Market Study on the willingness to use and demand for Adaptation Benefits to support adaptation to climate change in Africa

FINAL REPORT

AFRICAN DEVELOPMENT BANK GROUP

CLIMATE INVESTMENT FUNDS

Foreword

In response to the need for adaptation finance across the African continent, the African Development Bank launched the pilot phase of the Adaptation Benefits Mechanism (ABM) with the objective of creating a financing mechanism that does for adaptation what the Kyoto Protocol did for mitigation. The ABM recognises that while most adaptation projects yield economic benefits, lower perceived or actual financial benefits make them unattractive to the private sector. To remediate this, a credible means of valuing adaptation benefits combined with a willingness to pay for them, has the potential to incentivise private sector investment in adaptation.

Designed as a non-market mechanism under Article 6.8 of the Paris Agreement, the ABM draws upon lessons learned from carbon markets and relies upon a compelling results-based finance business model that enables African households, communities, economies, and ecosystems to adapt and build resilience to the negative impacts of climate change. The ABM aims to bridge the financing gap in adaptation projects by providing sufficient finance to make projects financially viable while ensuring value for money for purchasers of Certified Adaptation Benefits (CABs). As envisioned, CABs will be paid under a results-based scheme whereby purchasers commit to purchasing units prior to a project's start but where adaptation benefit payments occur only after adaptation benefits are verified throughout a project's implementation. As CABs are project specific, they are non-fungible and limit speculation or secondary trading. The price the purchaser pays, excluding a possible retail mark-up, is the price the project developer receives. Should a host country issue a letter of approval for the project, any adaptation benefits can be reported as assistance, provided they meet the host country's adaptation goals. Indeed, the payment of CABs play a central role towards closing the existing financing gap.

At present, there is no mechanism to incentivise host countries to communicate their adaptation needs and consequently, donor countries are not hastened to make commitments to support such needs. The ABM shows great potential to transform adaptation finance and fill the vast climate change financing gap.

A comprehensive understanding of the interest in and demand for adaptation benefits as a means of contributing to the adaptation goal of the Paris Agreement, and/or fulfilling corporate social responsibility or philanthropic mandates, is central to a viable and successful ABM. This study brings together the insights and expertise of a broad swath of stakeholders and presents meaningful and encouraging feedback.

The ABM calls on developed countries to recognise the critical need for adaptation projects in Africa and to convey a willingness to support adaptation by enhancing global cooperation and promoting inclusivity.

I would like to thank the respondents for their time and insights, and look forward to seeing the feedback incorporated into the design of the ABM as it matures.

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Table of contents

FIGURES

ABBREVIATIONS

AB	Adaptation Benefits
ABM	Adaptation Benefits Mechanism
ABM EC	ABM Executive Committee
AfDB	African Development Bank Group
CAB	Certified Adaptation Benefit
CDM	Clean Development Mechanism
COP	Conference of the Parties
CSR	Corporate Social Responsibility
GCF	Green Climate Fund
GHG	Greenhouse gas
IKI	International Climate Initiative
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
NDC	Nationally Determined Contributions
NGO	Non-Governmental Organisation
PA	Paris Agreement
PECG	Climate Change and Green Growth Department
RMC	Regional Member Countries
SDGs	Sustainable Development Goals
SME	Small and medium-sized enterprise
UNFCCC	United Nations Framework Convention on Climate Change

1. EXECUTIVE SUMMARY

1.1 Introduction

The Adaptation Benefit Mechanism (ABM) is a results-based mechanism for mobilising public and private finance for climate change adaptation. The ABM will function to certify the social, economic, and environmental benefits of adaptation actions and create clear price signals for adaptation. In doing so, ABM can help boost private sector investment and the commercial viability of adaptation projects across developing countries. The ABM was developed by the African Development Bank Group (the Bank), with support from the Climate Investment Funds (CIF), in response to a request by African countries to create innovative mechanisms for leveraging adaptation finance. The ABM was introduced by Uganda and Côte d'Ivoire during 2017 intergovernmental negotiations on Article 6.8 of the Paris Agreement (PA). In March of 2019, the Bank launched the ABM Pilot Phase (2019-2023), which aims to operationalise and test the mechanism on the ground through demonstration projects in Africa. The ABM Market Study was commissioned by the Bank to sensitise and rally key adaptation and finance sector stakeholders, including donors and banks, around the ABM initiative. The specific objective of this study was to analyse the following:

- Participant understanding of the mechanism.
- Participant ABM hesitation and requests for clarification.
- Issues that render the mechanism unappealing.
- Participant suggestions for improvement.
- Participant willingness to become CAB purchasers.

1.2 Methodology of the Market Study

The ABM Market Study was conducted in four steps, two of which were undertaken in parallel. The steps were as follows:

- Market Study preparation, including an in-depth review of ABM materials, the preparation of questionnaires for an online survey and interview guides, and the compilation of an adaptation stakeholders' database.
- A quantitative study via an online Google Form questionnaire.
- A qualitative study based on 15 interviews with a select panel of adaptation stakeholders; and
- A results analysis and recommendations.

Adaptation stakeholders were grouped as follows:

Group I Potential CAB purchasers (climate finance).
Group II National authorities and institutions; and
Group III Project developers and NGOs.

1.3 Market Study quantitative results

The online questionnaire achieved a satisfactory response rate. From a database comprised of 788 relevant contact-points, sixty-eight (68) expressed interest in participating in the study. These participants were subsequently categorised into the study's established groupings. In all, 26 were placed in Group I, 16 in Group II, and 26 in Group III.

Participants from Group I and II have long-standing experience in climate change and adaptation (over 10 years) which had a reinforcing effect on the credibility of their answers. Less experience was observed for Group III (50% below 5 years). The high response rate received is indicative of significant interest in the topic. The biggest share of entities represented include public climate finance actors and philanthropic bodies (Group I), national authorities (Group II), and NGOs (Groups III).

Half of Group I participants spend between $1 million and $100 million per year on adaptation, and most spend between $20 million and $50 million, while about the same proportion support fewer than 10 projects annually. Potential CAB purchasers (Group I) already support a variety of organisations including small and medium-sized enterprises (SMEs), smallholders, and public institutions. National authorities and institutions (Group II) support public institutions, NGOs, and SMEs. Their support comes in the form of capacity building and financial support or support in the strengthening of relationships with finance providers (i.e., micro-finance entities, multilateral development banks and climate funds). Most Group III participants currently work with philanthropic bodies and climate finance actors. Overall, they report satisfaction with the communication and flexibility offered by philanthropic bodies and bilateral organisations, but report lower satisfaction with development banks and funds. Almost one third report never having received financing, while 15% received less than $50,000 per year, on average. According to Group II participants, national budgets dedicated to adaptation range between $0 and $5 million annually, and the amount received from finance providers lies within the same range. Most participants consider financial support from finance providers to be critical towards maximizing the impact of adaptation action. Few consider that the current level of financial support fulfils project needs.

Consolidated results from the three groups also show that:

- Adaptation finance is distributed amongst various sectors, including energy access, water management, agriculture and forestry, and infrastructure.
- There is a strong preference for grants, followed by blended finance instruments to finance adaptation; and
- The main barriers to finance adaptation are financial and technical (e.g., a lack of economically viable projects, a lack of high-quality technical rigor, and capacity gaps).

All participants consider the ABM highly relevant for agriculture and forestry, water management, energy access, biodiversity, and climate information systems across project sizes and expressed a specific interest in projects ranging from $1 million to $50 million.

Most participants consider that an explicit definition of measurement indicators and their ex-post verification would increase the credibility of adaptation benefits. Generally, participants all consider outcome and impact indicators as the most relevant to measure adaptation benefits. Additionally, Groups II and III consider input and output indicators to be relevant.

Over 90% of participants believe that the ABM has the potential to incentivise public and private sector financing of adaptation projects beyond current levels. Online questionnaire participants identified a number of strengths of the ABM, including: (i) its ability to create incentives by providing well-defined and calibrated adaptation products, which are currently lacking, and demonstrate the value-for-money invested, (ii) its potential to support small-scale projects that would otherwise be unbankable by giving adaptation an economic value, (iii) its ability to guarantee the credibility of an adaptation action and increase confidence in the investment, and (iv) its superior alignment with local contexts and results, compared to existing adaptation finance mechanisms. Some identified areas for improvement include: (i) upscaling the ABM by involving the private sector, (ii) greater focus on shortening processes and the time required to receive financing, and (iii) ensuring certification costs are not prohibitive for project developers.

1.4 Market Study qualitative results

Based on the interviews, interviewees expressed interest in the ABM concept, and in strengthening adaptation finance. The concept also generates some uncertainty as interviewees indicated a potential gap between the conceptual idea and its successful implementation. This related mostly to the ABMs capacity to mobilise funding from CABs purchasers, ability to attract project developers, and the feasibility of the ABMs business model. Interviewees find that the ABM helps build the rationale for adaptation finance, and coherently explains how it operates and its positive impact on the most vulnerable groups. An in-depth assessment of adaptation action results with a certified mechanism is indeed expected to improve transparency and give confidence to finance providers. It also has the potential to enable the identification of best practices in the implementation of climate adaptation actions. Despite these benefits, interviewees also recognise a clear need for showcasing success stories and improving communication on ABM.

For ABM implementation, adaptation sectors prioritised in National Adaptation Plans should also be prioritised to align ABM projects with national priorities and

establish partnerships with National Designated Authorities and Focal Points. This will ensure that projects are tailored to local contexts. Smaller projects and high transaction costs will need to be contended with.

There was no clear consensus on the indicators to target. In cases where impact was considered the most desirable target, interviewees highlighted associated data collection constraints and proposed outcome indicators. Some suggested baseline scenarios be defined, and for several types of indicators to measure change. There was general consensus on the need for verification processes, and most participants were in favour of third-party verification.

With regard to organisational structure, participants welcomed the existence of an external body to the Bank to reinforce investor confidence (i.e., the ABM Executive Committee and the Panel), and stressed the importance of an inclusive and representative body, especially when ABM is recognised and operational.

1.5 Recommendations

Based on the above findings, recommendations were made across the following six areas:

1. Development of pilot studies to help stakeholders better understand the concept and adhere to it.
2. Identification of a pipeline of potential CAB purchasers and financial partners.
3. Identification of project developers including dialogue engagement with relevant stakeholders.
4. Stakeholder mobilisation on ABM through general communication at international and regional climate events and on online platforms. This recommendation includes group-specific strategies for mobilisation.
5. Stakeholders' need for capacity building and technical support covering financial institutions' requirements, the nature of adaptation projects and availability and quality of data, and the ABM itself; and
6. Institutional arrangements that enable the adequate representation of actors, regions, and country priorities, and that clarify the differentiated responsibilities of the Bank and the ABM Executive Committee.

1.6 Conclusion

The study's findings present very encouraging feedback from a broad range of stakeholders who express interest in the ABM. Stronger well-targeted communication efforts that clearly articulate ABM's specific processes and impact and that strengthen adaptation actors' buy-in will be critical to ABMs success. Importantly, several suggestions raised by participants are currently being addressed in a further granular design of the ABM by the Bank and the ABM Executive Committee. Recommendations made in this study intend to support the transition from a pilot mechanism to an operational and recognised approach.

2.
introduction

2.1 Market Study context

While its contribution to greenhouse gas (GHG) emissions is very low, Africa is highly vulnerable to climate change. The conclusions of the Africa chapter of the 4th IPCC Assessment Report[1] are clear: Africa's major economic sectors are suffering huge economic impacts from climate change and the situation is exacerbated by endemic poverty, governance shortcomings, limited access to capital, infrastructure and technology, ecosystem degradation and complex disasters and conflicts. Current autonomous adaptation by African farmers will not be sufficient to face growing drought stress in wide areas of the continent, and agricultural production and food security are increasingly compromised in several African countries. Climate change will aggravate the existing water stress situation and have detrimental impacts on human health. These examples are an illustration of the threat that climate change represents for the achievement of Sustainable Development Goals (SDGs) across the continent.

Even if the target of the PA is reached and the global temperature increase is kept within 2°C above preindustrial levels, the cost of adapting to climate change across Africa is estimated to reach $ 50 billion a year by 2050[2]. However, global finance for adaptation in 2030 would need to be approximately 6 to 13 times higher than international public finance in 2016 to avoid an adaptation gap[3]. Mobilising new finance, especially from private sources, will be crucial for ensuring an adequate level of adaptation in Africa.

The African Development Bank (the Bank) is a development institution focused on promoting economic development and poverty reduction in Africa through (i) the mobilisation and allocation of resources for investment in regional member countries, and (ii) the provision of policy advice and technical assistance to support development efforts.

The Bank's Climate Change and Green Growth Department (PECG) assists Country Programs and Departments with managing the Bank's development operations in Regional Member Countries (RMCs). Within the PCEG Department, the PECG.1 division is responsible for climate finance. Through PECG.1, the Department identifies, designs, and implements environmental and climate change mitigation and adaptation programs and projects.

[1] Boko, M., I. Niang, A. Nyong, C. Vogel, A. Githeko, M. Medany, B. Osman-Elasha, R. Tabo and P. Yanda, (2007): Africa. Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, M.L. Parry, O.F. Canziani, J.P. Palutikof, P.J. van der Linden and C.E. Hanson, Eds., Cambridge University Press, Cambridge UK, p. 433-467.

[2] UNEP (2018): Africa's Adaptation Gap Technical Report https://wedocs.unep.org/bitstream/handle/20.500.11822/8376/-Africas%20adaptation%20gap-2013Africa%20Adapatation%20Gap%20report-%20small_2013.pdf?sequence=2&amp%3BisAllowed=

[3] Puig, D., Olhoff, A., Bee, S., Dickson, B., & Alverson, K. (Eds.) (2016): The Adaptation Finance Gap Report. United Nations Environment Programme. Nairobi

2.2 Adaptation Benefits Mechanism concept

The PA sets out an ambitious long-term goal to keep the average global temperature increase to well below 2°C compared to pre-industrial levels, with an aim of 1.5°C. The PA emphasises climate change adaptation as a top priority in Article 2. Article 2.1 (a) establishes a 2°C temperature goal while Art 2.1 (b) states that the PA aims to increase adaptive capacities to "adverse impacts of climate change and foster climate resilience and low GHG development, in a manner not endangering food security"[4]. Article 7 makes mention of a global adaptation goal however the goal is unspecified. It also discusses national level adaptation and its integration into Nationally Determined Contributions (NDCs) with no mention of policy instruments.

The PA allows for the voluntary use of various top down and bottoms up cooperative approaches for mitigation and adaptation. While Articles 6.2 and 6.4 focus solely on market-based approaches for mitigation, Article 6.8 allows for the development of both mitigation and adaptation non-market approaches. Non-market approaches for adaptation can build upon previous experiences and lessons learned from mitigation market mechanisms and can create a credible means of valuing resilience through the generation of adaptation benefits. The creation of a scheme could enable (i) the development of project-specific methodologies that set the basis for estimating and quantifying adaptation benefits, and (ii) the transparency, credibility, and environmental integrity through the verification of units during project implementation. Demonstrating progress towards resilience and adaptation finance is embedded in the PA. Non-market mechanisms for adaptation must consider the unique aspects of climate change adaptation and can serve to create incentives for the mobilisation of public and private sector climate finance similar to market-based mechanisms.

Although the Adaptation Fund and other climate funds have financed some adaptation activities, public climate finance has traditionally focused on mitigation. So far, public sector finance is insufficient to meet the adaptation needs of developing countries, while private sector finance for adaptation has been largely absent.

In response to a request by African countries to develop innovative mechanisms for adaptation finance, the Bank, with support from CIF developed the ABM concept. ABM was formally introduced during the 2017 intergovernmental negotiations on Article 6.8 of the PA. In March 2019, the Bank launched the ABM Pilot Phase (2019-2023), which aims to operationalise and test the mechanism on the ground through demonstration projects across the continent.

The ABM is a results-based mechanism for mobilising public and private sector finance for adaptation. It certifies the benefits of adaptation action in exchange for payments. Project developers can use these payments to achieve financial

[4] UNFCCC (2015): Decision 1/CP.21. Adoption of the Paris Agreement, FCCC/CP/2015/10/Add.1, https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf

equity or obtain commercial loans to implement adaptation actions that would not be feasible otherwise. As such, ABM acts as a de-risking mechanism, and its CABs are valuable verified units. The mechanisms' quantified information meets the transparency targets stipulated under the PA and reporting on enhanced resilience and adaptation finance, in general. The ABM also supports developing countries with their own NDC implementation, particularly in relation to the adaptation component requiring international cooperation and support. The interim Adaptation Benefits Mechanism Executive Committee (ABM EC) is an independent senior-level expert body formed and hosted by the Bank that oversees the ABM and guides the implementation of the ABM Pilot Phase. The ABM EC is responsible for disseminating guidelines and tools for project developers, approving ABM methodologies and requests for the registration of ABM activities as well as the issuance of CAB.

ABM's functioning is briefly described as follows:

1. ABM is a result-based model that will generate CAB to be acquired by public financial institutions to tackle climate change as well as by private companies willing to invest in adaptation projects for corporate and social responsibility (CSR) objectives.
2. Public and private donors will conclude a financing agreement based on the results to be achieved.
3. This agreement will specify the fixed payments for CAB, their volume and delivery schedule.
4. It will contribute to de-risking adaptation investments, enable the pre-finance of adaptation projects, and generate a positive loop to support adaptation investment.
5. The ABM EC serves as an independent third party that will ensure the consistency of the adaptation benefits through periodic verification during project implementation; and
6. ABM will comply with the PA Art 6.8 and will support NDC implementation regarding adaptation.

2.3 Market Study rationale

The ABM Market Study was commissioned by the Bank to bring together key adaptation stakeholders associated with upstream policies and downstream projects, as well as relevant finance sector stakeholders including donors and banks, and rally study participants around the ABM initiative. The specific objective of this study was to analyse the following:

- Participant understanding of the mechanism.
- Participant ABM hesitation and requests for clarification.
- Issues that render the mechanism unappealing.
- Participant suggestions for improvement and correction.
- Participant willingness to become CAB purchasers.

3. market study methodology

3.1 Stakeholder mapping and grouping

The study's initial step was the development of a stakeholders' database to conduct a quantitative survey and qualitative interviews. This was performed by the Study's commissioned consortium, led by EY and Perspective Climate Group. The Consortium built an Excel database that prioritises the Africa region and covers a broader geographic scope comprised of the Asia-Pacific, Latin America, Europe and North America regions to map relevant adaptation stakeholders and collect their viewpoints on ABM.

The database comprises 788 contact points (above the initial objective of 500 contacts) who had been contacted to complete the online survey. Of those, 15 were selected for direct interviews. This selection is discussed in greater detail in section 2.3.

An initial stakeholders' categorisation of contact points was proposed by the Bank in the Market Study Terms of Reference. The Consortium categorised survey respondents into three main groupings to differentiate the main streams of opinion and provide greater clarity in the results' analysis.

The three main groups are as follows:

1. **Group I** Primary target group: Potential AB purchasers (e.g., public climate finance actors, CSR actors, philanthropic bodies, etc.).
2. **Group II** Secondary target group: National authorities and institutions; (e.g., public institutions, Green Climate Fund [GCF] National Designated Authorities, etc.); and
3. **Group III** Third target group: Adaptation project developers (e.g., NGOs and others).

Examples of stakeholders targeted for each group are described in the table below:

TABLE 01 Target group clustering

GROUP I

Proposed audience	Consortium inputs on audience
Potential Adaptation Benefit (AB) purchasers: Public climate finance actors	Adaptation Fund, GCF, World Bank, EU Commission, BOAD, CAF, ADB, KfW, EBRD, EIB, UNDP, IRENA, GIZ, AFD, REEEP, GEF etc.
Philanthropic bodies willing to fund ABM in general (not buying ABs) and/or serving as ABM purchasers	Climate Works Foundation, European Climate Foundation, CIFF, and similar climate-oriented foundations

Potential AB purchasers: CSR actors	Private companies reporting to the Carbon Disclosure Project, companies with Net Zero targets, members of the Global Investor Coalition on Climate Change, Coalition for Climate Resilient Investment

GROUP II

Proposed audience	Consortium inputs on audience
Developing countries' authorities	First priority: Africa. Second priority, LDCs and SIDs outside Africa. Third priority, other developing countries
Negotiation groups under the UNFCCC	Beyond national authorities: LDC Group, the Climate Vulnerable Forum, etc.

GROUP III

Proposed audience	Consortium inputs on audience
Project developers	Developers of classical development projects as well as climate change mitigation projects in developing countries
Entities dedicated to adaptation with whom the ABM needs to interact	Global Commission on Adaptation, LDC Initiative for Effective Adaptation and Resilience (LIFE AR), African Adaptation Initiative (AAI), Adaptation of African Agriculture Initiative.
Other civil society organisations relevant to the functioning of the ABM	Least Developed Countries (LDCs) Universities Consortium on Climate Change, CAN members

The stakeholders' database was prepared by compiling the Consortium's existing databases with the results of extensive desktop research. This database has been filled with the following information, when available:

- Stakeholder group (based on the above classification).
- Organisation/entity name.
- Named contact point/Focal Point.
- Contact point's position within the organisation.
- Email.
- Phone number; and
- When relevant, details on past and future engagements regarding adaptation action.

The stakeholder mapping exercise aimed to include a broad range of key adaptation stakeholders associated with upstream policies and downstream projects as well as relevant finance sector stakeholders including donors and banks, to analyse:

- Their understanding of the mechanism.
- Their hesitations and requests for clarification.
- Issues that might render the mechanism unappealing.
- Their suggestions for improvement and correction; and
- Their willingness to become an AB purchaser under the ABM.

3.2 Online survey

The study employed a quantitative approach and an online questionnaire was developed and published using Google Forms. The questionnaire consisted of a generic set of questions which applied to all target groups and targeted sets of questions that were specific to each target group. The general questionnaire framework was as follows:

- A brief introduction to the ABM, its functioning and utility and the purpose of the study (fulfilling awareness-raising and dissemination objectives).
- Sections to be filled by the participant:

  Section A Participant Profile.
  Section B Current experience/practice regarding adaptation and adaptation finance.
  Section C Perception of the ABM and its expected impacts.
  Section D The ABM process; and
  Section E Next steps.

The questionnaires were published on Google Forms and disseminated to stakeholders via email. In addition, the Consortium optimised the rate of replies by:

- Sending three rounds of reminders on a weekly basis.
- Separately reaching contacts with whom Consortium members had previously liaised/worked with.
- Updating and completing the stakeholders' database until reaching a satisfactory number of replies.
- Providing offline versions of the questionnaire when requested by stakeholders; and
- Promoting the study across relevant newsletters (e.g., "Climate News" Google group and the "We Adapt" newsletter), to ensure visibility beyond the scope of those stakeholders identified by the Consortium.

The initial objective of at least 50 replies (10% of replies out of an estimated 500 stakeholders database) was exceeded. In total, 68 replies were received (26 in Group I, 16 in Group II, 26 in Group III).

3.3 Direct interviews

In addition to the online survey, direct interviews were conducted to better understand and assess stakeholders' awareness and perception of ABM and generate detailed qualitative data to complement the broad online dataset.

For this purpose, the Consortium designed, prepared, and conducted qualitative interviews with 15 stakeholders.

The identification of the 15 stakeholders was based on specific ABM-related criteria that considered geographical coverage and adaptation activities that were validated by the Bank. The selection criteria was as follows:

- Type of organisation (Group I, II and III).
- Geography.
- Current scope of work on adaptation.
- Degree of climate change engagement and related experience.
- Willingness to engage in non-market mechanisms; and
- Appetite for funding adaptation projects.

To ensure the submission of 15 replies, the Consortium sent reminders to contact points and replaced contacts not responding with other contacts with similar profiles (same group, geography, size, etc.), provided approval by the Bank.

Based on the interviewee's language preferences, some interviews were conducted in French.

4.
market study
quantitative results

4.1 Overview of the quantitative panel

For each of the three groups, there are one to three types of dominant profiles (in terms of number of replies):

- **Group I** Potential AB purchasers: Public climate finance actors and philanthropic bodies, including NGOs.
- **Group II** National authorities and institutions: Developing countries' authorities; and
- **Group III** Adaptation project developers: Non-profit organisations including NGOs, Civil society organisations and CSR actors including the private sector.

Stakeholders in each group tend to have a greater duration of experience in climate-related actions than in adaptation actions. About 48% of participants possess greater than 10 years of experience working on climate-related issues, some 37% of participants possess greater than 10 years of experience working on adaptation issues, and in Group III some 50% of participants have less than 5 years of experience working on adaptation issues.

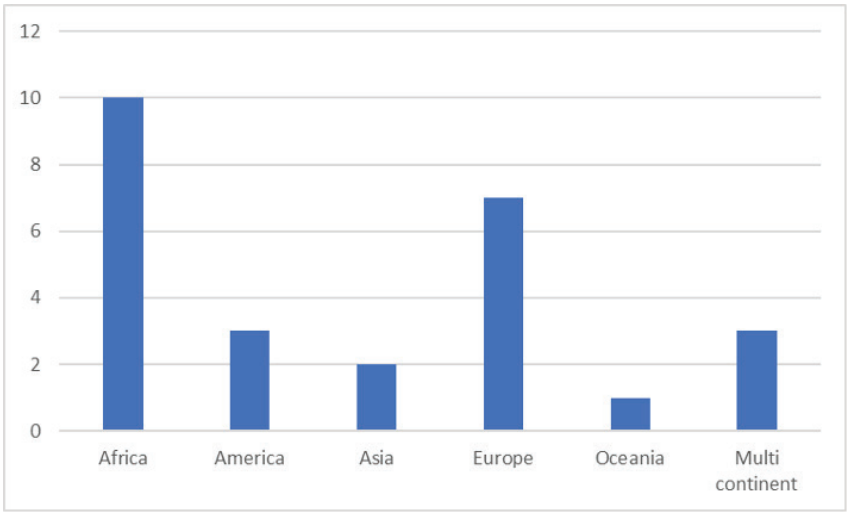
Stakeholders in Group I and II tend to have a greater duration of experience in both climate-related and adaptation actions than stakeholders in Group III (more 60% of participants from Group I and Group II have more than 10 years of experience in climate-related issues versus 27% for Group III and more than 40% of participants from Group I and Group II have more than 10 years of experience in adaptation issues versus 27% for Group III).

Finally, stakeholders in Group I tend to focus primarily on financing adaptation activities within Africa with more than 50% of participants stating that more than 40% of their adaptation activities are focused in Africa, and almost 27% of their adaptation financing activities are focused exclusively in Africa.

4.1.1 Group I – Potential AB purchasers (climate finance)

A total of 27 contact points participated in the online survey under Group I – Potential AB purchasers. The vast majority of respondents are based in Africa. Their geographical representation is as follows:

FIGURE 01 Group I participant location



The panel of participants represents a wide range of organisations and institutions, as shown in the chart below. Of the total respondents, representatives from the public climate finance sector and philanthropic bodies including NGOs, account for 38.5% and 15.4% respectively.

FIGURE 02 Breakdown of Group I participants per institution type

More than half of Group I participants have worked on climate-related issues for more than 10 years, and more than two thirds have worked on adaptation-related issues for more than 5 years. The previously mentioned figures demonstrate the participants' knowledge and experience in climate adaptation, further reinforcing the credibility of their answers.

FIGURE 03 Breakdown of Group I participants per years of experience in climate change

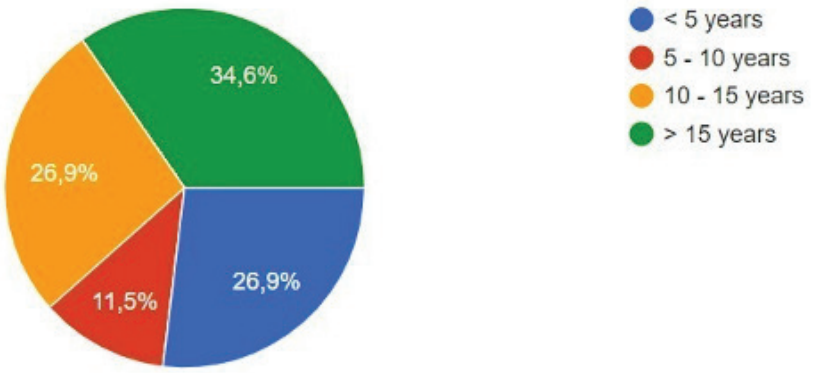
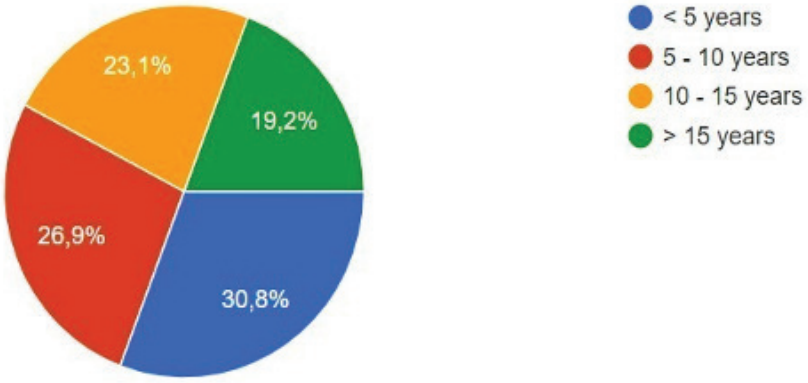


FIGURE 04 Breakdown of Group I participants per years of experience in adaptation



All Group I participants indicated that they support adaptation activities in Africa with a balanced variety of profiles ranging from less than 20% of their activity in Africa to more than 80%. Some 26.9% of participants work exclusively in Africa on adaptation-related activities. The results show that participants tend to have a good awareness of adaptation needs specific to Africa.

FIGURE 05 Share of Group I participants adaptation activities in Africa

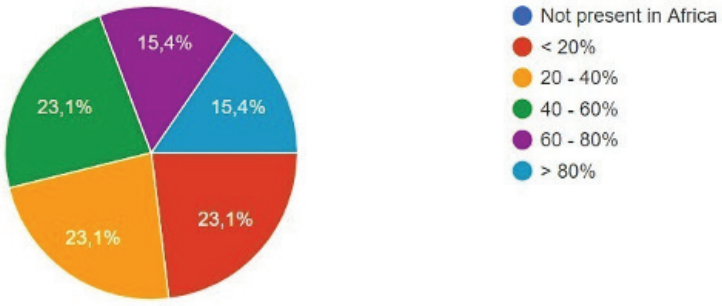
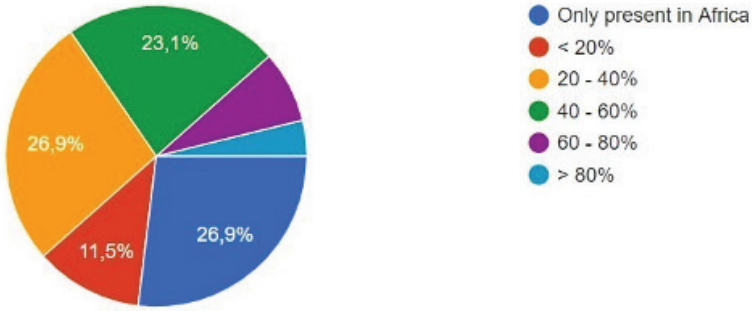


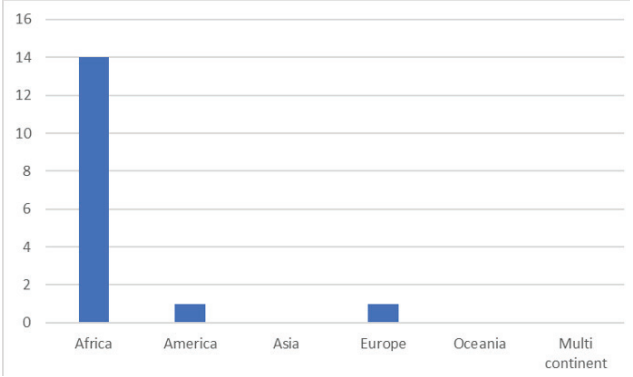
FIGURE 06 Share of Group I participant adaptation activities in the rest of the world



4.1.2 Group II – National authorities and institutions

A total of 16 contact points participated in the online survey under Group II – National authorities and institutions. The wide majority of respondent are based in Africa.

FIGURE 07 Group II participants location



The panel of participants represents a wide range of organisations and institutions, as shown in the graph below. Representatives from developing countries' authorities account for 50% of the total group.

FIGURE 08 Breakdown of Group II participants per institution type

More than half of Group II participants have worked on climate-related issues for more than 10 years, and three quarters have worked on adaptation-related issues for more than 5 years. The previously mentioned figures demonstrate participants' knowledge and experience of adaptation, further reinforcing the credibility of their answers.

FIGURE 09 Breakdown of Group II participants per years of experience in climate change

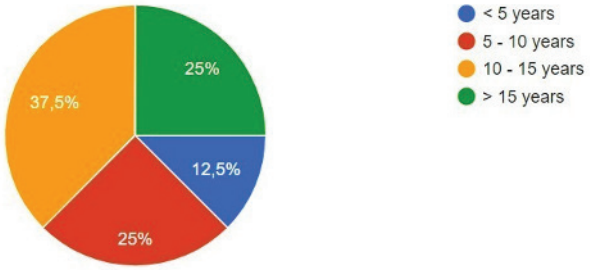
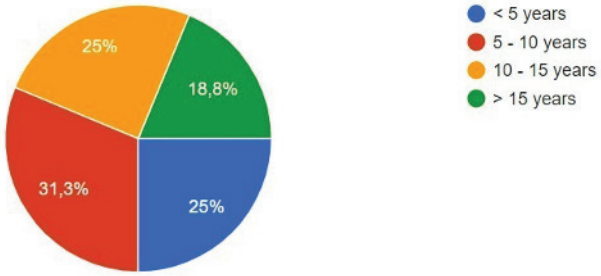


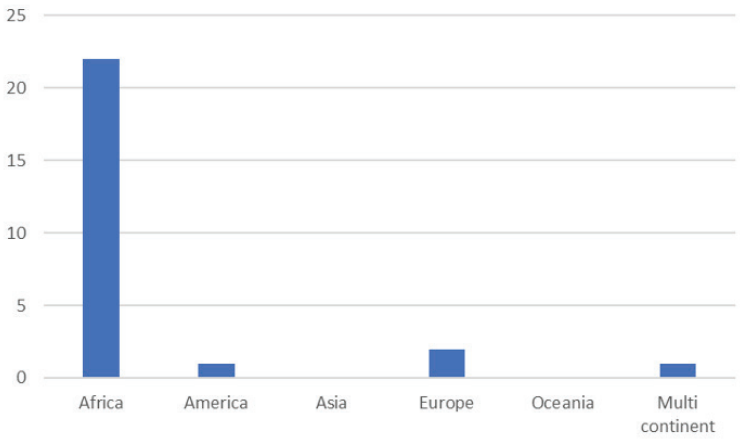
FIGURE 10 Breakdown of Group II participants per years of experience in adaptation



4.1.3 Group III – Adaptation project developers

A total of 25 contact points participated in the online survey under Group III – Adaptation project developers. The following figure shows that the vast majority of respondents are based in Africa.

FIGURE 11 Group III participant location

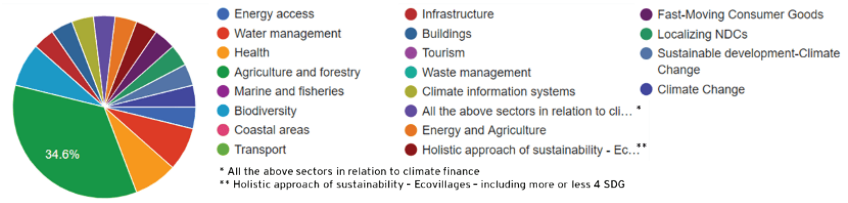


The panel of participants represents a wide range of organisations and institutions, as shown in the graph below. In all, representatives of non-profit organisations including NGOs and civil society organisations account for 50% and 19.2% of the group, respectively.

FIGURE 12 Breakdown of Group III participants per institution type

More than a third of Group III participants work in agriculture and forestry (34.6%). Other participants operate across a wide range of sectors, demonstrating thorough representation for adaptation.

FIGURE 13 Breakdown of Group III participants per sector



More than half of Group III participants have worked on climate-related issues for more than 10 years, and half have worked on adaptation-related issues for less than 5 years. The following figures show that participants' experience in adaptation is recent, however the response rate in Group III reflects a strong interest in the subject.

FIGURE 14 Breakdown of Group III participants per years of experience in climate change

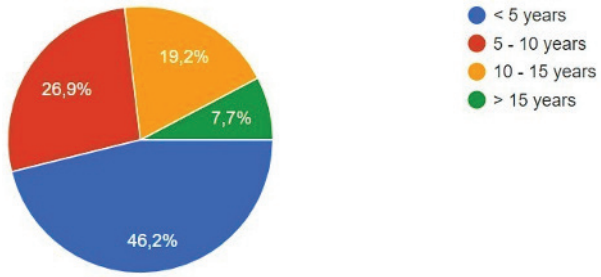
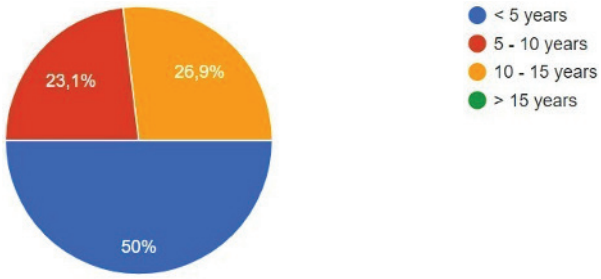


FIGURE 15 Breakdown of Group III participants per years of experience in adaptation



4.2 Current experience and practice of adaptation and adaptation finance

4.2.1 Consolidated results

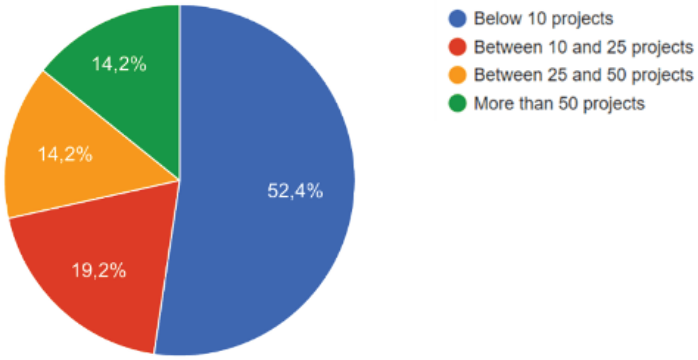
For all Groups, financial and technical barriers appear to be the most common when financing adaptation projects. In addition, grants emerge as the preferred financial instrument for each group, followed by either loans, results-based payments or blended finance.

4.2.2 Results per group

4.2.2.1 Group I – Potential AB purchasers (climate finance)

Some 61.5% of Group I participants are working with private sector projects in developing countries on adaptation-related activities. Among them, 14.2% support more than 50 projects annually, while 52.4% support less than 10 projects annually.

FIGURE 16 Number of adaptation projects supported annually by Group I participants



The approximate finance volume Group I dedicated to climate change adaptation, independent of geography, ranges between $0 to $5 billion. Half of participants spend between $1 million and $100 million per year in adaptation, with most respondents indicating spending in the $20-50 million range.

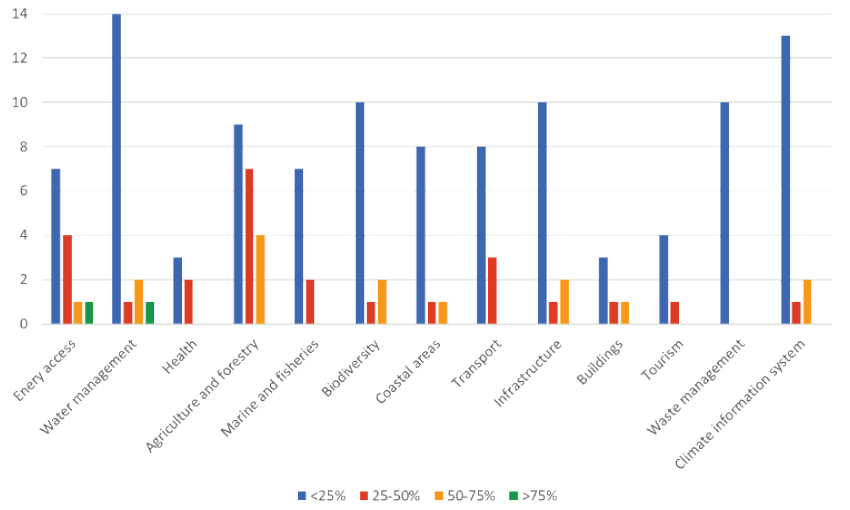
TABLE 02 Approximate finance volume directed by Group I institutions to climate change adaptation, independent of geography ($ per year)

Yearly finance volume ($)	Number of participants	Share
More than 1BN	4	15,4%
Between 100M and 1BN	2	7,7%

Between 1M and 100M	13	50%
Less than 1M	3	11,5%
None	4	15,4%
Total	**26**	**100%**

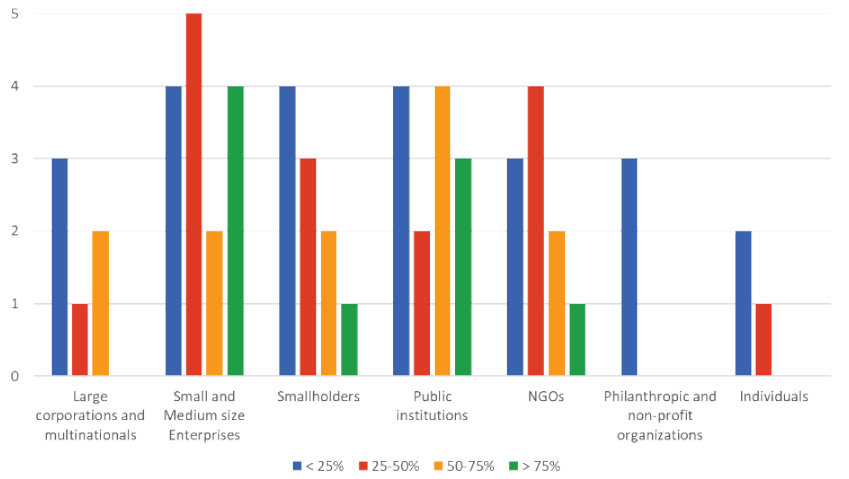
Adaptation finance is distributed across various sectors, notably energy access, water management, agriculture and forestry, and infrastructure. Waste management is the sector that receives the least financial support with 10 participants indicating this sector accounts for less than 25% of their portfolio.

FIGURE 17 Adaptation sectors supported by Group I participants by intensity and number of answers



The graph below shows that potential AB purchasers already support a variety of organisations with a larger proportion of support offered to SMEs and smallholders as well as public institutions which represent up to more than 75% of some participants portfolios.

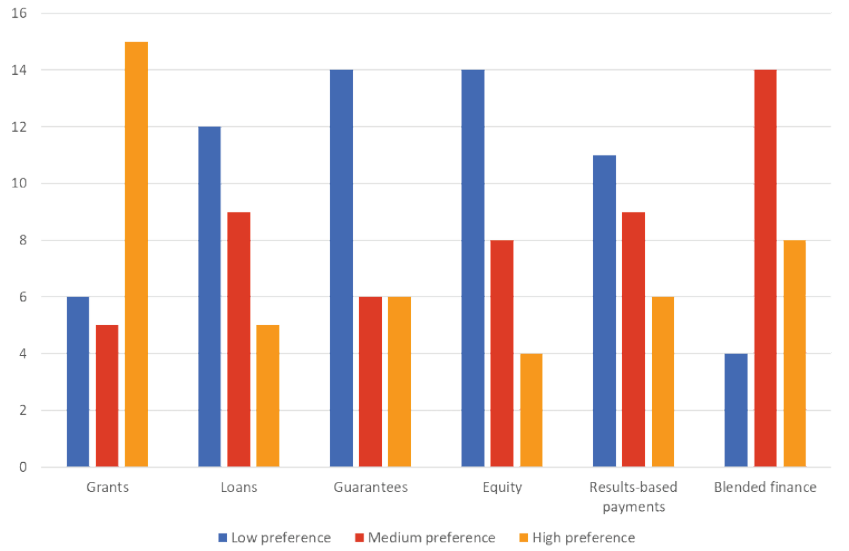
FIGURE 18 Type of project developers supported by Group I participants by intensity and number of answers



To support adaptation-related activities, 15 participants indicated a high preference for grants, while 8 participants indicated a high preference for blended finance. Those seem to be the two financial instruments most preferred by finance providers.

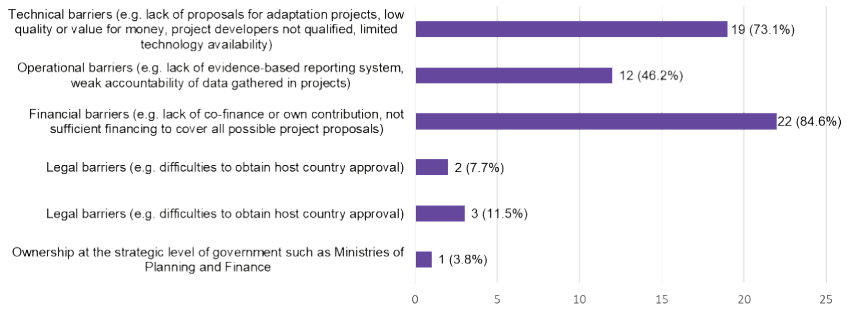
Participants' reveal lower preference for guarantees and equity, which do not seem to be well-suited to supporting adaptation projects. Finally, the relevance of results-based payments appears to be mixed as 11 participants indicate a low preference, 8 a medium preference, and 6 a high preference.

FIGURE 19 Group 1 preference level participants for various financial instruments and number of answers



Based on this group's experience and practice with adaptation finance, the main barriers to financing adaptation projects are financial and technical. Indeed, 84.6% of participants identified financial barriers as a main constraint, and 73.1% identified technical barriers as a major constraint. The results show that legal and political barriers do not seem to be a major barrier to adaptation finance.

FIGURE 20 Overview of the main constraints and barriers to finance adaptation projects for Group I



Additional information on respondents' constraints and barriers is detailed below:

TABLE 03 Constraints and barriers to finance adaptation for Group I

Type of Barrier	Details
Financial	• Lack of economically viable projects/programs. • Lack of co-finance due to limited financial resources. • […] and appropriate finance are the main barriers. • Largely how to match the logic of funding research with the logic of financing adaptation in practice (and in addition how to quantify their benefits). • Most adaptation projects do not yield sufficient financial flows to make them bankable – i.e., you need a grant or concessional loan, and this is not attractive or available to the private sector. • Available finance is "a rather small amount compared to the financing needs". • "So far, adaptation is rarely a profitable business case". • There is lack of clear understanding of the adaptation project structuring (bankability) which hinders access to finance; and banks also do not have financing instruments to support climate adaptation projects. • Limited pipeline of climate resilience investments. • Developing countries need external funding through grants from the GCF and other multilateral sources to finance adaptation projects. This remains very limited despite pledges made in the UNFCCC process by developed countries.

Technical	• Lack of high-quality and technical rigor required by donors. • Proposals are few and the projects are in very early stages.
Operational	• Some agencies are not yet mature to support climate adaptation. • One of the biggest issues is difficulties in obtaining endorsements from national implementing entities. The main causes of these issues need to be assessed.
Legal	• Regulation […] are the main barriers.
Other	• Projects are not well integrated in the development planning and budgeting frameworks, thus they end up being stand-alone, time-bound, and donor-dependent. • Sometimes the definition of "adaptation" seems quite difficult or ambiguous to apply to a variety of projects, and that limits the support available.

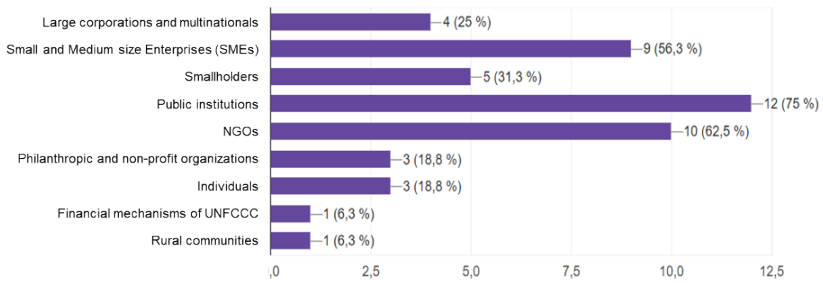
4.2.2.2 Group II – National authorities and institutions

Some 62.5% of Group II participants are working with private sector projects in developing countries on adaptation related activities, initiatives and programs, including those mentioned below:

- Microfinance institutions.
- Development banks.
- The Green Climate Fund.
- The Adaptation Fund; and
- The private sector.

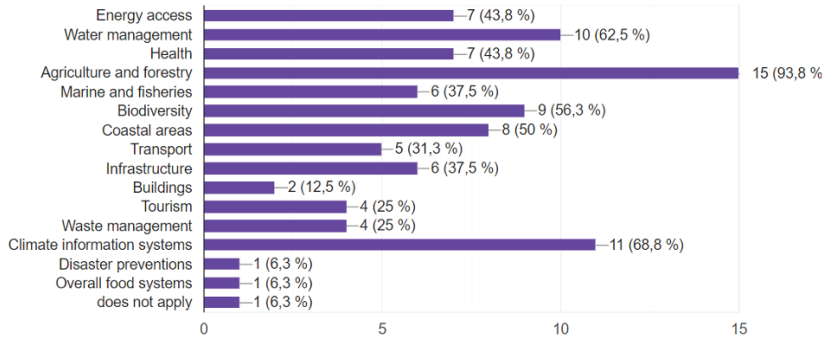
The profile of adaptation project developers that national authorities are working with are diverse. A total of 75% of participants indicate that they are working with public institutions, 62.5% with NGOs, and 56.3% with SMEs. To a lesser degree, participants indicate they are working with large corporations, philanthropic entities, and individuals.

FIGURE 21 Profile of adaptation project developers in Group II represented countries



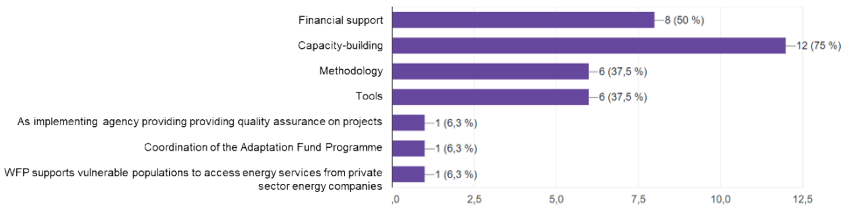
From a sectorial perspective, agriculture and forestry is, in almost all countries, a priority sector for adaptation. Climate information systems and water management are also considered significant sectors, comprising 68.8% and 62.5% respectively. Biodiversity, coastal areas, energy access and health are also revealed as priority sectors in approximatively half of the countries surveyed.

FIGURE 22 Priority adaptation sectors in Group II represented countries



The type of support provided by Group II respondents to adaptation project developers is mostly related to capacity building (75%) and financial support (50%). Methodologies and tools were also mentioned by more than one third of participants.

FIGURE 23 Type of support provided by national authorities and institutions to adaptation project developers

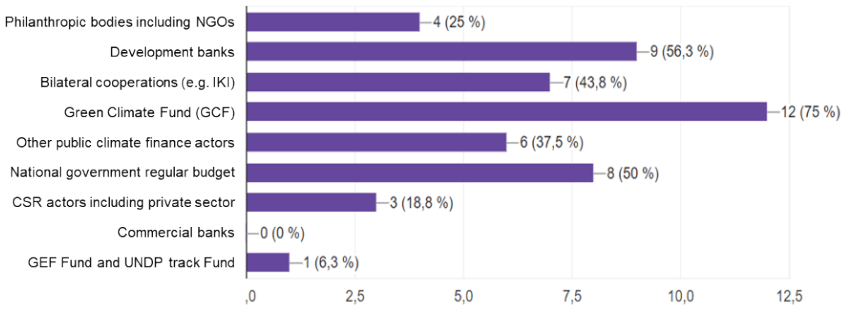


National budgets dedicated to adaptation are heterogenous amongst national authorities who replied to the online survey. Indeed, some indicated no budget allocation to adaptation, often due to the lack of budget lines linked to adaptation. Others indicated national adaptation budgets in the range of $50,000 per year to around $ 3 million to 5 million per year.

Some countries indicated a reliance on external support from climate finance providers. About 68.8% of Group II respondents reported working with finance providers in support of adaptation projects. The amount of financial support received from finance providers varies from $0 to $5 million per year. The responses indicate that the amount of money dedicated to adaptation, either from national budgets or finance providers, is difficult to track. For this reason, national authorities often could not provide an answer to the related survey questions.

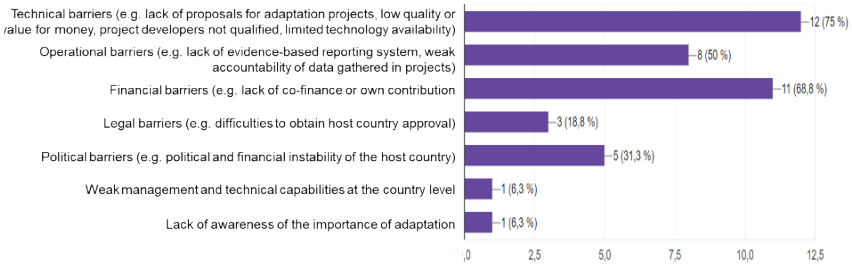
Group II respondents indicated that they work with a wide range of organisations to support adaptation projects. Most notable was the Green Climate Fund (75%), followed by development banks (56.3%) and bilateral entities (43.8%). Some 56.3% of participants indicated they have used their regular national budget to support adaptation.

FIGURE 24 Types of organisations to support adaptation projects in Group II



Much like Group I, the feedback from Group II reveals that the main hindrances to adaptation finance are technical and financial. Overall, 75% of participants identified technical barriers as a main constraint, and 68.8% identified financial barriers. Operational barriers are also deemed significant, based on the results shown below.

FIGURE 25 Overview of the main constraints and barriers to finance adaptation projects for Group II



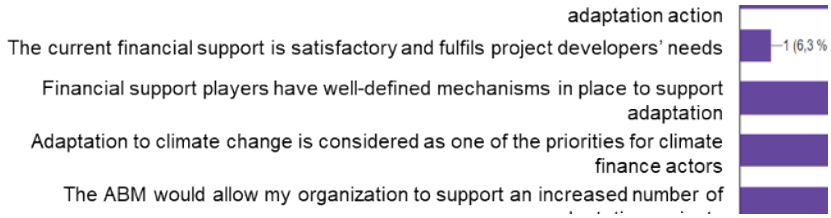
Further detail on Group II constraints/barriers are listed below:

TABLE 04 Constraints and barriers to finance adaptation for Group II

Type of Barrier	Details
Financial	• Adaptation projects do not come pre-packaged in a way that fits the internal climate finance rules, especially attribution of the percentage of a project that is climate change adaptation.
Technical	• Need for capacity building. • Project developers are not offering quality technology/product/services to vulnerable populations (poor, remote, displaced, etc.).
Operational	• Problem in the area for implementation and low quality of technology. • Low equipment and tools in addition to low capacity for data needs and methodology. • Adaptation planning requires robust data sets and several years to group and analyse. Countries are implementing that.
Legal	n/a
Other	• Adaptation projects in developing countries […] are part of the national development agenda such as infrastructure development, food security, health, water, and sanitation. Distinguishing activities as solely adaptation from national/country agenda implementation is a thin line.

A total of 81.3% of Group II participants agreed that financial support from finance providers is critical to maximising the impact of adaptation action. Furthermore, only one participant (6.3% of the panel) agreed that the current level of financial support is satisfactory and adequately fulfils project developers' needs. More than half of participants (56.3%) agreed that the ABM would enable the support for an increased number of adaptation project developers.

FIGURE 26 Group II level of agreement with specific statements

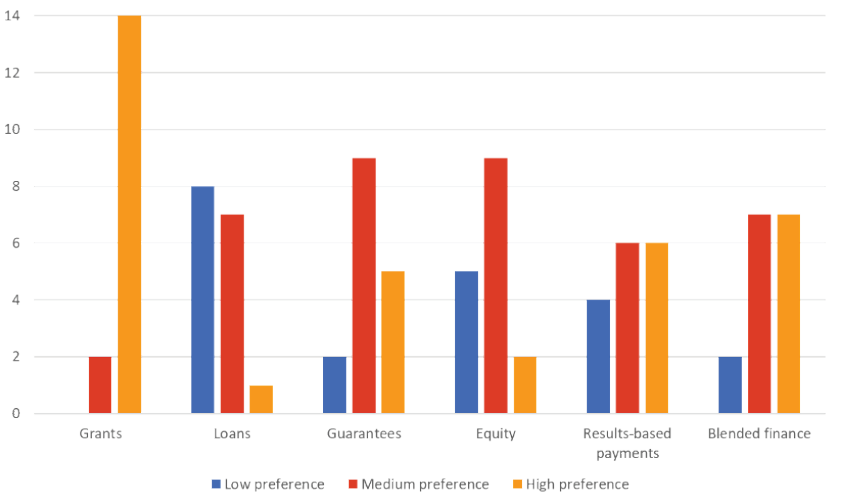


Respondents indicated that:

- "Adaptation finance is limited compared to mitigation. Targeted support yields positive tangible results".
- "Public climate finance is essential, but not enough countries are equipped to make the best use of it".
- "While there is growing interest and prioritisation of adaptation among climate finance actors, more is needed".
- "Financial support from multilateral climate change funds is slow, untransparent and highly demanding. The returns that the private sector can make from adaptation finance is not so obvious. Banks are not lending for climate resilience yet".

To support adaptation related activities, national authorities and institutions represented amongst Group II participants indicated a high preference for grants (14 votes), for blended finance (7 votes), and for result-based payments (6 votes). A low preference was given for loans (8 votes) and respondents showed a moderate preference for guarantees and equity (9 votes each).

FIGURE 27 Relevant financial mechanism to support adaptation from Group II perspective by number of answers



4.2.2.3 Group III – Adaptation project developers

About 53.8% and 26.9% of Group III participants are working with philanthropic bodies including NGOs and public climate finance actors, respectively, to finance their adaptation projects. Almost a third of participants never received financing from the institutions listed below and 15.4% received less than $ 50,000 annually, on average.

FIGURE 28 Types of institutions Group III participants have been working with to finance adaptation projects

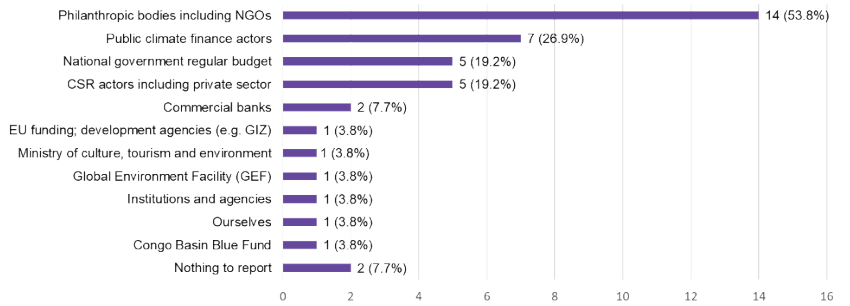
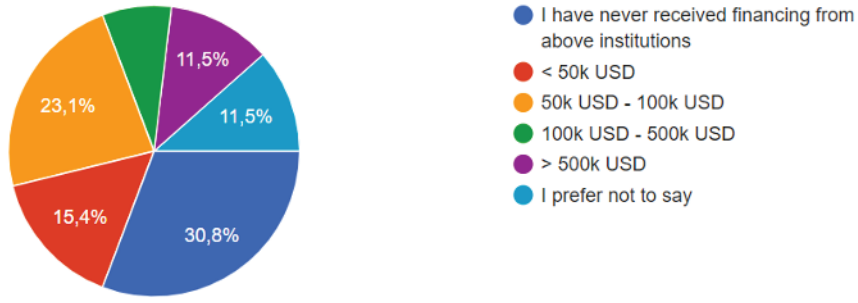


FIGURE 29 Approximate finance volume Group III participants have received annually



Group III participants rated their personal experience with these institutions as follows:

- Ease of engagement (contact points identified and available, means of communication, etc.) Adaptation project developers indicate they are “not satisfied” with development banks (10 votes) and the GCF (9 votes). Conversely, philanthropic bodies including NGOs are, for the most part, rated as satisfactory (11 votes).

- Overall flexibility (understands and adapts to needs, proposes tailored solutions, etc.) Adaptation project developers are “not satisfied” with commercial banks (9 votes) and the GCF (8 votes). Conversely, philanthropic bodies including NGOs and bilateral cooperation entities (e.g., IKI) are, for the most part, rated as satisfactory (11 and 9 votes respectively).
- The level of financial support provided compared to Group III needs: overall, adaptation project developers are either “not satisfied” or “neither satisfied nor not satisfied”.

FIGURE 30 Rating of the ease in engaging with financial institutions by number of answers

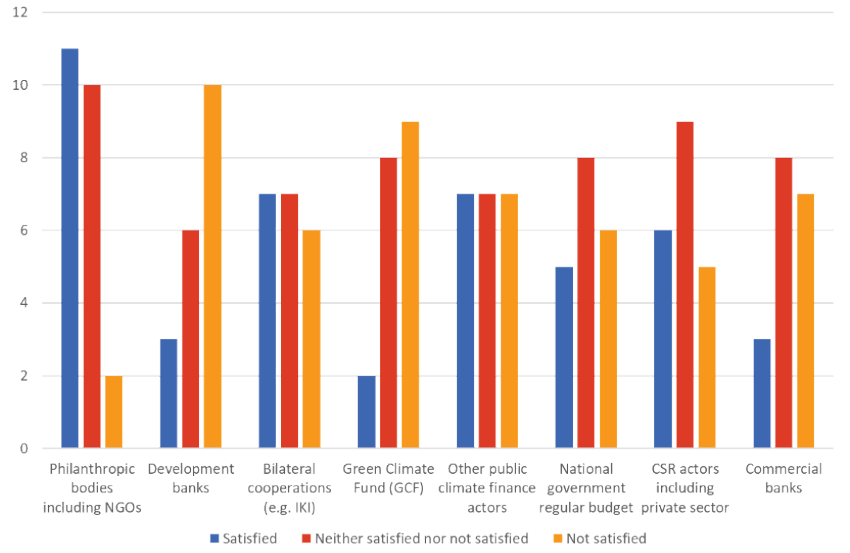


FIGURE 31 Rating of the flexibility of financial institutions by number of answers

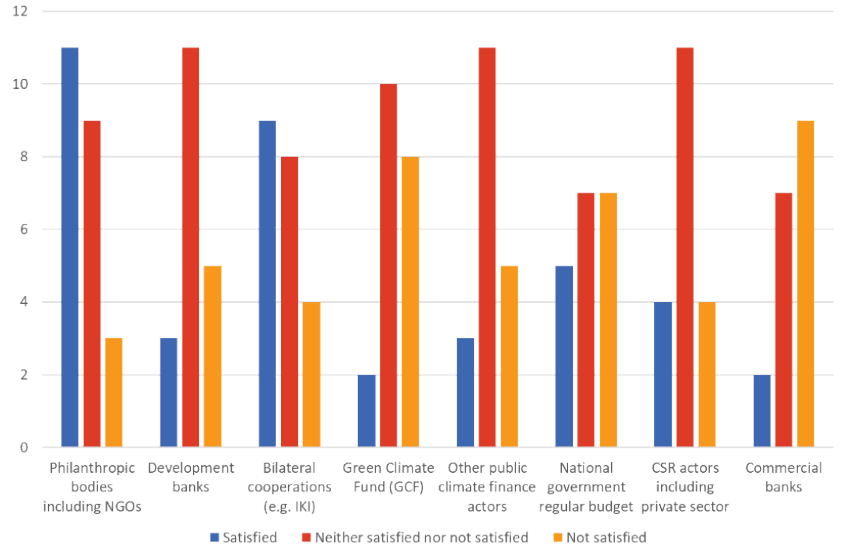
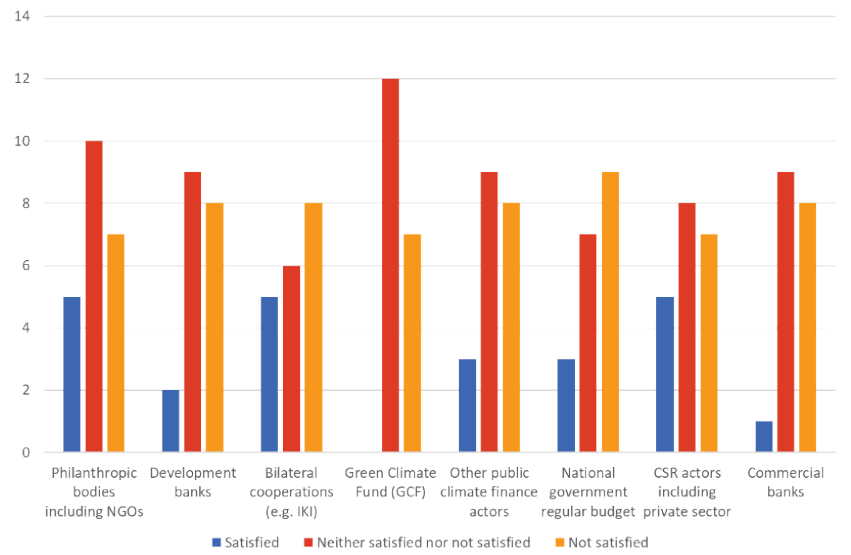


FIGURE 32 Rating of financial support provided compared to Group III participants' needs by number of answers



Some additional comments by Group III participants regarding their overall experience with financial institutions and supporting organisations are as follows:

- Financial institutions, especially banks do not believe in adaptation-related issues because of their long-term nature and ambiguity.
- For the private sector, timelines for fund applications are lengthy and rather specific (not flexible).
- Supporting agencies do not satisfy or meet the need of local communities; and
- The funding received is short term. As soon as the support is stopped, there is a relapse, and the institution falls back into operating difficulties, or it disappears completely.

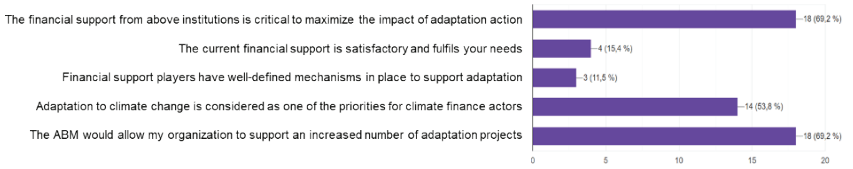
Some Group III respondents indicated they have never been financed; therefore, they could not provide comment.

A total of 69.2% of Group III participants agreed on the following:

- The financial support from finance providers is critical to maximizing the impact of adaptation action; and
- The ABM would allow their organisation to support an increased number of adaptation projects.

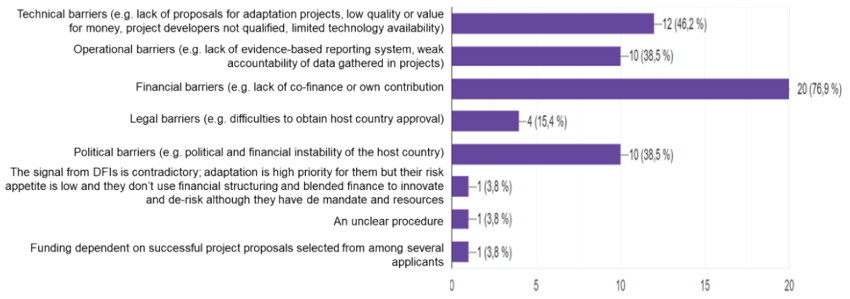
Only 3 participants (11.5% of the panel) agreed that financial support players have well-defined mechanisms in place to support adaptation.

FIGURE 33 Group III level of agreement with specific statements



As with Group I and II, Group III considers that the main barriers that hinder adaptation finance are financial and technical. Some 76.9% of participants identified financial barriers as a main constraint, and 46.2% identified barriers as mainly technical. Based on the results below, operational and political barriers are also significant.

FIGURE 34 Overview of main constraints and barriers to finance adaptation projects for Group III



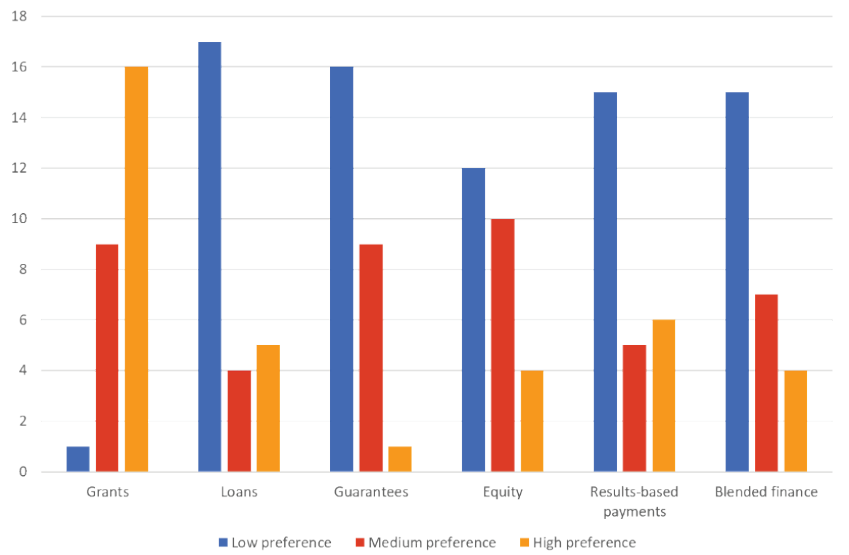
Greater detail on Group II participants' constraints/barriers are described below:

TABLE 05 Constraints and barriers to finance adaptation for Group III

Type of Barrier	Details
Financial	• There is a desire to make major investments to tackle climate issues but the return on investment is lacking. Co-finance could be a solution, especially if the impact is significant, nationally. • Constraints include inflation, price instability in the purchase market for materials/raw materials and the low income of program beneficiaries. • Lacking donors and/or sustainable partnerships. • The fluctuation of local currencies is a constraint that destabilises the implementation of projects.
Technical	• The bar is set high for access to funding for people in developing countries. • Inadequate collection of technical data, with many project leaders requiring additional support for their qualifications and where technical means are limited. • The inadequacy of data collected.
Operational	• The system for accessing funding is closed and/or limited and local organisations are not informed nor involved in the application process. • Difficulty in accessing project implementation sites due to poor road conditions and weak managerial capacity of program beneficiaries.
Legal	n/a
Other	• If the Strategic Plan was approved by the government, we would receive the financing for the projects. • Poor governance of country leaders (corruption). • Political conflict between political actors involved and difficulty involving the political-administrative and customary authorities. • The political instability of the country pushes external partners to retract or show an unwillingness to finance our projects. This instability in turn leads to financial instability caused by the depreciation of the local currency and the lack of exports (given that domestic production is insufficient for the country alone). • The difficulty of our governments to approve projects as they are not initiators.

To support adaptation-related activities, adaptation project developers represented amongst Group III participants indicated a high preference for grant (16 votes). Conversely, a low preference was indicated for loans (17 votes) and guarantees (16 votes).

FIGURE 35 Relevant financial mechanisms to support adaptation from Group III perspective by number of answers



4.3 Perception of the ABM process and its expected impacts

4.3.1 Consolidated results

Participants across the three groups were aware of the ABM and came to learn about the mechanism primarily through the Bank's website and outreach material, however some were unaware of the ABM prior to answering the questionnaire. Overall, study participants found all project sectors and project sizes relevant for the ABM, with a slight preference for agriculture, forestry and water management projects and for projects between $1 million and $50 million. Feedback suggests that output, outcome, and impact indicators are the most relevant for the measuring of adaptation benefits, and that they should be measured at later stages with outcome and impact indicators preferred over output indicators. Technical and economic information is considered the most relevant and should ideally be provided by adaptation project holders prior to project implementation. Information on requirements should be provided by finance providers and project holders should share information with ease.

4.3.2 Vision per group

4.3.2.1 Group I – Potential AB purchasers (climate finance)

a. Relevance of the ABM approach for adaptation

Half of Group I was aware of the ABM before receiving the questionnaire. Among those, the majority became aware of ABM through the Bank website and related outreach material.

Group I tends to consider that ABM is mostly relevant in the agriculture and forestry (76.9%) and water management sectors (65.4%) and half of Group I respondents consider ABM most relevant for projects ranging from $1 million to $5 million.

FIGURE 36 Sectors for which Group I considers ABM would be the most relevant

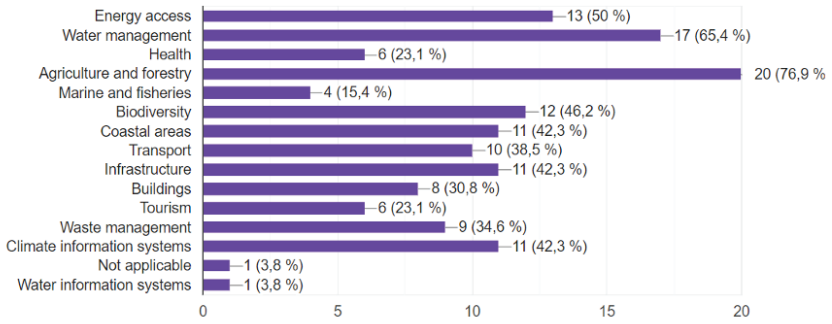
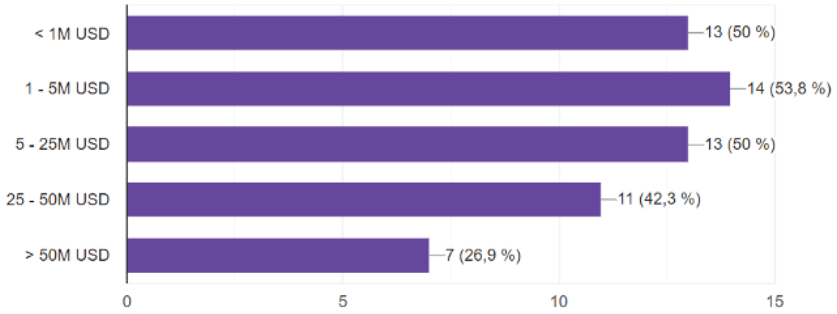


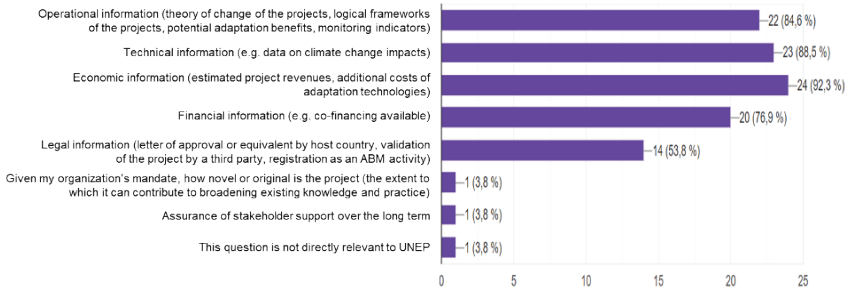
FIGURE 37 Project size for which Group I considers ABM would be the most relevant



b. The ABM process: relevant indicators and verification means

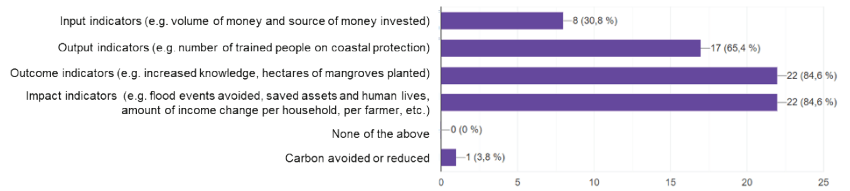
According to Group I, economic information (92.3%), technical information (88.5%) and operational information (84.6%) are acknowledged as necessary pre-requisites to support adaptation projects.

FIGURE 38 Pre-requisite information to support adaptation projects through the ABM for Group I



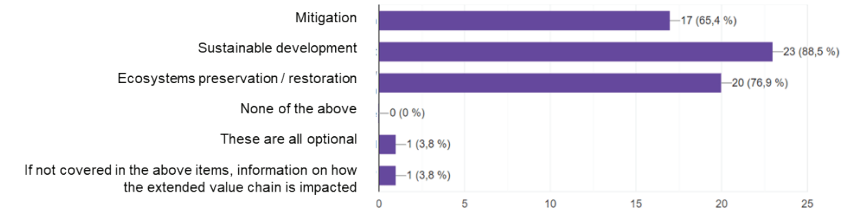
For the measurement of adaptation benefits, Group I finds outcome (84.6%) and impact indicators (84.6%) to be the most relevant.

FIGURE 39 Relevant indicators for measuring adaptation benefits



In addition, sustainable development (88.5%) and ecosystems preservation/ restoration (76.9%) are the expected areas of information for the determination of project co-benefits to be reported.

FIGURE 40 Expected information for the determination of project co-benefits to be reported through the ABM process according to Group I



The relevance of each type of indicator for measuring adaptation benefits and project co-benefits is explored in greater detail below:

TABLE 06 Advantages and drawbacks of indicators for measuring the adaptation benefit and project co-benefits for Group I

Indicators	Advantages	Drawbacks
Input	n/a	• "The input level indicators cannot be reliably linked to verifiable benefits, and do not reflect and promote efficiency in the deployment of resources and investments". • "Money invested cannot be used as an indicator, results-based management is needed".
Output	• "Priority should be given to building investor awareness around metrics for measurable results - i.e., outputs and outcomes".	• "Output level indicators do not demonstrate direct translation into results". • "Output/outcome indicators alone cannot measure the true adaptation benefit".
Outcome	• "The benefits that can be verifiable objectively, and within a reasonable time frame, are mostly at the outcome level". • "It is good to focus on easily measured parameters that arise early in the project lifetime". • "Indicators linked to outcomes and actual impact would be most valuable". • "The priority should be on building investor awareness around metrics for measurable results - i.e., outputs and outcomes".	• - "Money invested cannot be used as an indicator, results-based management is needed". • - "Output/outcome indicators alone cannot measure the true adaptation benefit".
Impact	• "If you want to know the actual (not the anticipated) benefit, then you have to focus on the impact. There is a role for ex-post evaluation work, say three to five years after project completion or financial completion, even if it would only be to develop/improve a model for anticipated benefits. But in the end, you really want to know the actual benefits". • "Indicators linked to outcomes and actual impact would be most valuable". • "Outcome indicators are the most reliable".	• "Impact indicators often lack data while the benefits could only be realised in the very long term". • "The impact might only be known years after a project has been completed".
All	• "It will be necessary to use a range of different indicators". • "Having a clearly defined M&E framework is crucial for decision making". • "Since the Mechanism is a results-based approach, the different levels of indicators that seem relevant to us are those of output, effect and impact".	n/a

The following additional questions and points were raised by the respondents:

- “Ultimately, attempts to quantify benefits are expected to a) compare across diverse forms of adaptation, and b) speak to the opportunity cost of investing in adaptation versus some other form of climate action. To what extent does ABM help us choose among these options (between adaptation options, and adaptation vs other)?”.
- “The volume of investments does not mean that adaptation results will be achieved. What matters are the capacities built and the changes brought about by the investments made”.

A total of 96.2% of Group I consider that the upfront definition of measurement indicators and their ex-post verification would increase the credibility of the adaptation benefit. The following reasons were provided:

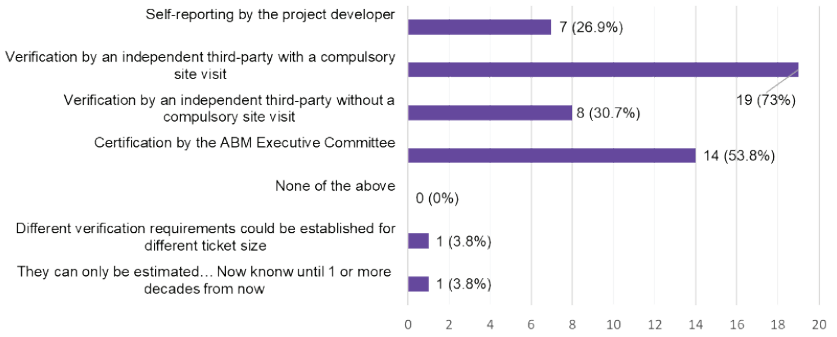
- “Upfront definition enables project development to be focused and for investments to be targeted towards results. There is however a need to ensure that these are based on reality and supported by a wide evidence base from previous experiences rather than solely from theory”.
- “Pre-established indicators are needed to measure performance”.
- “Exactly like green/sustainable/social framework: criteria for assessment must be defined at the inception, and then controlled during periodic reviews to ensure the reliability of the concept”.
- “Similar to index insurance mechanisms, indicators should be defined and measured at the start and at the end/milestones”.
- “Clearly identified, measurable indicators will probably be important for ensuring credibility with investors”.
- “Yes, it will help to have an indicator menu, which could be specific to a certain sector or type(s) of intervention(s). What you gain here is ease of application and ability to aggregate data”.
- “Even though adaptation is case-specific, it is expected that at least some general, sector specific indicators could be created. This would also allow comparison of the effectiveness and 'value for the money' of the projects”.
- Still, the following concerns were also raised:
- “The measurement indicators will need to be methodologically sound”.
- “Not really a fair question, as of course a financial decision would be more 'credible' if based on evidence. The real question is how reliable and useful are the 'measures' and whether the cost of getting it is modest compared to the overall benefits”.
- “What you miss is precision on project specifics. If we talk about ex-post, then as in years after project completion, not at completion. You probably could come to an indicator menu and equally an evaluation method menu”.
- “The benefits of adaptation will not be known until 1 or more decades from now”.

Finally, some comments were made regarding the verification/certification process:

- "The current intense focus on the integrity of certification processes makes this essential for credibility".
- "Yes, we need to define what it is that we are measuring, and ex-post verification provides credibility".

As for the means for verification, almost 70% of Group I considers verification by an independent third party to be relevant, including with a compulsory site visit. A total of 53.8% believe that certification should be made by the ABM Executive Committee.

FIGURE 41 Expected verification of the adaptation benefits for Group I



c. ABM strengths and areas for improvement

A total of 92.3% of Group I believes the ABM has the potential to incentivise public and private sector financing of adaptation projects beyond current levels, for the following reasons:

1. "Most instruments available are linked to mitigation of losses due to failure, ABM seems to be focusing on improving returns due to success: return is an important variable that also needs to move up to make the "risk-return" proposition work to truly unlock private investment, and from a public/ donor perspective, it seems an effective way to deploy the funds".
2. "The ABM will create incentives by providing well defined and calibrated adaptation products, which is currently lacking, and demonstrates value for money invested".
3. "ABM has the potential to support small scale projects that wouldn't be bankable otherwise".

4. “I think there are more and more organisations that have a triple bottom line focus. This might help them link the social and environmental elements to the profit element”.
5. “If this works, it will guarantee the credibility of the adaptation activity thereby giving donors/financing institutions more confidence in their investments”.
6. “At the very least, it speaks to the rhetoric of providing an evidence base of investments of climate finance”.
7. “Any additional funding availability will help and incentivise national and local actors”.
8. “It will support Development Finance Institutions to better understand the adaptation benefits and the available incentives (such as funding)”.
9. In addition, Group I contributed the following points:
10. “ABM is probably not at the scale required, especially from the private sector. The additional benefits are likely to be too intangible to be investable”.
11. “As it stands it only seems to be designed for philanthropic finance. Not clear whether it is intended to operate on a commercially oriented basis”.
12. The feasibility and value-added of the ABM is doubtful, e.g.: Why should public or private actors choose the ABM over other - existing - mechanisms? Where will private demand come from? Cost-benefit of the chosen structure? Why commoditise adaptation benefits in a non-market approach? Is this even a non-market approach if there are buyers of ABU?
13. The cost of certification should not be prohibitive for applicants and the added value of the certificate should be certain to justify an entity wanting to engage in certification. If obtaining a certificate reflects a positive impact of the holder's activity on climate change adaptation, then this could provide a reasonable incentive for investors, donors, and other funders interested in climate change financing to fund the projects of such an applicant.
14. It is, however, a question mark if the scale will be significant enough to truly establish a model mechanism.

Group I participants identified different types of strengths and improvement areas for the ABM:

TABLE 07 ABM strengths and improvements for Group I

Strengths	Improvement areas
Operational aspects	
• "Increased capacity of accredited, executing and implementing entities to respond to adaptation". • "It is innovative and addresses key challenges especially capacity building in the relatively new concept". • "Providing certified adaptation benefits". • "Supportive financial structure combined with African Development Bank expertise"	• "The concept is weak on substance. The approach, potential value-added, private-sector demand and methodology need to be explained and refined in practical terms". • "Making it a two-way process that connects and stimulates active participation of the suppliers and buyers of adaptation credits". • "Making it more flexible in terms of sizes of projects, reducing transaction costs and overly-burdensome data requirements (as long as there is a well-defined climate case for adaptation) especially for small scale developers, simplifying reporting requirements". • "Supporting partners/stakeholders via capacity building (trainings) in the ABM concept for many African DFIs". • "The devil will be in the detail of the methodology - how robust and rigorous it is, the cost of measurement and verification compared to benefits, and the ability to compare over time". • "Going beyond the CSR niche". • "Build out after pilots. Scale makes sense, but after a learning curve has been established". • "It is a balancing act, ease of use and aggregation against precision and higher cost of application. I would opt on the side of precision". • "So far, it seems that the mechanism may serve better philanthropic CSR investors". • "This should and could be extended to other impacts we want to see, not only climate adaptation, but "impacts" in general, such as more women benefiting, energy access in hard to reach areas, last mile distribution of goods and services, and preservation of forests (while a tree down is worth more than a tree standing, deforestation will continue to happen: so instead of punishing wrong doing after the fact, rewarding "right-doing" would be more effective)". • "The access procedures to the ABM funds need to be soft. If possible, supports must be provided to countries for preparing requests. Also, language barriers have to be avoided for request submissions (all working languages in Africa must be allowed)".

Financial aspects	
• "It provides incentives for efficient deployment of resources and could reduce transaction costs. This could also stimulate innovation among developers and beneficiaries. The ABM concept also provides transparency between beneficiaries, project developers and investors/financiers. Instead of being bogged down in the transactional details of projects, the ABM enables investors to focus on the value of their investments. By including a wide suite of investors, including private sector financiers and investors, the ABM creates the opportunity for scaling up adaptation finance". • "Incentivises investment in projects with the maximum climate benefit". • "The strengths of the concept will lie in its ability to meet the needs of all those affected by climate change by allowing the financing of projects from SMEs, agricultural cooperatives, local authorities, large private companies and governments". • "Help financing small scale projects". • "Creating a mechanism to make needed investments more feasible, particularly for those most vulnerable to climate change". • "It finally offers an opportunity to incentivise adaptation, especially for the private sector". • "Bridging the gap and building private public partnerships to allow increased private sector participation and contribution to adaptation work". • "It's part of a very welcome shift towards findings ways of crowding in private finance for adaptation by demonstrating clear, verifiable results".	• "Ensure a large portion of funding available through the ABM is in the form of grants". • "Should be linked to other related financing instruments such as climate resilience bonds/green bonds for climate resilience". • "Funding floors should not exceed $500,000.This will allow for the needs of all segments of applicants and all sectors of the economy to be considered". • "There needs to be working capital to enable medium-sized private sector actors to participate, as they generally do not have the balance sheet to finance these projects over long periods". • "There are also overlaps with payment for ecosystem services-logic and similar challenges in creating a wider demand and market for the service.; • "ABM could be applied to align interests and enable monetisation of "right-doing" in several areas. Such "payments" could be made not only to the project sponsor, but also directly to local financial institutions, to support access to local currency financing, which is usually missing in these markets and pushes sponsors to rely mostly on hard currency financing, decreasing financial resilience by exposing it to foreign exchange volatility and country risk/ macro-economic negative impact on the future availability of international lending".
Promotion of adaptation and adaptation projects	
• "It aims to bring state of the art on 'adaptation' practice into the realm of decision-making on climate finance". • "It highlights the social benefits of adaptation". • "Align interests of all parties with the success of the projects and the impact donors are willing to pay for. Such a concept enables entrepreneurs and project sponsors to "monetise" on "doing the right thing", which should motivate more and more to choose these types of projects".	• "Make it developing country-driven". • "By integrating national accredited entities into their projects". • "Higher profit; political support; finance and ultimately creation of adaptation levy / other sustainable source of finance".
Institutional aspects	
n/a	n/a

4.3.2.2 Group II – National authorities and institutions

a. Relevance of the ABM approach for adaptation

Some 56.3% of Group II was aware of the ABM prior to receiving the questionnaire. Among them, most became aware through the Bank website and/or outreach materials as well as through UNFCCC negotiations.

Group II considers ABM most relevant to agriculture and forestry (81.3%) and water management (62.5%), and about half of Group II respondents consider ABM most relevant for projects ranging from $25 million to $50 million.

FIGURE 42 Sectors for which Group II considers the ABM would be the most relevant

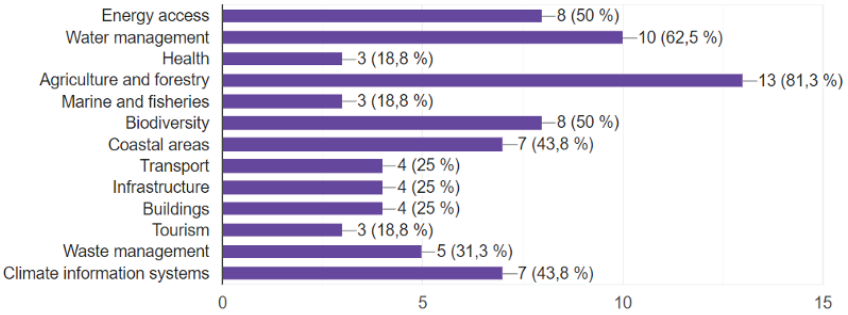
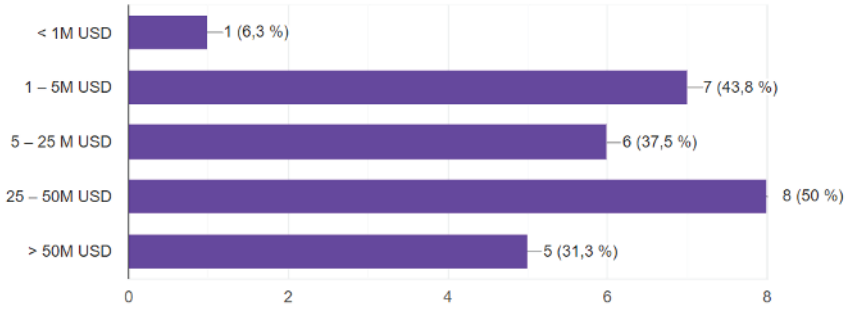


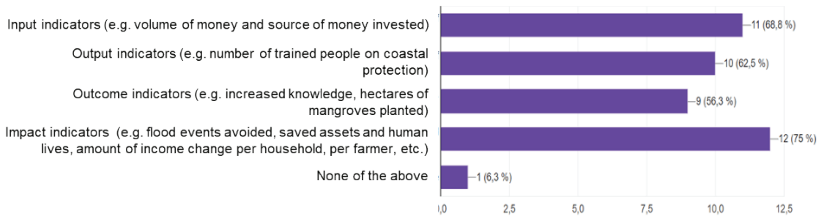
FIGURE 43 Project size for which Group II considers ABM would be the most relevant



b. The ABM process: relevant indicators and verification means

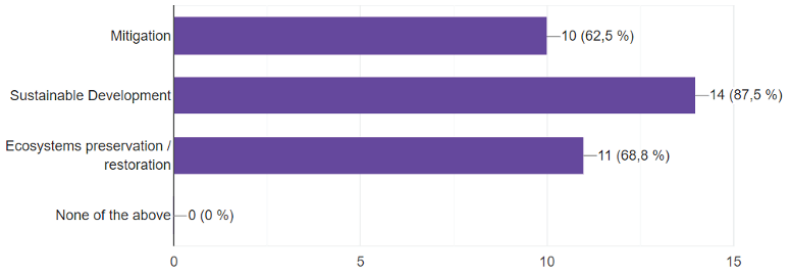
Regarding reporting and verifying the adaptation benefits, input, output, outcome, and impact indicators were all pointed out by Group II as relevant, with more than 50% of positive opinions for each indicator.

FIGURE 44 Expected information about the adaptation benefits to be reported and verified through the ABM process



In addition, most respondents consider sustainable development (87.5%) and ecosystems preservation/restoration (68.8%) as the most relevant expected information areas towards the determination of project co-benefits to be reported through the ABM process. Mitigation is also considered relevant (62.5%).

FIGURE 45 Expected information for the determination of project co-benefits to be reported through the ABM process



A total of 68.8% of Group II participants consider that an upfront definition of measurement indicators and their ex-post verification would increase the credibility of adaptation benefits for the following reasons:

- “This will allow for progress indicators”.
- “Definition and scope are essential to give meaning to verification activities. How could we measure something that we can't define or for which we have divergent understandings?”.
- “It gives the correct market signal that adaptation pays”.
- “Countries are more vulnerable to the effects of climate change if the themes of adaptation are not taken into account in planning”.
- “Rigorous measurement and verification are always the key to credibility”.

Still, some concerns were also raised:

- "You would need to identify the unit of measurement of adaptation benefits and then have an objectively verifiable measurement methodology. You'd need to identify impact chains and the indicator to monitor. The issue comes in with natural ecosystems and the time lags in seeing resilience improvements. Proxy indicators would need to be used".
- "By ignoring context, the indicators are not stable quantities that define future transformations".

c. ABM strengths and areas for improvement

Group II participants identified the following strengths and improvement areas for the ABM:

TABLE 08 ABM strengths and improvements for Group II

Strengths	Improvement areas
Operational aspects	
• "The strength of the ABM is its potential to attract strict mitigation donors by "importing" MRV logic into adaptation projects".	• "More capacity building and awareness of the concept". • "Credibility, scale of resources, geographic reach".
Financial aspects	
n/a	• "Might focus solely on grants". • "Smaller ticket sizes."
Institutional aspects	
n/a	• "History is a good teacher. Learn from the successes and failures of CDM, especially regarding regional distribution and co-benefits". • "Our B*Resilient Process Model defined a specific context in which process indicators would be influential and verifiable without over generalizing the benefits".

4.3.2.3 Group III – Adaptation project developers

a. Relevance of the ABM approach for adaptation

A total of 53.8% of Group III respondents were aware of the ABM prior to receiving the questionnaire. Among them, most knew about ABM through the Bank website, outreach materials and events.

Group III considers the ABM most relevant to agriculture and forestry (88.5%) and water management (80.8%) sectors and more than half consider projects ranging from $1 million to $5 million as most relevant for ABM. A total of 65.4% of repondents consider ABM relevant to climate information systems and biodiversity.

FIGURE 46 Sectors for which Group III considers the ABM would be the most relevant

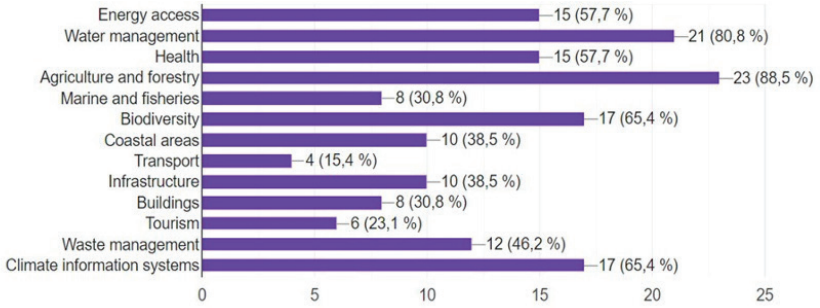
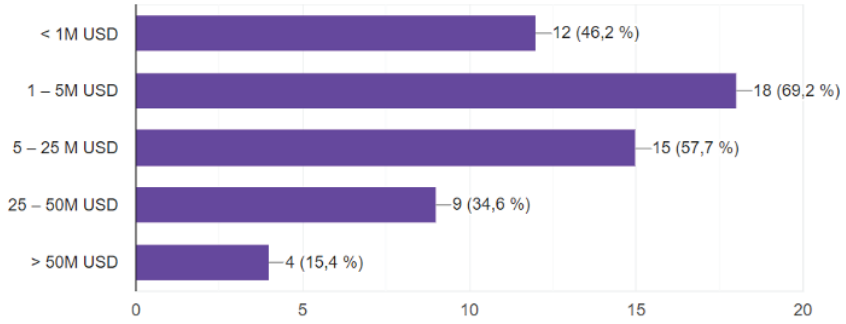


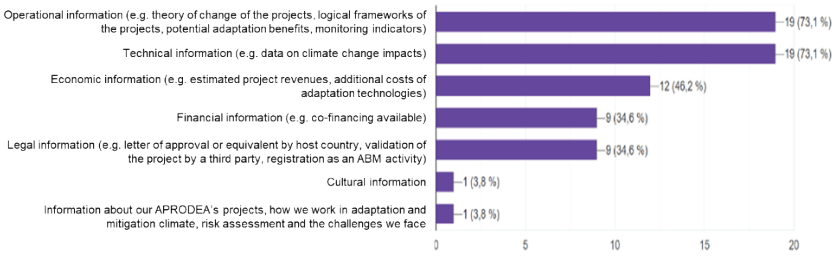
FIGURE 47 Project size for which Group III considers ABM would be the most relevant



b. The ABM process: relevant indicators and verification means

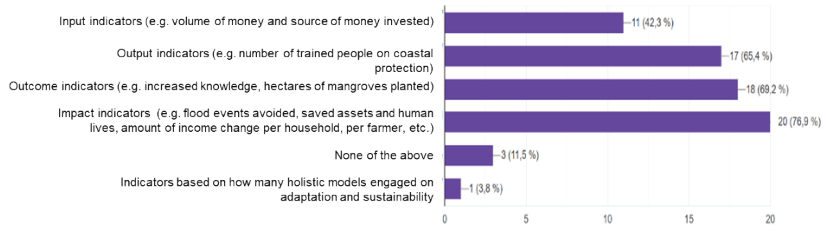
As project developers, Group III respondents indicate that they could mostly provide operational and technical information (73.1% each) upfront for project implementation, to comply with finance provider requirements for supporting adaptation projects.

FIGURE 48 Information Group III could provide to estimate the adaptation action baseline scenario



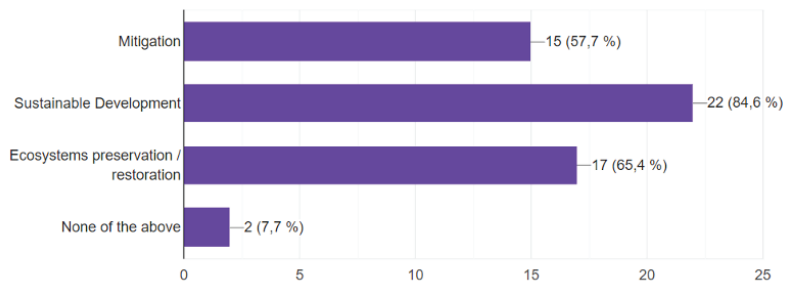
Group III respondents consider that impact and outcome indicators (76.9% and 69.2%, respectively) are most relevant towards measuring adaptation benefits.

FIGURE 49 Information Group III could provide to estimate progress on adaptation benefits compared to the baseline scenario



In addition, sustainable development and ecosystems preservation/restoration (84.6% and 65.4%, respectively) are considered relevant areas of information that Group III could provide to estimate progress on project co-benefits. Respondents for this group also deem mitigation as a relevant area of information that could be provided (57.7%).

FIGURE 50 Information Group III could provide to estimate the progress on project co-benefits compared to the baseline scenario



Greater respondent detail on the relevance of indicators that measure adaptation benefits and project co-benefits are provided below.

TABLE 09 Advantages and drawbacks of indicators for measuring the adaptation benefit and project co-benefits for Group III

Indicators	Advantages	Drawbacks
Input	• "When talking about profit, we first see the inputs (the money invested). Therefore, I chose input indicators. From inputs, we get outputs, which are the subject of the second type of indicator selected". • "Pursue the achievement of objectives, i.e., a positive result and a positive impact. Hence, input, output and impact indicators are all important to measure the benefits of adaptation".	n/a
Output	• "Pursue the achievement of objectives, i.e., a positive result and a positive impact. Hence, input, output and impact indicators are all important to measure the benefits of adaptation".	• "Operational indicators of results taken separately are not enough. A combination of qualitative and quantitative indicators is needed, i.e., indicators of financial and human resources, indicators of progress, and indicators of adaptive capacity and vulnerability".
Outcome	• "The result indicators will make it possible to assess the targeted results and the progress of operations".	n/a
Impact	• "Impact indicators should be used because they allow for the evaluation of the result as much as the output indicators chosen in the second place". • "Pursue the achievement of objectives, i.e., a positive result and a positive impact. Hence, input, output and impact indicators are all important to measure the benefits of adaptation".	n/a
All	• "For more detail it also requires the combination of qualitative and quantitative indicators".	n/a

All Group III participants agree that an explicit definition of measurement indicators and their ex-post verification would increase the credibility of adaptation benefits. Their explanations are detailed below.

- "It would provide clarity from the start of program or project".
- "Even though the indicators could be modified and adapted (on a case-by-case basis) over time, it might be relevant to know upfront what the planned targets are, and how these are also planned to be measured and verified, in order to know what the adaptation benefits are aiming to achieve".

- "Monitoring provides an on-going assessment of the project's performance against initial planning. The purpose of monitoring is to bring attention to project changes which are relevant to implementation. This assists in risk and opportunity management within the project context. This will encourage financial integrity and allow for project outputs and benefits to form part of the funder's reporting systems".
- "The initial definition of measurement indicators and their ex-audit would increase the credibility of the benefits of adaptation as they will be used to measure and evaluate the performance of ABM processes and manage them in the most effective and efficient way possible. This will help achieve the goals and objectives previously defined.
- "In the feasibility study and environmental impact assessment phase we always provide measurement indicators in advance to ensure that the projects will be beneficial to the beneficiaries".

Still, some concerns were raised:

- "It might increase the credibility but reduce flexibility".

c. ABM strengths and axes for improvement

All Group III participants believe the ABM has the potential to incentivise public and private sector participation in adaptation projects beyond current levels for the following reasons:

- "Climate change is a common issue for both the public and private sectors. Everyone is called upon to act positively on the issue of adaptation. It is in this light that the ABM has the potential to encourage public and private sector participation in adaptation projects beyond the current level".
- "The ABM concept is a good instrument for the real implementation of adaptation because it is full of good objectives for the project owners. Thus, many public and private actors will be encouraged to bring their projects even beyond the current level".
- "Incentives help build trust and confidence".
- "This mechanism could highlight the need for "formalised" adaptation funding as well as provide a structured framework which can be used to inform, guide and monitor funding aligned to specific adaptation needs".
- "By raising awareness of this layer, we hope that the necessary knowledge made available can change the approach".
- "In view of ABM objectives, this encourages project leaders".
- "The objectives of the ABM encourages project holders".
- "By searching for funding from various donors and working closely with local and regional partners".

In addition, the following points were suggested:

- "ABM could incentivise public and private sectors, but this will have to be part of a larger perspective where there is also financing at the outset of adaptation project development".
- "If operated correctly and objectives are achieved, the ABM has the potential to increase its impact".

Group III participants identified different types of strengths and improvement areas for the ABM:

TABLE 10 ABM strengths and improvements for Group III

Strengths	Improvement areas
Operational aspects	
• "It incentivises good performance and contributes to implementation of M&E reporting mechanisms by developers. It also assists in later stages of operations, as many developers struggle with cash flow and local commercial financing is not always available in adequate terms (tenor, interest rate, need for collateral)". • "Accountability and transparency are enhanced - by making project developers accountable for attaining project goals and delivering expected results, financers have incentives to provide funding, with a higher guarantee of ROI".	• "By providing more data and evidence to support the advantages of ABM". • "Workshops and discussion (online webinars)" are needed. • "By always being in permanent contact with its partners". • "By taking into account the increased state of poverty of our farmers who wait to be relieved by development projects". • "By sending us the questionnaires in French for French-speaking countries".
Financial aspects	
• "The strength of the ABM concept lies in its ability to reduce the risk of adaptation investments, by financing adaptation investments that will generate a positive loop that will support adaptation investments. The investments could now be self-financing". • "It would be very good if the private sector were interested in participating in adaptation work". • "Climate co-benefit, the share of resources dedicated to climate change adaptation and mitigation in ADB-financed operations". • "Climate co-benefit, the share of resources dedicated to climate change adaptation and mitigation in ADB-financed operations". • The strength of the ABM concept lies in its ability to reduce the risk of adaptation investments, by financing adaptation investments that will generate a positive loop that will support adaptation investments. The investments could now be self-financing".	• "Proper consideration and precautions must be taken when entering into financing agreements. Precautions will lead the concluding parties to provide their financing". • "By relaxing the conditions of financing of the projects".

• "It would be very good if the private sector were interested in participating in adaptation work". • "Climate co-benefit, the share of resources dedicated to climate change adaptation and mitigation in ADB-financed operations". • "Climate co-benefit, the share of resources dedicated to climate change adaptation and mitigation in ADB-financed operations". • "The strengths of the ABM concept lies in the way in which the concept will be effectively implemented and the way in which the concept will accompany the project holders with the following recommendations: (i) improve the conditions for financing projects; (ii) to reduce the time of the examination of the projects at the level of the financial partner; (iii) reduce difficult requirements for project leaders (co-financing and own contribution); (iv) accompany project leaders with regular upgrading (trainings workshops, conferences, etc.); (v) give project leaders the amounts requested without being reduced; and (vi) keep permanent contact with project leaders for their update". • "One of the obstacles facing adaptation projects is to secure financing in the construction phase of a project, when the project risk is higher. If ABM can be structured alongside other financial instruments that can cover the start-up cost, that would help developers and may yield successful business models".	
Promotion of adaptation and adaptation projects	
• "Relevant and/or applicable projects might be able to be earlier identified". • "We know that mitigation was intended to prevent (or slow down) the problem. Its mission has not succeeded 100% because global warming is already present with damage already inflicted. It is therefore time to think differently. This is the strength of the concept, "curing the problem", it is time for adaptation. We must see in which conditions we can live with climate change. We must prepare ourselves and protect the people and ecosystems that will be affected as best we can". • "Existence of market actors, including (i) financial actors and entities providing finance, (ii) national authorities and institutions and (iii) developers of adaptation projects". • "Integrated approach with a combination of climate action and poverty reduction through community implication".	• "Reduce the number of criteria to access ABM funding, popularise it in schools and among those who have not studied, translate it into national languages". • "Working together with different sectors to understand real needs". • "Inclusiveness".
Institutional aspects	
• "ABM will comply with the Paris Agreement (Art 6.8) and will support the Nationally Determined Contribution implementation on the adaptation domain". • "The concept will be more important if they work in close partnership with key stakeholders, helping them to access funding, and helping them receive skills and tools, etc.".	n/a

5.
market study
quanlitative results

5.1 Overview of qualitative panel

As described in the methodology, 15 planned interviews would explore stakeholders' perceptions in greater detail. The selection of interviewees took into account the following aspects:

- Homogeneous representation of the three target groups.
- Geographical targets where identified interviewees were based in West Africa, Central Africa, East Africa and Southern Africa subregions.

The panel is split as follows:

1. **Group I** 6 interviews.
2. **Group II** 4 interviews.
3. **Group III** 5 interviews.

Within each of the organisations below, one contact point was reached for direct interviews. Their replies reflect their views only, and do not represent their organisations.

TABLE 11 Final list of interviewees

#	Group	Contact	Status
1	Group I	BOAD – Banque Ouest Africaine de Développement	**Conducted**
2	Group I	AFD – Agence Française de Développement	**Conducted**
3	Group I	World Bank - Washington	**Conducted**
4	Group I	La Banque Agricole du Sénégal	**Conducted**
5	Group I	Green Climate Fund	**Conducted**
6	Group I	Development Bank of Rwanda	**Conducted**
7	Group II	Senegal	**Conducted**
8	Group II	Ministry of Environment Madagascar	**Conducted**
9	Group II	Uganda	**Conducted**
10	Group II	Côte d'Ivoire	**Conducted**
11	Group III	Democratic Republic of Congo	**Conducted**

12	Group III	Promethium Carbon - South Africa	**Conducted**
13	Group III	Least Developed Countries Universities Consortium on Climate Change - Bangladesh	**Conducted**
14	Group III	CIFOR	**Conducted**
15	Group III	COMIFAC – Commission des Forêts d'Afrique Centrale	**Conducted**

It is important to note that most of the interviewees, particularly those from multilateral institutions, indicated that their answers to the questions reflect their views, but not necessarily the position of their institutions.

5.2 Consolidated results

The three tables below present the aggregated results of the interviews.

TABLE 12 Group I – Consolidated interview results

Group I
Current experience/practice with adaptation and adaptation finance
Project developers in contact with: public, private and NGOs, all sizes, various sectors (agriculture [strong emphasis], renewable energies, coastal areas, fisheries, and infrastructure, preparing forests and coastal area management structures, protection of mangroves, resilience to extreme events). Interviewed contacts at Multilateral Development Banks (MDBs) in charge of adaptation finance are often not working with the private sector directly but rather with public entities. Branches of MDBs working with the private sector are less likely to work on adaptation.
Preferred financial instruments: loans/credits, working capital, guarantees and grants depending on needs, guarantees are the key to leveraging finance.
Constraints and barriers to finance adaptation projects: • Cost of credits currently too high for small farmers. • Need to integrate climate risks in banks' financial risk models. • Need for banks to provide technical support to small farmers and to update methods used for work. • Need to raise awareness and convince populations on benefits to change usual ways of working. • Difficulty to have fully prepared projects before looking for financing. • Difficult for project developers to have adequate collaterals and secure loans. • Need to improve and expand climate risk sharing mechanisms. • Need to increase involvement of the private sector and make sectors such as agriculture more attractive for investment. • Need for financial products with lower rates and longer maturities for adaptation projects. • Multilateral Development Banks receive low demand for financial products targeting adaptation (by governments mainly), priorities are elsewhere.

Perception of the ABM approach and its expected impacts

Opinion on "Certified Adaptation Benefits": good idea that could help spot national adaptation champions and motivate other farmers to develop same actions, but it may be hard to estimate upfront what the benefits of projects can be. Would be interesting to consider institutions to be certified and not only projects to increase the impact of the ABM. The concept is interesting, but there is a need to (i) show that the concept works in practice through pilots; (ii) demonstrate who would be interested in buying Certified Adaptation Benefits (Multilateral Development Banks are not good candidates), and (iii) demonstrate that the business model is strong. Multilateral Development Banks indicated that the branches targeting the private sector project developers will be important counterparts for future ABM developments (for instance for identifying potential new projects developers).

Sectors relevant for ABM: anywhere in agriculture, forests (management and conservation), land restoration, construction of infrastructures, energy. Aas economies of scale might be needed, significant project sizes would be needed.

Relevant indicators for measuring adaptation benefits: environmental indicators (water consumption, carbon capture, air quality), agricultural performance and productivity indicators, improvement of profit/losses ratios, benefits observable on beneficiary populations, number of beneficiaries.

Pre-requisite information to support adaptation projects through ABM:

- Producers need to document their practices and highlight their impacts (protection of environment, improved economic outputs).
- Need to set indicators for side benefits to integrate.
- Upfront assessment of risks.
- Need to integrate climate change pressure on each sector to identify techniques to correct situations.
- Indicators reflecting country-specific needs and information.
- Information on governance and monitoring.
- Description of target population.

Relevant indicators to measure adaptation benefits: Within group I, opinions are mixed between output and outcome indicators. No interviewee suggested considering impact indicators. One interviewee indicated that outcome indicators are what customers are asking for.

Relevance to define measurement indicators upfront and to make ex-post verification: yes, by third parties (absolutely necessary).

Expected information to determine adaptation benefits: need to think in terms of value chains and to follow indicators over time and at several steps, including number of beneficiaries. There is a need to be project/sector-specific.

Verification of adaptation benefits: would be better to rely on self-reporting by project developers first to save time (on how to select independent third parties, how to perform verification tasks and monitor/follow-up), need for independent external audit body or rating agency in all cases with clear rating methodology, need to interview beneficiaries upfront and at the end of the project to assess project efficiency and effectiveness.

ABM strengths:

- Sensitization and communication on adaptation actions and their benefits.
- Faster processes and faster financing of projects than with traditional financial institutions.
- Could be leveraged if ABM certification is recognised internationally.

ABM improvements:

- Need to communicate more on this mechanism and to clearly explain its functioning to countries' NDAs, including communication strategies that target ministries of finance, planning, etc., not just adaptation experts.
- Major attention to be given to shortening processes and time required to receive financing.
- Need to clarify if Certified Adaptation Benefits will be given for projects only or could be given to institutions.

Organisational structure of ABM:

- Need to establish partnerships and work with countries' NDAs to tailor ABM to local needs and populations' expectations.
- Structure should be clear and not too heavy.
- Creation of a dedicated body inside the Bank could be burdensome and slow down processes.
- Would be better to have a staff dedicated to ABM and direct contact points and contact paths fully dedicated to ABM.
- One interviewee supported the involvement of the Bank and highlighted the importance of increased coordination with GCF and UNFCCC. More collaboration and input by project developers through a bottoms-up process.

ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach: yes.

b. Group II

TABLE 13 Group II – Consolidated interviews results

Group II
Current experience / practice on adaptation and adaptation finance
Project developers in contact with: NGOs, local authorities, private actors, civil society, bilateral cooperation entities.
Support provided to adaptation project developers: technical support (trainings, capacity building, support for project preparation), research of financial support and setup of relationships with funders.
Priority adaptation sectors: agriculture, energy, water resources, sanitation, coastal areas, health.
Finance providers: UNDP, GIZ, FAO, embassies, GCF, national adaptation funds.
Overall financial support received from finance providers: $1-$300 million per year.
Financial mechanisms and instruments used: primarily grants, or grants completed by private funding at later project implementation stages as well as loans.
Constraints and barriers to finance adaptation projects: • Technical difficulty to access financing, and too long to access financing and receive disbursements once projects have started. • Processes and procedures to receive financing too long and difficult. • Too difficult to attract financing for remote areas due to low project bankability. • Need to sensitise populations and adaptation and mitigation actions in general. • Limited involvement of the private sector and commercial banks in financing. • Need for greater awareness of the importance of incorporating adaptation funding in commercial banking products.
Perception of the ABM approach and its expected impacts
Opinion on "Certified Adaptation Benefits": good idea but those costs won't have to be carried by vulnerable populations but by the Bank or funders, and needs to be clearer on what those certificates will be and what they will represent; Good tool to de-risk investments, but Certified Adaptation Benefits will need to be continued along the value chain.
Sectors relevant for ABM: agriculture/breeding, agroforestry, water resources management, sanitation, more generally aligned with specific population needs. Particularly useful for small- and medium-sized projects. Less useful for large projects. Priority will also depend on the current presidency.

Expected information for adaptation benefits to be reported and verified through ABM: some interviewees highlighted impact indicators mainly. Others felt relevant indicators could be the number of beneficiaries or number of activities implemented because impact would be more difficult to assess. Ex ante and ex post indicators could cover the number of beneficiaries, geographical area covered, capacity for replication, creation of additional income, increase in capacity for adaptation, benefits of the projects for the people concerned, and long-term sustainable impact.

Relevance to define measurement indicators upfront and to make ex-post verification: yes.

ABM strengths:

- Easier to access financing.
- Better aligned with local context and results.
- Tool is new and needed, and many actors would be interested.
- Good way to evaluate activities implemented.
- Very important to have a financing solution dedicated to adaptation which is currently left over.

ABM improvements:

- Further awareness-raising/communication and dialogue with stakeholders is needed.
- Make sure indicators are well monitored.
- Mechanism should not compete with other adaptation actions.
- Make sure financing processes and access to financing are simplified.
- Need to be aligned with regional specific needs and not impose choices on countries.
- Need to provide grants first, and later complete with loans and guarantees if grants are not enough.
- Need to involve stakeholders at all territory levels (from national to local levels).
- Financial resources will need to be big enough to cover project developers' needs.

Organisational structure of ABM: governance will need to be flexible, and there will need to be an independent Executive committee well-trained on climate change/adaptation processes and existing synergies in Africa. It is promising that good that the Bank is involved. The executive board and panel are necessary, but they need to be inclusive (thinking about the composition of the executive committee: ensure that they represent different actors, regions, etc.).

ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach: yes.

c. Group III

TABLE 14 Group III – Consolidated interview results

Group III
Current experience/practice on adaptation and adaptation finance
In contact with institutions to finance adaptation actions: European Union, Canadian bilateral cooperation, African Development Bank, US Agency for International Development, development banks, national governments, GCF, companies' corporate and social responsibilities, NGOs.
Easiness to engage with financial institutions: Fine most of the time but sometimes communication/administrative and financing issues when there is not only a single contact point from the financial institution, and nobody follows the project over its whole implementation.
Flexibility of financial institutions: • Can have negative impact when financial institutions change project components to finance activities, they target instead of providing financial support to already planned projects. • Flexibility good once projects have started but sometimes at the expense of project developers who make prepayments but don't receive disbursements on time.
Level of financial support provided: limited and not covering financial needs, national budgets are sometimes much more substantial.
Constraints and barriers to finance adaptation projects: • People lack technical capacities to develop projects and implement them. • Research on climate adaptation is too limited, especially due to the lack of climate/meteorological data and of old data collection tools. • Limited understanding of what is at stake with climate adaptation. • Most financing has been targeting forests and should now target adaptation. • Difficult to spot financing opportunities (lack of communication on them and lack of availability). • Limited access to financial resources as there is a need to go through accredited entities which do not exist in most countries in Africa. • Monitoring and evaluation is a constraint and yet is critical to ensuring financial integrity. • Adaptation doesn't receive the same focus as mitigation and is much harder to prioritise. • Tracking the flow of financing and impacts are harder to measure in adaptation than mitigation projects. • Concept of adaptation needs to be more nuanced and people-focused. Donors have time frames on projects and adaptation cannot be delivered in this time frame.
Most relevant financial mechanisms for adaptation activities: grants, some solutions could complement grants over the long term (results-based payments or equity, only if backed by grants). Loans do not appear very relevant.
Perception of the ABM approach and its expected impacts
Opinion on "Certified Adaptation Benefits": good idea that would financially incentivise adaptation actions, de-risk investments, and would increase communication between actors, but will need to clarify who will pay for certification systems, and certifications should mainly aim to validate that results have been achieved and that money is well spent, and not to create marketable credits. Mostly positive feedback, but one interviewee remarked that he had not seen any evidence that the tool works.

Sectors and sizes relevant for ABM:

- Globally anywhere with impacts for vulnerable people (indicators of vulnerability should help prioritise most relevant sectors and actions).
- Agriculture, mining, risks and catastrophes prevention, preservation of natural resources and tourism, education and infrastructure planning would be relevant.
- As for the size, it should help transition from the project level to the program level to have longer term impacts and track long term results.

Potential to incentivise public and private sector financing of adaptation projects: yes, actors that understand certification processes will be able to apply this mechanism quickly and it could increase CSR and private actors' visibility and investment in adaptation actions, improving funders' trust in local populations' financial management capacities leading to a larger allocation of financial resources.

Relevant indicators to measure adaptation benefits: need to be monitored at all levels from input level but focus on project results, including co-benefits (skills that can be transferred, etc.). Scalability and replicability are key. Actors need to be informed on how to align solutions to achieve best outcome results by better allocating input resources; one participant placed a heavy emphasis on capacity building.

Relevance to define measurement indicators upfront and to make ex-post verification: yes.

Pre-requisite information to support adaptation projects through ABM:

- Indicators to evaluate populations' vulnerabilities to select most relevant projects.
- Technical, economic, operational, financial, legal and institutional indicators and information.
- Information needed often depends on the project context.

Verification of adaptation benefits: neutral independent third party, strictly following a clear scheme for certification, and need for on-site visits. One participant felt that monitoring should focus on capacity building and be led by local populations. External verification does have a role, but it's too big a role now. Focus should be on self-evaluation.

ABM strengths: Brings innovation to adaptation.

- Overall improves adaptation actions tools.
- Will make it easier to understand what is done in each sector.
- Will reassure adaptation funders and push them to spend more money on adaptation by increasing credibility with certifications by independent third parties.

ABM improvements:

- Need to avoid "standard" errors usually made to finance adaptation action.
- Avoid creating a market and avoid emphasis on development or economic growth before resilience to climate change.
- At most, ABM should lead to funders being able to communicate on certified expenses pushing private sector and CSR to spend more on adaptation, but not lead to the creation of tradable credits.
- Need to ensure visibility and transparency of the financial resources expected by ABM so that project developers have an idea of what to expect.
- Need to improve communication about the ABM. Particularly to those that do not have previous experience with approaches comparable to CDM

Organisational structure of ABM: generally, a strong structure. It would be great to have a structure in each country/region to understand local contexts, decentralise processes and remove language barriers. The Bank could maintain the lead on the mechanism but should work hand in hand with UNFCCC to ensure ABM is fully aligned with UNFCCC decisions and expectations.

ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach: yes.

5.3 Qualitative panel main messages from key questions

The table below presents the main messages collected during the interviews.

TABLE 15 Main messages regarding key questions

Main messages
Opinion on "Certified Adaptation Benefits"
• Respondents express interest in the global concept and in the need to strengthen adaptation finance and leverage the participation of the private sector. However, each group acknowledged that there may be a gap between the conceptual idea and its successful implementation. • For Group I respondents and some NGOs in Group III, primary hesitations are related to the capacity to mobilise funding for Certified Adaptation Benefits (who would buy the CABs), arouse the interest of project developers as well as questions regarding the feasibility of the business model (costs of defining and verifying CABs needs to be covered by the overall financial mechanism). MDBs do not view themselves as potential investors in CABs however they are open to financing projects mobilising the ABM. Some interviewees indicated some difficulty identifying project benefits upfront.
Sectors/types of projects relevant for ABM
• Sectors usually prioritised in National Adaptation Plans were reflected (e.g., agriculture and water management). Group II respondents highlighted the importance of aligning ABM projects with national priorities defined in national documents (e.g., National Adaptation Plans, Nationally Determined Contributions). • Group II actors noted the relevance of the ABM for small- to medium- sized projects that lack access to finance. However, certain actors of Group I indicated that project size should be sufficiently large enough to enable economies of scale (to make the business model work). Given that project developers for adaptation in Africa are often rather small (SMEs), there may be a need to aggregate small projects. • One Group III interviewee indicated that the ABM should help in the transition from project level to program level.
Relevant indicators for measuring adaptation benefits
• Within Group I, opinions are mixed regarding the level of results to be considered for CABs. Some indicate a preference for output indicators, other for outcome indicators, while others indicate the need for both. One interviewee suggested that customers have a demand for outcome indicators. Within Group II, opinions on the type of indicators to be used are also diverse. Some indicate that the focus should be on impact, whereas others indicate that outcomes are more relevant as they correspond to indicator levels used on a national scale. Group III interviewees have diverging positions, with some indicating a need to cover the full results chain (from inputs to outcomes), and others recommending impact-level results. • With regard to indicator monitoring and analysis, one interviewee highlighted the need to define a baseline (state 0 of the indicator) to be able to measure the change. • In terms of the nature of indicators, the "number of beneficiaries" was the main output indicator mentioned, whereas "number of beneficiaries with increased resilience" was highlighted as an important outcome indicator. • One interviewee emphasised capacity-building related indicators, deeming them crucial for measuring adaptation. • Some interviewees indicated preference for several project indicators and to show projects co-benefits.

Relevance to define measurement indicators upfront and to make ex-post verification of adaptation benefits

There is global agreement on the need for a verification process. Most interviewees were in favour of verification by third parties. Two interviewees shared the following opposing viewpoints:

- One interviewee from Group I recognised the relevance of third-party verification but indicated its cost may be difficult for project developers to assume. If the Bank enables the set-up of audit processes that create sufficient confidence and transparency for the market, this could be sufficient.
- Another interviewee from Group III indicated that external verification does have a role, but it is far too large now. The focus should be on self-evaluation as part of the capacity building process.

ABM strengths

- ABM helps build a rationale, telling the story of how adaptation finance is used and explaining the positive impact it has on people's lives, sensitizing the public on adaptation.
- It proposes an approach for in-depth assessment of the results of adaptation actions with a certified mechanism that will improve transparency and give confidence to adaptation funders.
- This detailed analysis showcasing concrete adaptation results is positive given the current trend on green finance to lose track of what actions are concretely taken for climate purposes.
- It supports the efforts needed to leverage finance for adaptation by de-risking projects.
- It clearly addresses a critical gap: incentivising private sector involvement.
- The ABM will help identify best practices in the implementation of climate adaptation actions, and promote them to other adaptation project developers.

ABM improvements

- Greater communication on the ABM is needed to ensure NDAs understand how it works. Awareness-raising/communication and dialogue with stakeholders is needed.
- Ensure alignment with national priorities and the involvement of stakeholders from the national to local level.
- The mechanism should not compete with current adaptation finance. It should be complementary to other adaptation actions.
- Success stories are needed and piloting can help work out the details.

Organisational structure of ABM

Communication and partnerships

- Need to establish partnerships with NDAs to ensure that projects are tailored to local needs and populations' expectations.
- Coordination with GCF and UNFCCC should be ensured.
- The benefit of the committee is increased transparency which could reinforce the confidence of investors in the scheme.

Structure

- Having an external body to the Bank is an asset.
- The Executive Committee and Panel are necessary, but they need to be inclusive. Once the mechanism is recognised, the composition of the Executive Committee (representativeness of the different actors, regions, etc.) should be considered.

ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach

The interviewees who were able to answer to this question mostly agreed on this point. One interviewee from Group I questioned the rationale for considering the ABM as a non-market approach noting that CABs cannot be resold/transferred, but the purchase of the CABs requires the definition of a price. It was suggested that the discussion of whether ABM could fit under Article 6.8 may not be a relevant argument for potential investors from the private sector/philanthropists who are not climate experts (too specific and confusing).

6.
study recommendations

Based on the information collected through the Market Study online questionnaire and in-depth interviews, the following recommendations were identified. These recommendations are not listed by order of priority.

6.1 Development of pilot studies

The Market Study results show that half of the online questionnaire participants were aware of the ABM before the Market Study consultation, mainly through the Bank's website. Several interviewees had some knowledge of the ABM through international conferences such as the Conference of Parties (COP) and/or existing working groups (e.g., MDB working group on climate finance). However, most interviewees indicated only a general sense of the mechanism with little understanding of its specificities and implementation process.

The development of pilots can help stakeholders fully understand and adhere to the ABM concept. Concrete demonstrations can show exactly how the ABM would be implemented, the stakeholders willing to get involved (project developers and finance providers), and how the financial mechanism would be implemented (i.e., CAB assessment costs, verification, etc.). Critical to this piloting phase will be the forging of strong partnerships with project developers and financial partners that can inspire confidence amongst other public and private companies, industries, and financial institutions.

The selection of pilots should illustrate how the ABM can be applied across sectors. It should clearly show how vulnerability to climate hazards evolves by comparing baseline scenarios (no adaptation measures implemented) to the project scenarios (adaptation measures implemented). The Market Study revealed that the agriculture, water resource management and coastal protection sectorial areas held significant interest and could be considered for future pilots. Special attention should be paid to the type of CABs defined. Given the diverging views on the type of results to be measured, measuring pilot results at the outcome level is recommended. In doing so, pilots will be able to consider relatively ambitious results.

Some interviewees noted the potential difficulty estimating project benefits upfront. The main role of adaptation action methodologies to be submitted to the ABM EC is precisely to identify those benefits. To facilitate the development of these methodologies, it may be relevant to consider performing feasibility studies upfront in order to evaluate the type of benefits that could be expected for each type of project. This approach would follow similar steps taken by the private sector under the CDM.

Considering the extensive climate adaptation experience of Group I and II compared with Group III, and Group III's strong interest in the ABM, the Bank could facilitate a dialogue on pilots between the three group's stakeholders for the following purposes:

- Help stakeholders understand ABM in practice by highlighting pilot success stories.
- Gain greater insight on the adaptation finance lifecycle and considerations from each actor, based on ABM pilot experiences via dedicated workshops; and
- Bridge potential gaps in climate adaptation and adaptation finance through the sharing of best practices.

Information collected during the implementation of pilots and their results would represent valuable materials for communication (see recommendation area 4).

6.2 Identification of a pipeline of potential Certified Adaptation Benefits purchasers and financial partners

Beyond the identification and mobilisation of a few CABs purchasers for the pilots, the identification of a larger pipeline of potential CABs purchasers is essential. The Market Study faced some difficulty in the mobilisation of Group I stakeholders, particularly private sector companies.

The interview feedback from public climate finance providers revealed that MDBs do not perceive themselves as CAB buyers, neither at the pilot stage (they would like to be convinced by the pilots) nor in the long term (they do not have the funds available for this type of investment). However, experience from the CDM indicate that MDBs like the World Bank played a key role in catalysing carbon markets by creating initial carbon funds[5]. Once ABM feasibility is demonstrated through its pilots, it may be relevant to discuss options with MDBs in supporting the catalysation and up-scaling of the ABM approach (e.g., with a sectoral focus or in shifting from the project to the programmatic level).

Communication with these stakeholders must be improved to identify potential CABs purchasers (see recommendation area 4).

6.3 Identification of project developers

Project developers, particularly from the private sector were difficult to identify during this Market Study. The traditional finance providers that were contacted expressed a preference to work with public clients (governments, national agencies, etc.,). Activities related to the private sector are often led by other MDB subsidiaries/entities (e.g., PROPARCO for AFD or IFC/MIGA for the World Bank Group). Entities targeting the private sector focus minimally on climate-related issues, and even less so on adaptation. Once concrete pilots can be showcased, engaging in dialogue with these stakeholders could be beneficial to better identify a pipeline of project developers to work with.

Additionally, climate finance institutions like MDBs indicated during the Market Study interviews that, once feasibility is demonstrated, they would be open to discussing the possibility of financial support through their existing financial instruments in order to complement the results-based financial mechanism.

[5] https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/CarbonFinance.pdf

6.4 Communication on the ABM

The study showed that the respondents most aware of the ABM were those working on Article 6 negotiations and adaptation finance. While those working on Article 6 negotiations are convinced of the approach, the others expressed some doubt regarding the practical implementation of the ABM. Targeted promotion of the ABM and its pilot processes and results, that reaches financial institutions, national Focal Points for adaptation, NGOs and project developers is essential. The following communication options are proposed for the three Market Study groups.

General communication targeted to Group I, II and III.

- Present pilots' results during international and regional climate events where most adaptation stakeholders are present (COPs, Regional Climate weeks, adaptation Futures, Climate Adaptation Summit, etc.).
- Promote the ABM on online platforms with broad audiences (websites, newsletters, etc.). The Market Study's own experience with online platforms enabled a significant increase in the Study's response rate.

Communication targeted to Group I:

Public climate finance actors:

- Continue the outreach work undertaken through existing working groups on climate finance to present pilots' results.
- Initiate dialogue with climate finance providers' subsidiaries with a strong focus on the private sector.

CSR actors:

Initiate dialogue with the following networks:

- Science Based Targets Initiative[6];
- The Climate Pledge[7];
- We Mean Business Coalition[8].

Communication targeted to Group II:

Developing countries' authorities: beyond general communication efforts, raising ABM awareness amongst national adaptation Focal Points is key. The Bank could mobilise them through its existing network of partners across African countries to:

- Identify and propose pilots.
- Drive and assess pilots; and
- Present pilots' results and raise awareness.

Communication targeted to Group III:

Project developers: as adaptation project developers were harder to identify during the stakeholder mapping, the Bank should (i) rely on its existing pool

[6]https://sciencebasedtargets.org/companies-taking-action
[7]https://www.theclimatepledge.com/
[8]https://www.wemeanbusinesscoalition.org/

of adaptation project developers to identify those who could be interested in moving forward with the ABM, and (ii) work with other institutions and partners to identify additional project developers, e.g., finance providers and traditional sources of climate finance. In addition, the Bank could make use of national authorities to promote the ABM to potential project developers.

6.5. Stakeholders' need for capacity building

Regarding adaptation action implementation, technical and financial barriers appeared to be the most burdensome for all groups in the online questionnaire. Beyond financial support, all groups stressed the need for and importance of technical support. The most salient gaps identified include:

- Financial institutions requirements: a general lack of high-quality output and technical rigor required by donors.
- Nature of adaptation projects: there are few proposals, the projects are in very early stages, and project developers are not offering quality technology/ products/services to vulnerable populations (poor, remote, displaced, etc.); and
- Availability and quality of data: the collection of technical data is weak and limited, many project leaders require extra support, and technical means are limited.

Those observations highlight the need for capacity building, specifically geared towards the three salient gaps presented above. Certain interviewees also expressed demand for capacity building on the ABM, for national authorities as well as project developers. If the ABM is successfully demonstrated through its pilots, traditional climate finance providers such as MDBs could be spurred to finance these activities. This could mirror MDBs support of CDM-related capacity building and technical assistance activities (developing tools and methodologies, contribution to mechanism readiness, etc.)[9] and their current support for Article 6-related work.

6.6 Institutional arrangement

The set-up of an external body through the Executive Committee was generally regarded positively amongst most interviewees, although its role was not always clear. One interviewee suggested that as the ABM moves forward, ABM institutional arrangements ensure for a well-represented body that considers a diverse set of relevant actors and regions, etc.

Additionally, in light of the confusion regarding the role of the ABM EC and the Bank, clarifying the differentiated responsibilities of the ABM EC and the Bank will minimise ambiguities.

[9] https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/CarbonFinance.pdf

Importantly, ensuring the representation and/or at minimum consulting national adaptation Focal Points from national authorities will help ensure that projects submitted to the ABM EC are aligned with national adaptation priorities.

6. 7. Conclusion

More than 90% of questionnaire participants from Groups I, II and III consider that the Bank is an appropriate entity to support the development of the ABM. Among them, more than half believe that the Bank should lead the ABM's pilot and implementation phase. This indicates considerable confidence in the Bank's ability to develop and implement this mechanism.

Almost 90% of participants from all groups estimate that the ABM could fit under Article 6.8 of the PA as a non-market cooperative approach. The ABM seems well-aligned with the international adaptation framework and could serve as an innovative tool to achieve adaptation goals.

More than 85% of all participants expressed interest in testing the ABM approach with projects, joining ad-hoc working groups, and receiving further updates on ABM developments. This positive interest suggests that a broad set of stakeholders, from financial purchasers to project developers, are keen to engage in the creation of a dedicated instrument to support adaptation finance. However, there was considerable demand across all groups to see pilots concretely showcase ABMs ability to attract project developers and investors' interest. The identification of pilots and partners appears to be an essential first step, and one that should precede targeted outreach and communication efforts. The ABM webpage currently details a pilot project in Côte d'Ivoire on cocoa production (http://abmechanism.org/abm-projects/). Going forward, disclosing further information on the project's structuring, partner roles, CABs considered as well as concrete project finance numbers (CABs off-take agreement and other financial sources, agreed-upon CABs etc.) will help drive ABMs momentum and strengthen confidence in the mechanism.

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