



Unlocking Capital for Forced Displacement Contexts: Climate Finance and the Missing Market

London Climate Action Week 2026

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In partnership with



Overview

As part of London Climate Action Week 2026, the Impact Investing Institute, in partnership with UNDP and UNHCR, convened investors, development finance institutions, foundations, humanitarian organisations, and delivery partners to explore how climate finance and investment can reach displacement-affected and fragile contexts more effectively.

The discussion took place against a backdrop of rising forced displacement, growing climate vulnerability and pressure on traditional development and humanitarian funding models. While significant pools of climate, development and impact capital exist globally, relatively little reaches displacement-affected contexts in a sustained and investment-oriented way. The conversation pointed to a challenge that extends beyond the overall availability of capital: too few opportunities are sufficiently developed, structured and connected to appropriate forms of finance.

At the heart of the discussion were the people and communities living with these pressures. Displaced people and host communities are already building businesses, creating jobs, supporting families and contributing to local economies. Speakers emphasised the importance of recognising their capabilities, aspirations and agency, while also understanding the uncertainty and constraints that shape their financial decisions.

Examples shared across financial inclusion, enterprise development, livelihoods and infrastructure demonstrated the potential for investment to support both stronger local economies and meaningful social outcomes. However, successful models remain relatively small, dispersed across organisations and geographies and often reliant on strong local partnerships, technical assistance or catalytic support.

Many of the capabilities needed to build on these examples already exist. Humanitarian and development organisations bring trusted relationships, local knowledge and project-development expertise, while investors, development finance institutions and foundations can provide patient capital, guarantees, risk-sharing and access to larger pools of finance. These capabilities are not yet consistently brought together around credible opportunities, and financing structures do not always reflect the scale, stage and realities of the underlying businesses and markets.

The discussion was also clear that private capital will not be suitable for every need or context. The task is to identify where commercially viable activity exists, where public, philanthropic or catalytic capital can help create the conditions for investment, and where grant and humanitarian funding will remain essential.

Moving forward will require stronger investment-ready pipelines, better evidence and market information, practical testing of financing and risk-sharing approaches, and deeper collaboration with local institutions, governments and communities. The opportunity is not only to mobilise more capital, but to build the relationships, systems and markets that allow investment to support resilience, livelihoods and stronger local economies over time.

Key Insights

1. Viable economic activity exists, but investment models remain fragmented

Opening the discussion, Agi Veres of UNDP and Bella Landymore of the Impact Investing Institute challenged participants to look beyond conventional narratives of need, dependency and risk. Displaced people and host communities are already active as entrepreneurs, workers, customers and business owners, contributing to local markets and creating demand for finance, energy, infrastructure and essential services. The central question is how this existing economic activity can be connected to suitable forms of investment.

Practical examples shared during the first session demonstrated that commercially viable activity can be supported in these contexts. Lydia Baffour Awuah of Opportunity International described how financial services tailored to the realities of refugee and underserved communities can support enterprise growth, job creation and strong repayment performance. This includes adapting products to customers' cash flows, bringing banking services closer to communities and combining finance with mentoring, market access and capacity-building.

Peter Klansø of the Humanitarian Innovative Finance Hub, hosted by the Danish Red Cross, similarly emphasised that significant economic activity can exist in displacement-affected areas even where it is not immediately visible to conventional investors. He argued that financing approaches need to reflect displaced people's own circumstances, time horizons and perceptions of risk, including uncertainty about where they may live or establish businesses over time.

These examples suggest that the case for investment does not need to begin from zero. However, the evidence remains dispersed across individual programmes, institutions and geographies. Successful models are often relatively small, highly tailored and reliant on strong local partnerships or additional forms of support. They have not yet developed into a consistent pipeline that can be readily assessed and financed by a wider range of investors.

The challenge is therefore to connect existing evidence, identify which approaches can be replicated and strengthen the market infrastructure needed to move from isolated examples towards more sustained capital flows.

2. Investability depends on markets, policy and local systems

Investment opportunities do not emerge through finance alone. Participants repeatedly emphasised that investability depends on the wider environment in which communities, businesses and investors operate.

This includes the strength of local financial institutions, access to infrastructure and markets, the availability of reliable market information, and the capacity of businesses and intermediaries to develop and prepare investment ready opportunities. It also encompasses the policy and regulatory environment, including whether displaced people are able to work, move freely, open bank accounts, establish businesses and participate fully in local economies.

Government approaches to economic inclusion can therefore significantly influence whether investment models succeed. Supportive policy can make it easier for displaced people and host communities to build sustainable livelihoods and for investors to identify commercially viable activity. Restrictive or uncertain environments can undermine otherwise promising opportunities.

Participants also stressed that investment approaches need to reflect the political economy and conflict dynamics of each context. Capital deployed without sufficient local understanding can reinforce exclusion or create unintended tensions between displaced and host communities. Strong local relationships, community engagement and conflict-sensitive design are therefore part of investment readiness, rather than separate considerations. Reflecting on the first discussion, Charu Bist of UNDP Ethiopia highlighted the importance of keeping people and communities at the centre of investment design. She noted that conventional indicators and standardised approaches may not capture the realities of these contexts, requiring models that are more adaptive to local conditions.

Building investable markets will therefore require more than preparing individual transactions. It will depend on strengthening the local institutions, policy environments and delivery systems that allow economic activity to develop and capital to be deployed responsibly.

3. Risk needs to be understood, shared and managed differently

Risk featured prominently throughout the event, but participants cautioned against treating displacement-affected and fragile contexts as a single, uniformly high-risk category.

Political instability, foreign-exchange exposure, changing government policy, limited data, operational complexity and conflict sensitivity are genuine challenges. At the same time, perceptions of risk can sometimes be broader than the available evidence supports. This can lead investors to exclude entire markets or communities without distinguishing between sectors, business models, geographies or types of exposure.

Trusted local organisations can help investors understand these distinctions. Santiago Cortes Leon of UNHCR highlighted the role that contextual knowledge, government engagement and established community relationships can play in identifying opportunities, improving due diligence and addressing information gaps. This understanding should include how risks are experienced by displaced people themselves, including uncertainty around mobility, legal status, livelihoods and the long-term stability of the places in which they are expected to invest, establish businesses and participate in local economies.

Participants also emphasised that risk should be allocated to those best placed to manage it. Guarantees, catalytic capital, blended-finance structures and technical assistance can address particular barriers, but should be designed in response to clearly identified risks rather than used as general substitutes for commercial viability.

A recurring point was that investors do not necessarily require the removal of all risk. They need confidence that risks are understood, appropriately priced and supported by credible information, capable partners and workable mitigation measures. Improving investor confidence will therefore depend as much on better evidence, project preparation and local relationships as on financial de-risking instruments.

4. Financing structures must reflect the nature and scale of opportunities

Participants highlighted a persistent mismatch between the financing available and the opportunities emerging in displacement-affected contexts.

Many businesses and projects are relatively small, early-stage or operating through fragmented local markets. They may need patient capital, flexible repayment terms or modest ticket sizes, while institutional investors typically seek larger, more standardised and readily scalable opportunities. High transaction costs can make smaller investments difficult to finance even where the underlying activity is commercially viable.

Mercedes de la Vega of Acumen drew on the organisation's investment experience and its recent report, *From the Margins to the Market*¹, developed with Open Capital. She highlighted the need to integrate displacement into mainstream investment strategies, including climate strategies, and to invest in the wider economies and infrastructure of the places where displaced people live. Drawing on Acumen's own approach, she also emphasised the importance of matching capital and technical assistance to the stage and needs of businesses, supported by strong local partnerships.

From the perspective of a guarantee provider, Aditya Bisen of GuarantCo emphasised the need to move from small, isolated opportunities towards portfolios capable of attracting larger pools of capital. Guarantees and other risk-sharing mechanisms can help bridge the gap between early-stage activity and commercial investment, particularly where viable opportunities need to be aggregated or where specific risks cannot initially be absorbed by private investors.

The objective is not simply to create more complex financing instruments, but to connect viable activity to capital in ways that reflect the economics of the underlying businesses, the realities of people's lives and appropriate expectations around risk, return, scale and time horizon.

5. Different actors have distinct roles in moving from pilots to sustained capital flows

The discussion reinforced that no single organisation can build this market independently. Progress will depend on different actors contributing distinct capabilities and working across boundaries that have historically separated humanitarian response, development finance and investment.

Humanitarian organisations, refugee-led organisations and local partners bring deep contextual knowledge, access to communities and trusted relationships. They can help ensure that investment responds to people's priorities and builds on existing capabilities, rather than imposing models designed at a distance. Development organisations can support governments, strengthen enabling environments and help turn early ideas into credible pipelines.

Foundations and other providers of catalytic capital can fund experimentation, technical assistance and early-stage development. DFIs and guarantee providers can help structure and share risks that commercial investors cannot initially absorb. Investors and local financial institutions bring capital, commercial discipline and an understanding of what opportunities require to become financeable and scalable.

1. *Acumen and Open Capital, From the Margins to the Market: Lessons on Investing in Displacement-Affected Communities (March 2026)*

Participants were also clear that these actors have different objectives. Private investors seek risk-adjusted returns, while humanitarian and development organisations are primarily concerned with social and development outcomes. Collaboration depends on acknowledging these differences and identifying areas where interests genuinely align, rather than assuming that every organisation shares the same mandate.

The final participant discussion, facilitated by Aisling McCaffrey of the Impact Investing Institute, focused on how the capabilities represented in the room could be combined more effectively. Participants reflected that many of the necessary building blocks already exist, including patient and catalytic capital, local knowledge, project-development capacity, risk-sharing mechanisms and access to larger pools of investment. The challenge is to assemble these around specific opportunities and develop portfolios capable of moving beyond isolated pilots.

The discussion also brought a degree of realism about the pace of wider systems change. While policy and institutional reform remain important, participants emphasised the need to identify actions within the immediate control of the organisations involved. This includes bringing the right partners around credible opportunities, testing approaches with sufficient rigour and generating the evidence needed for others to participate with confidence.

Closing the event, Henny Ngu of UNDP reflected that the next step is to move from identifying familiar barriers towards working through the practicalities of collaboration. This points to a focused agenda: connect capabilities that already exist, clarify who is best placed to address particular gaps and create credible pathways from early-stage activity to investment at greater scale.



Areas for further development

The discussion highlighted several areas where further work could help move from promising examples towards more consistent investment activity.



Strengthen investment-ready pipelines

More support is needed to turn promising businesses, infrastructure and resilience projects into opportunities that different types of capital can assess and finance. This includes clearer business models, financing needs, expected outcomes and risk profiles, alongside stronger connections to investors and intermediaries.



Improve evidence and market information

Existing examples remain dispersed across organisations and geographies. Further work could help consolidate evidence on commercial performance, social outcomes, local market conditions and the factors that have enabled successful models to develop



Test financing and risk-sharing approaches

Patient and catalytic capital, guarantees, technical assistance and blended finance all have potential roles to play. The priority is to test how these tools can be combined around credible opportunities, with clarity on the specific risks being addressed and the pathway towards more commercial capital over time.



Strengthen local partnerships and enabling environments

Local financial institutions, enterprises, refugee-led organisations, governments and delivery partners should be involved from the outset. Greater attention is also needed on the policy and institutional conditions that shape economic participation, including access to work, finance, mobility and business registration. This should include meaningful engagement with displaced people and host communities in identifying priorities, shaping investment models and assessing whether intended benefits are being realised.



Create practical pathways for collaboration

Further engagement should focus on specific opportunities where organisations can make complementary contributions, including pipeline development, technical assistance, market evidence, risk-sharing and local delivery. The emphasis should be on identifying a small number of areas where partners can make tangible progress together.

Continuing the conversation

The discussion reinforced that there is no single route to unlocking investment in displacement-affected and fragile contexts. Progress will depend on combining local knowledge, development expertise and investment capability around specific opportunities, with a clear understanding of where private capital can contribute and where public, philanthropic or humanitarian finance will remain essential.

The Impact Investing Institute, UNDP and UNHCR will use the insights from the event to inform further engagement with organisations interested in developing investable opportunities, testing financing approaches and strengthening collaboration across the humanitarian, development and investment communities.

Organisations interested in contributing to this work or continuing the discussion are invited to contact aisling.mccaffrey@impactinvest.org.uk and jennifer.obrien@impactinvest.org.uk.

