From Projects to Sustainable Investments

The Modern Logic of Climate Finance

Climate policies can no longer fit into the logic of individual projects. For too long we have thought about them in parts: here is energy efficiency, there is adaptation; here are emissions, there are risks; here are grants, there are financial instruments. But the climate does not work in parts. Neither does the economy. Nor do the cities, buildings and the people who live in them.

The next stage requires a different way of thinking. Not just more funding, but better designed investments. Not just implemented measures, but long-term sustainability. Not just the absorption of public resources, but quality, market, innovation and responsibility.

This is exactly what is behind the concept of *resilience by design* — climate resilience, built into the design. It means that sustainability is not an add-on at the end of the project. It is a condition from the very beginning.

A building is not good enough just because it uses less energy after renovation. It must provide comfort during heat waves, be less vulnerable to climate risks and retain its value over time. A city investment is not successful just because it is completed on time. It must reduce the risk of overheating, manage stormwater better, and create a healthier and safer environment. *(Maria Minkova)*

This is where the two major strands of climate policy meet — climate change mitigation and adaptation. The first reduces emissions. The second reduces vulnerability. One looks at the causes of climate change, the other at the consequences we are already living with. But in real investment, they must work together.

This change was the focus of a panel discussion held at the annual event of the National Trust Ecofund on June 19, 2026. It included Maria Minkova, Director of the NTEF Executive Bureau, Nadya Dankinova, Executive Director of the FLAG Fund, Antonia Novakova from the Center for Energy Efficiency "EnEffect", Tsveta Naniova, Deputy Chair of the Board of Directors of the Bulgarian Facility Management Association, and Polina Dikova, an expert in sustainable finance.

The conversation started with financing, but in fact it outlined a much larger question: how to move from financing individual projects to building a sustainable investment ecosystem.

If investments must now be integrated, their financing must also be integrated. This is where blended financing comes in.

It is not just a way to add more funds to limited public budgets. Its more important role is another - **to change the logic of investment**. Public resources should not be the only source of funds. They should be a catalyst. To reduce risk. To attract private capital. To create a market. To put quality at the center. To encourage innovation. *(Maria Minkova)*

The experience with energy efficiency already shows why this is possible. Energy efficiency is an investment that can generate resources for its own repayment through future savings. **The energy**

saved is an economic value. It allows public support to be combined with loans, guarantees, own participation or contracts with a guaranteed result.

But the real change is not only financial. It is behavioral. When a project is financed entirely with a grant, the main question too often becomes whether the resource will be received and absorbed. When the project is thought of as an investment, the questions change: what result will be achieved, how will quality be guaranteed, how will risk be managed, how will value be preserved over time.

This is why **blended financing** is much more than a financial mechanism. It creates a market. It gives predictability to companies. It encourages investment in people, technology and new services. It stimulates financial institutions to develop better products. It directs competition towards quality, not just the lowest price. In other words, public funds should not replace the market. They should create the conditions for the market to work. *(Antonia Novakova)*

The next big challenge is to apply this logic to climate change adaptation. Here the task is more difficult because the benefits are not always visible as a direct cash flow. In energy efficiency, the calculation is easier - the investment reduces costs. In adaptation, the benefits are often prevented damage: fewer losses from floods, lower risk to infrastructure, fewer service interruptions, better protection of public and private assets. This does not make adaptation less valuable. On the contrary. Its value simply needs to be told in a different way.

Adaptation is risk management. It protects investments already made. It increases their resilience. It makes them more reliable for financing institutions. For banks and insurers, climate risk is no longer a distant environmental issue. It is part of the assessment of every investment. A project that includes adaptation measures can be less risky, better structured and more bankable. This is the basis on which **the economic logic of adaptation** can be developed - not necessarily as a stand-alone project with direct revenue, but as an element that reduces risk and protects value.

Nature-based solutions have particularly good potential - green infrastructure, stormwater management, ecosystem restoration, measures against urban overheating. They can bring climate, environmental, social and economic benefits at the same time. It is precisely such solutions that show why it is no longer enough to finance specific measures. We need to finance comprehensive sustainable investment solutions. *(Polina Dikova)*

But there is another condition without which this change will not happen. Even the best financial instrument remains unused if people and institutions do not have knowledge, confidence and support. **It is increasingly clear that the main barrier is not always the lack of money. Often the barrier is the fear of the unknown.** The fear that something is wrong. That the project will not be structured correctly. That the public procurement will turn out to be too complex. That the credit will be difficult to explain politically. That control or audit will question the chosen model. That the municipality will take a risk that it does not fully understand.

That is why the next major investment in public policies must be in **capacity building**. Public funds should be increasingly targeted towards information, training, technical assistance, project preparation, exchange of good practices and comprehensive expert support. **This is not an administrative addition to “real” investments. It is a condition for them to happen at all.**

A well-prepared municipality can repeatedly use blended financing and implement consecutive investments. A municipality that lacks knowledge and confidence may not act even when the financial opportunity exists. Therefore, an investment in capacity has a much stronger multiplier effect than another fully grant project. Models for comprehensive support such as the One-Stop

Shop or Complex Service Center are particularly important here. Such a mechanism can bring together technical, financial and organizational expertise in one place, support investment preparation, standardize processes and reduce risk for both municipalities and funding institutions.

This is particularly important in more complex financing models. **The financial instrument does not simply finance an eligible project. It finances an investment that must be technically, economically and financially viable.** This requires a different type of preparation and a different type of support. It is here that public resources can have the greatest effect - not by covering the entire cost of the investment, but by creating conditions for it to happen qualitatively, predictably and with the participation of more sources of financing. *(Tsveta Naniova)*

However, all this requires **political will.** And not political will as a general wish, but a consistent line of action. Blended financing cannot develop sustainably if public policies periodically return to the expectation of 100% grant aid. A market is not created with contradictory signals. Financial institutions will not develop products if they do not see a long-term direction. Companies will not invest in technologies and capacity if there is no stable demand. Municipalities will not change their behavior if public policy continues to send the message that responsibility is always entirely outside of them. Therefore**, unified actions are needed** - between institutions, public funds, the financial sector, municipalities, business and expert organizations. **Grants remain necessary, but they must be used strategically: where they create the greatest social impact, reduce risk and unlock additional investments.** *(Nadya Dankinova)*

This is also important for **social justice.** Blending does not mean withdrawing public support. On the contrary, **it allows public resources to be used more fairly**. When part of the investments can be implemented through loans, guarantees or other financial mechanisms, grants can be directed where they are most needed: to vulnerable households, energy poor citizens, social infrastructure and projects where market solutions alone are not sufficient. (Antonia Novakova)

The next stage in climate policies will not be marked by simply more public funds. It will be marked by their smarter use.

This means designing investments so that sustainability is built in from the start. To finance not individual measures, but comprehensive solutions. Let's use public resources as a catalyst for private capital, quality and innovation. Let's invest in capacity, because knowledge and confidence are a condition for any more complex investment. And let's ensure political consistency, without which the market cannot develop.

The most important question is no longer just where the funds for climate policies will come from. The question is whether we will succeed in building an investment environment in which sustainability is built in from the design stage, quality is a leading criterion, public resources attract additional capital, and knowledge is just as valuable an asset as the financing itself. It is then that we will move **from financing individual projects to building a sustainable investment ecosystem.**

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