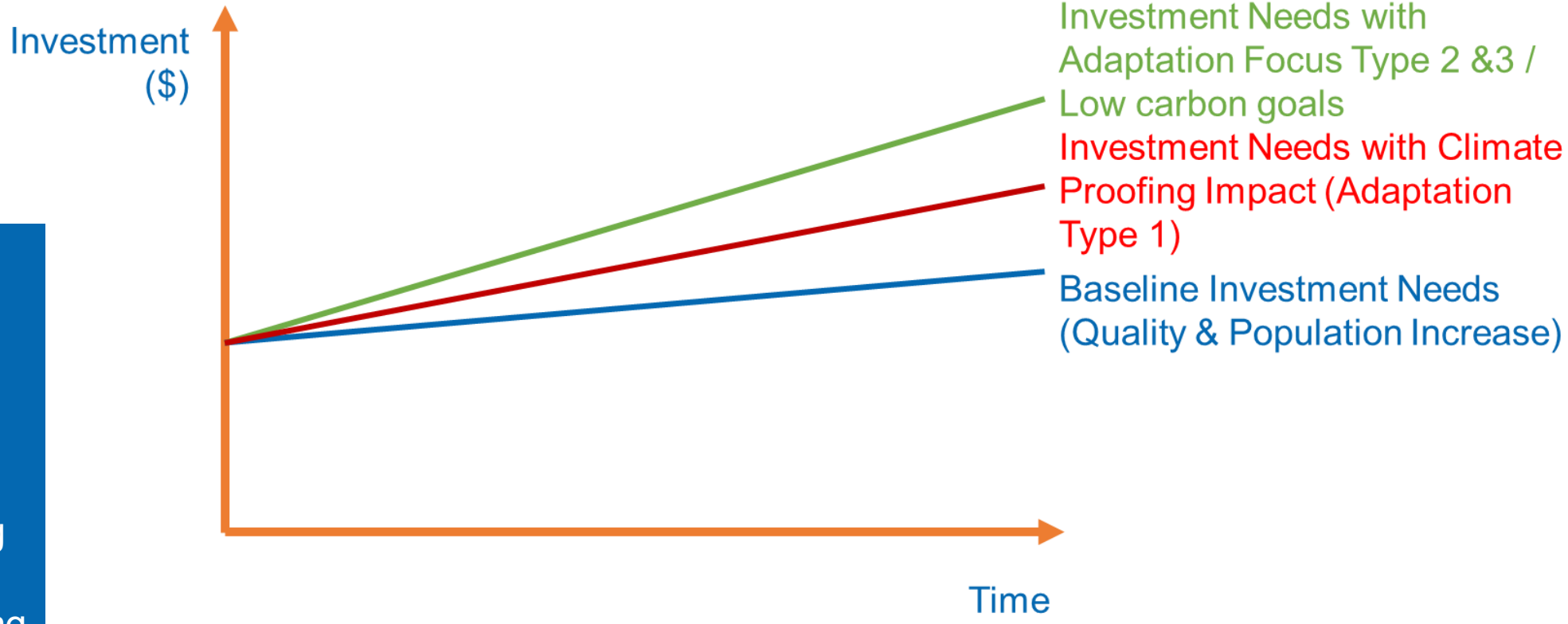
Some business models and financing mechanisms

Category	MDB Classification	Benefit and nature	Common Revenue Model	Primary Financing Basis
A. Climate-proofing cost-recovery assets	Type 1	Direct, localized	User fees, tariffs, private contracts	Commercial finance aligned with tariffs or offtake
B. Adaptation projects with partial cost-recovery	Type 2	Mixed public and private	Land value capture, local levies, blended tariffs, PES	Blended finance models
C. Public-good resilience	Type 3	Broad, non-monetizable	Tax revenue, transfers, insurance premium savings	Fiscal and grant finance

Some business models guidance by sector

Model archetype	Common business models	Revenue source	Relevance
Full cost-recovery commercial PPP	Urban utilities, industrial services	User fees	High Type 1 alignment
Blended finance with targeted subsidies	Rural utilities, agriculture extension	Tariffs + transfers	Enables equitable access
Area-based public finance	Flood control, settlements, cultural heritage	Betterment taxes, LVC, special levies	Captures localized benefits
Performance-based ecosystem finance	PES, REDD+, watershed management	Ecosystem service payments + grants	Monetizes resilience co-benefits
Insurance-linked resilience investment	Industry, infrastructure	Premium differentiation + avoided-loss value	Aligns incentives with resilience
Community-driven revolving or microfinance models	Smallholder agriculture, community water	Member contributions + small fees	Highly scalable, pro-poor

Levels of adaptation investments



- The type and structure of the **implementing entities**
- The financing structure, including any dual-benefit/cross-cutting **revenue streams**.

Phase 1: Engagement and Data Collection

- Identifying adaptation targets by sector
- Collecting data on investment needs and financing flows

Phase 2: Investment Prioritization

- Prioritizing and costing sectoral adaptation investments (technical assessment)
- Developing business models and assessing financing demand (demand side)

Phase 3: Mapping and Matching Financing Needs and Sources

- Identifying potential sources of adaptation finance
- Designing financing instruments and enabling frameworks (supply side)

Phase 4: Operational Planning and Coordination for the AFS

- Consolidating and prioritizing investments into a multi-sector implementation plan
- Aligning financing supply and demand to develop the strategy



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