



The Adaptation Accelerator Hub: Unlocking Private Capital to Accelerate Climate Adaptation

Strategy for Private Sector Engagement

The Adaptation Finance Gap

To protect communities and economies from escalating climate impacts, there is a need to mobilize unprecedented levels of finance. While national governments are setting ambitious adaptation goals, public funds alone are not enough to meet the scale of the challenge. It is estimated that the adaptation finance needs of developing countries will be US\$310-365 billion per year by 2035, approximately 12-14 times greater than the existing flow of public adaptation finance.

The current landscape of adaptation finance is defined by a staggering disparity. According to the World Economic Forum, adaptation has long trailed mitigation within climate finance. In 2022, climate finance for mitigation reached **\$1.2 trillion** globally, while only **\$68 billion** went to adaptation. Yet, while the private sector covered more than half of global mitigation finance that year (funds aimed at reducing emissions), it contributed just **8% to adaptation spending**.

The [Adaptation Accelerator Hub \(AAH\)](#) Private Sector Engagement (PSE) Strategy is designed to bridge this critical funding gap by helping countries identify where and how private actors can realistically contribute to adaptation. It recognizes that private finance cannot substitute for public and concessional finance, particularly where adaptation actions have strong public-good characteristics. Instead, the strategy supports countries to distinguish between public finance needs, blended or concessional finance candidates, and genuinely investable opportunities, while engaging private actors as partners, financiers, innovators, service providers and implementers.

AAH Approach to Private Sector Engagement: Bridging Policy and Capital

What makes the AAH private sector strategy unique is its role as a bridge between governments and the private sector. Historically, governments focus on policy, public goods, and vulnerability,

while private investors focus on risk, return, and bankable business models. The AAH bridges this divide by working on "upstream actions such as policy reform, investment planning, strengthening governance and enabling frameworks, and connecting these to "downstream" actions, including pipeline development, project structuring, investor engagement, and finance mobilization. AAH doesn't just pitch individual projects to investors; it works alongside governments to translate broad National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs) into structured, finance-ready investment pipelines. By helping governments align public policy with market incentives and helping businesses recognize the financial value of resilience, AAH creates a shared ecosystem where public priorities and private capital can successfully align. AAH categorizes adaptation actions by their financial needs, distinguishing between those requiring public or concessional funding, those suited for blended finance or de-risking, and the subset viable for commercial investment. Through partnerships with governments, development finance institutions, MDBs, donors, and private sector actors, AAH helps align the right sources of finance and expertise with each category of adaptation action.

The AAH supports participating governments to develop a government-owned adaptation finance strategy and investment plan that incorporates existing plans and is fully aligned with NAPs and NDCs and is embedded in public investing and budgeting processes. The investment plans supported by AAH will allow governments to combine, blend, and sequence public and private adaptation finance for greater impact. This is also complementary to other efforts, including country platforms, country level NDC engagement frameworks, and Integrated National Financing Frameworks. The AAH PSE strategy aims to align private sector capabilities, incentives and capital with national adaptation priorities. To move adaptation priorities from broad concepts towards investment-ready opportunities and financial close, the AAH PSE framework focuses on:

- **Understanding the Market:** Mapping key private sector actors and their distinct motivations for investing in resilience.
- **Creating Enabling Conditions:** Identifying investment barriers and deploying targeted enablers, financing instruments, and risk-sharing models to overcome them.
- **Operationalizing Action:** Integrating private capital into public budgeting, prioritizing project pipelines, and facilitating strategic investor matchmaking through country-led platforms.

A Broader View of the Private Sector's Role

The AAH PSE approach views the private sector holistically, rather than purely as a source of finance and investment. AAH recognizes the private sector as a diverse ecosystem of partners who can drive meaningful change across five roles:

1. **Partners:** Collaborating on formulating policies, sharing technical knowledge, and helping translate national strategies into scalable, local solutions.
2. **Adaptors:** Investing in the resilience of their own assets, supply chains, and workforces to manage climate risks and capture new growth opportunities.
3. **Financiers:** Providing loans, equity, guarantees, insurance and other risk-sharing products where adaptation opportunities have clear revenue streams, risk reduction value, or appropriate de-risking support
4. **Innovators:** Developing and deploying new technologies, services, and business models—from climate-risk analytics to resilient agricultural inputs.
5. **Local Actors:** Driving implementation on the ground through Micro, Small, and Medium-sized Enterprises (MSMEs), cooperatives, and local businesses that are central to community-led adaptation.



Photo: UNDP Senegal

From Barriers to Bankable Opportunities

AAH recognizes that significant barriers such as policy uncertainty, information gaps, and high perceived risks often prevent private investment in adaptation. AAH's technical assistance is designed to create an enabling environment that makes sense for business by:

- **Clarifying the Business Case:** Helping governments and businesses quantify climate risks and the financial benefits of adaptation, turning resilience into a clear value proposition.
- **Developing Government-Owned Investment Plans:** Translating national adaptation priorities into a single, coherent adaptation investment plan that integrates both public and private financing opportunities.

- **Structuring and De-Risking Investments:** Using public and concessional finance strategically to mitigate risks and improve the risk-return profile of adaptation projects, making them attractive to commercial lenders and investors.
- **Building a Clear Pipeline:** Moving from a longlist of ideas to a prioritized, sequenced, and finance-ready pipeline of adaptation projects with clear business models and investment potential.

By systematically addressing the root causes of market failure, the AAH helps create the conditions for private capital to flow into adaptation, ensuring that national resilience goals are met through a powerful combination of public leadership and private sector innovation.

Partner with AAH

AAH is currently working alongside governments and international partners in Ethiopia, Senegal, Mauritius, the Maldives, Cambodia, and Ghana to translate climate ambitions into tangible resilience. AAH is open to opportunities to partner with the private sector to expand its reach and provide support to more governments in building country owned investment platforms for climate adaptation.

Contact the AAH Team

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