ADAPTATION BENEFITS MECHANISM

GIVING RESILIENCE A VALUE

PILOT PHASE INFORMATION NOTE
What is the ABM?

The Adaptation Benefits Mechanism (ABM) is an innovative mechanism for mobilizing new and additional public and private sector finance to enhance climate change adaptation action. It has the potential to speed up host countries’ transformation toward low-carbon, climate-resilient, and sustainable development pathways by certifying the value of resilience in terms of benefits and incremental costs.

ABM will contribute a new business model for adaptation that supports achievement of:

- The SDGs
- The Paris Agreement goals on adaptation and climate finance
- The UNFCCC long-term finance goal
- Adaptation ambitions and needs of the host countries as expressed in NDCs, NAPs, and sustainable development plans.
How will ABM work?

ABM will de-risk and incentivize investments by facilitating payment upon delivery of project-/program-specific adaptation benefits. To accomplish this, ABM will certify the social, economic, and/or environmental benefits of adaptation activities based on approved methodologies that encompass:

- Baseline;
- Definition of activity-specific social, economic and environmental benefits;
- Adaptation technology- or solution-specific impacts on the local community/natural habitat;
- Contribution to the adaptation and sustainable development needs and priorities of the host country, such as those expressed in NDCs and national sustainable development plans;
- Contribution to SDGs;
- The calculation of incremental costs per benefit;
- Adequate means of monitoring and verifying delivery; and
- Other information necessary to ensure the transparency of action and support.

During the Pilot phase of ABM, the value of the impacts captured in these certificates will be promoted to potential investors with the objective to obtain new and additional finance for enhanced adaptation action.

The expectation for the post-Pilot phase is that certification of the benefits of specific adaptation activities, issued by a reputable international organization, based on sound methodological and technical work in consultation with stakeholders, and with the approval of the host country government, will help guarantee the credibility of adaptation activities and increase their attractiveness to potential investors.

1 In this information note, the term “adaptation” is used for convenience. The intention is to cover both “adaptation” and “resilience” with this term, where adaptation refers here to actions employed to cope with the current or anticipated impacts of climate change, whilst resilience is considered a more encompassing term that refers to the strengthening of an entity’s ability to withstand the current or anticipated climate change impacts in terms of maintaining its original state (before exposure to the climate change effects) and continuing to develop, or in other words becoming climate-proof.
Status of ABM

In response to demand from African countries, ABM was developed by the African Development Bank in collaboration with governments from several African countries and stakeholders in the period 2016-2018. Starting in 2019, ABM will be tested on the ground through ABM demonstration projects in Africa. In order to guide, advise, and facilitate the ABM Pilot phase, the African Development Bank will establish a lean interim ABM Board, Methodology Panel and a Secretariat. The use of certified adaptation benefits would be tracked through an interim register established and hosted by the African Development Bank. Based on the experiences and lessons learned from the Pilot phase, and at latest in 2023, ABM will be delivered to the international community for wider usage as a voluntary tool that is relevant to all countries in all regions.

In the intergovernmental climate change negotiations under the UNFCCC, ABM is part of the discussions on Article 6.8 on non-market-based approaches. ABM is considered a non-market-based approach, because no international transfer of outcomes is envisaged. ABM is also consistent with the aim of non-market-based approaches, referred to in Article 6, paragraph 8 of the Paris Agreement.

Article 6, paragraph 8 of the Paris Agreement:

Parties recognize the importance of integrated, holistic and balanced non-market approaches being available to Parties to assist in the implementation of their nationally determined contributions, in the context of sustainable development and poverty eradication, in a coordinated and effective manner, including through, inter alia, mitigation, adaptation, finance, technology transfer and capacity-building, as appropriate. These approaches shall aim to:

(a) Promote mitigation and adaptation ambition;

(b) Enhance public and private sector participation in the implementation of nationally determined contributions; and

(c) Enable opportunities for coordination across instruments and relevant institutional arrangements.

2 The latest negotiating text from COP24 informing the continuation of the discussions in 2019 (see paragraph 4 (d)) is available at: https://unfccc.int/sites/default/files/resource/SBSTA49_DT_i11c_1.pdf

3 The text of the Paris Agreement is available at: https://unfccc.int/sites/default/files/english_paris_agreement.pdf
What will be done under the pilot phase?

**Under the Pilot phase**, ABM will be tested with small-scale ABM demonstration projects for climate change adaptation, which are either replicable, scalable, or need funding for continued maintenance and operation. The adaptation benefits certificates arising from the demonstration projects will be granted to the project developers, donors or host countries, as agreed. The adaptation benefits for scaling up, replicating, or maintaining the ABM demonstration projects will be promoted to potential investors in exchange for funds, which will contribute to enhanced adaptation action and promote transformation to resilient development. See a schematic overview of the ABM pilot phase in Appendix I.

It is envisaged that **after the pilot phase**, sufficient infrastructure, methodological work, and awareness will exist to enable project developers and host countries to define adaptation benefits in advance and sign off-take agreements with donors or climate change financiers. The off-take agreements will secure payments on delivery of certified adaptation benefits. Payments for adaptation benefits will enable financial institutions to consider ABM revenues as a potential new source of income and, therefore, as an extra security against loans and equity investments. The Bank is currently scoping the creation of a guarantee instrument that would underwrite payments to project developers in the event that off-takers default.

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4 An off-take agreement is an agreement between a donor and a supplier of adaptation benefits for future payment upon delivery.
Different types of investors can use ABM certificates for different purposes. For example:

- **Donor country Governments** can use the certificates as an accountability mechanism for support provided towards national priorities for international cooperation and for reporting on their contribution, and leveraged private sector / project developer contributions, towards the achievement of the SDGs, UNFCCC, and Paris Agreement goals on adaptation and climate finance.

- In addition to Government-led action on adaptation, **Governments** can use a functioning ABM to allocate responsibility for international adaptation actions to the private sector.

- **Private sector project developers, local communities**, and host country Governments can use the certificates to generate a new source of income through the sales of certified adaptation benefits and/or to obtain finance and loans for adaptation activities.
The **host country Governments** can use the ABM register to report on the achievement of their ambitions for climate change adaptation and development, plus support received.

Private sector entities can use the certificates for reporting on corporate and social responsibility targets, public relations, contribution to the SDGs and the Paris Agreement goals on adaptation and climate finance, and achievement of the climate change adaptation ambitions of host countries, such as those expressed in Nationally Determined Contributions, national Adaptation, Technology and sustainable development plans.

**Non-governmental organizations** can use the certificates for achieving their relevant philanthropic missions.

**Individuals** may wish to purchase certificates, in particular from micro-scale adaptation initiatives with a tangible positive impact on local communities and vulnerable groups, for other purposes.
How can you be involved in ABM?

**Donors:** Contributions for piloting ABM and setting up the institutional infrastructure for the pilot phase, such as an ABM secretariat and an ABM registry, would be appreciated. Donors are granted full access to all information on the pilot phase. Proposal of other possible roles and specific activities by donors are also welcome.

**Host Countries:** African countries wishing to Pilot ABM are invited to discuss opportunities for engagement.
Adaptation Experts: Acknowledged adaptation experts and policy-makers are invited to express interest for participation in the ABM Board or Methodology Panel with a short CV and letter highlighting their relevant skills and motivation. The ambition is to have various stakeholders represented. It should be noted that membership during the pilot phase will be voluntary and not funded. All work and meetings will be conducted electronically.

Project Developers: Public, private, and non-profit organizations specializing in adaptation technologies and solutions that do not have negative social and environmental impacts and are active in Africa’s Least Developed Countries are welcome to discuss opportunities for engagement in the pilot phase.

Academia and NGOs: Academic institutions, think tanks, and NGOs are invited to share studies that are relevant to ABM, particularly those on the social, environmental, and economic impacts of different adaptation technologies and solutions.
Appendix I

Replication, Up-scaling, continuation
Enhanced adaptation action/finance

Approval

Information on the project and benefits

ABM Board & methodology panel
Certifies the social, economic and environmental benefits of the demonstration projects (Adaptation Benefits) and determines the benefits of replication/upscaling/continuation

Promotion of the Adaptation Benefits to public and private sector investors

African Development Bank, partners and donors

PILOT PHASE

Host Country/project developer

New Finance

Pilot phase funding

Transformation to resilient development

DE-RISKING!
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