GUIDELINES

Adaptation Benefits Mechanism Activity Cycle procedure for participants in Adaptation Benefits Mechanism activities

I. BACKGROUND

1. The Adaptation Benefits Mechanism (ABM) is a results-based finance mechanism that aims to attract public and private sector funding to projects and programmes enabling households, communities, economies and ecosystems with adapting and building resilience to the negative impacts of climate change. It may be used as a non-market approach under the Paris Agreement, which allows Parties to use voluntarily various cooperative approaches to implement their Nationally Determined Contributions (NDCs) and raise ambition. The ABM Pilot Phase was launched in March 2019 by the African Development Bank with the aim of demonstrating the approach at a modest scale, showcasing results from pilot activities and building consensus around the design of an ABM that could be adopted and scaled up at the end of the pilot phase in 2023.

2. An independent senior expert body – the interim Adaptation Benefits Mechanism Executive Committee (ABM EC), was formed by the African Development Bank in October 2019. The ABM EC’s objective is to oversee and provide strategic direction for the operationalization and execution of the pilot phase of the ABM in line with the ABM Pilot Phase Strategic Plan\(^1\) and recommend modalities and procedures for a global ABM by 2023. The ABM EC develops and adopts various strategies, guidelines and tools necessary for the operationalization of the ABM, approves ABM methodologies and ABM activities, and certifies the adaptation benefits generated by ABM activities.

3. At its eight meeting, the ABM EC adopted the “Guidelines on the Adaptation Benefits Mechanism Activity Cycle procedure for developers of Adaptation Benefits Mechanism activities”, as contained in this document.

4. The ABM Activity Cycle describes the steps to take by ABM activity participants

\(^1\) ABM EC/2020/7/3
during the ABM Pilot Phase (2019-2023), with the view to obtaining certified adaptation benefits, which can be exchanged for climate finance or co-finance with various actors directly via the ABM market platform\textsuperscript{2} or through ABM off-take agreements.

II. OBJECTIVES

5. The purpose of these guidelines is to provide ABM activity participants with comprehensive guidance on the steps to take for obtaining certified adaptation benefits. Figure 1 in Annex I illustrates the eight key steps to take in the ABM activity cycle. Descriptions of the roles of the different actors involved are included in Annex I. Clarifications regarding each step are provided in the next chapters.

III. DEFINITIONS AND NORMATIVE REFERENCES

Definitions

6. In addition to the definitions in the “Definitions of key adaptation concepts and terms for the ABM”\textsuperscript{3}, the following terms apply in this procedure:

(a) "Shall" is used to indicate requirements to be followed;

(b) "Should" is used to indicate that among several possibilities, one course of action is recommended as particularly suitable;

(c) "May" is used to indicate what is permitted;

(d) “ADD” is an abbreviation for an ABM Activity Description Document;

(e) “CAB” is an abbreviation for certified adaptation benefits. Adaptation Benefits (AB) are quantified and / or equivalently defined outputs or outcomes of an adaptation activity registered under the ABM (ABM activity). Upon successful certification and issuance in the ABM Registry, following the process described in these guidelines, the adaptation benefits become certified adaptation benefits.

(f) “ABM activity participants” are public, private or non-profit entities involved in an adaptation activity, seeking registration in the ABM registry during the ABM Pilot Phase.

\textsuperscript{2} This platform is under development.

\textsuperscript{3} This document is under development.
Normative references

7. The following referenced documents are relevant to the application of this procedure:

(a) “Definition of key adaptation concepts and terms for the ABM”\(^4\);

(b) “Guidelines on the development of an ABM methodology”\(^5\);

(c) “ABM Activity Description”\(^6\) template;

(d) “Guidelines on the procedure for approval of new, revision of an existing, or request for clarification concerning an ABM Methodology”\(^7\);

(e) “Guidelines on the procedure for selection of an independent third party to validate ABM Activity Design Documents and verify ABM monitoring reports”\(^8\);

(f) “Operational Guidelines for independent third party validation of ABM Activity Design Documents and for independent third party verification of ABM monitoring reports”\(^9\);

(g) “Guidelines on the procedure for submission of a request for registration of an Adaptation Benefits Mechanism activity”\(^10\);

(h) “Guidelines on the procedure for submission of requests for issuance of certified adaptation benefits”\(^11\);

(i) “ABM Registry”\(^12\);

(j) “ABM website”\(^13\);

(k) “ABM Environmental and Social Safeguard Guidelines”\(^14\);

(l) “ABM Grievance mechanism”\(^15\).

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\(^4\) This document is under development.

\(^5\) ABM EC/2020/5/10.

\(^6\) The document is under development.

\(^7\) ABM EC/2020/6/4.

\(^8\) The document is under development.

\(^9\) The document is under development.

\(^10\) The document is under development.

\(^11\) The document is under development.

\(^12\) The registry is under development.

\(^13\) The website is under development, domain: www.abmechanism.org. Until the website is operational, all documents are published on the ABM web page on the website of the African Development Bank: https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/adaptation-benefit-mechanism-abm

\(^14\) The document is under development.

\(^15\) This mechanism is under development.
IV. GUIDELINES

8. This chapter describes the eight key steps to take in the ABM Activity Cycle in order to obtain certified adaptation benefits from an ABM activity. More information on the roles of the different actors involved in the ABM Activity Cycle and a diagram visualizing the steps to take are included in Annex I.

STEP 1: Activity identification

9. The first step of the ABM activity cycle is identifying a candidate ABM activity. The ABM activity participants should identify an adaptation activity, which they envisage suitable for further development under the ABM. In accordance with the “Guidelines on the development of an ABM methodology”, as referred to in paragraph 7(b) above, the activity shall not be business-as-usual and shall not be feasible without additional efforts designed specifically to overcome the barrier(s) to implementing the activity. Some of those barriers may be overcome with finance or co-finance raised through the ABM.

10. The ABM activity participants may optionally draft a concept note or a project idea note to facilitate an eligibility check by an approved independent third party, as referred to in Step 4 below, and/or to assist with resource mobilization, prior to entering Step 2 below.

STEP 2: Activity Description Document preparation

11. The ABM activity participants shall describe the candidate ABM activity in an ABM Activity Description Document (ADD), including application of an approved ABM methodology, as referred to under Step 3 below, by using the ADD template, as referred to in paragraph 7 (c) above. The ADD is the main document to be prepared by ABM activity participants. It will be needed in the next steps, where it will be made publicly available. The ADD consists of the following elements:
   (a) ABM activity description;
   (b) Methodology;
   (c) Statement on envisaged co-benefits;
   (d) Description of the stakeholders consultations;
   (e) Financial model.

12. The description of the ABM activity shall include, among others, a baseline description; a theory of change and a results framework with outcomes, outputs, activities, targets, indicators, verification means, activity duration, timelines for

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16 Best practice is that high-impact adaptation activities with multiple co-benefits for the most vulnerable communities and groups are more attractive to potential investors and off-takers.

17 This template is under development. Until such a template is available, the ABM activity description is format-free. ABM activity participants are recommended to build upon best practices for describing climate change activities.
implementation; and a budget, showing clearly the incremental costs for the intervention, any co-finance and in-kind support envisaged and the ABM financial contribution needed to make the activity financially feasible and sustainable.

13. The outcomes and outputs of an ABM activity should be synchronized with the ABM methodology to reflect what comprehensive adaptation benefits the activity will generate compared to baseline, in terms of enhancing adaptive capacity and/or strengthening resilience and/or reducing vulnerability to climate change with a view to contributing to sustainable development and poverty eradication, and ensuring an adequate adaptation response in the context of the temperature goal referred to in Article 2 of the Paris Agreement. The needs and priorities for adaptation of the host country may be described in its most recent Nationally Determined Contribution, National Adaptation Plan or other public documents. The outcomes and outputs may also describe any other social, environmental and economic benefits to be generated by the activity, [such as for the achievement of the Sustainable Development Goals, other environmental treaties and priorities of the host country, as appropriate.

14. The ABM activity participants shall conduct a local stakeholder consultation, in accordance with the requirements of the host country and the “ABM Environmental and Social Safeguard Guidelines” as referred to in paragraph 7 (k) above. The stakeholders’ consultations should involve key stakeholders, including the final beneficiaries and any vulnerable groups that would be affected by or will benefit from the activity, as well as relevant local and national authorities.

15. The ABM activity participants shall conduct an environmental and social impact assessment, if applicable, in accordance with the requirements of the host country and the “ABM Environmental and Social Safeguard Guidelines”, as referred to in paragraph 7 (k) above.

16. The ABM participants may conduct pre-feasibility studies, gender and social assessment and action plan, or any other studies and prepare documents that may strengthen their ABM activity description. The ABM participants may also start consulting with potential off-takers or funders of the activity preparation costs, if applicable.

**STEP 3: Methodology design and application**

17. In describing the ABM activity, as referred to under Step 2 above, ABM activity participants shall apply an ABM baseline and monitoring methodology approved by the ABM EC. Approved ABM methodologies are available on the ABM website.

18. In the absence of a suitable approved ABM methodology, the ABM activity participants shall design and submit for approval to the ABM EC a new ABM methodology or a revised approved ABM methodology, following the “Guidelines on the development of an ABM methodology”, as referred to in paragraph 7 (b) above, and

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18 Note that in some jurisdictions some activities, depending on size and type, such as very small-scale or soft measures activities might be exempted from implementing an environmental impact assessment. It is recommended to consult the national legislation on this aspect and check the “ABM Environmental and Social Safeguard Guidelines”, as referred to in paragraph 7(k) above, for any exemptions and further guidance. Using a participatory approach in this stage is strongly recommended.
the “Guidelines on the procedure for approval of a new, revision of an existing, or request for clarification concerning an ABM Methodology”, as referred to in paragraph 7 (d) above.

19. The proposed new ABM methodology shall be submitted by the ABM participants to the ABM EC for review and approval, prior to completion of the ADD and Steps 4 below.

20. The stakeholders’ consultations referred to in paragraph 14 under Step 2 above, may include consultations on the new ABM methodology and/or the application of the approved ABM methodology19.

21. Already at this stage, ABM activity participants may consult with the national authority20 responsible for cooperative approaches under Article 6 of the Paris Agreement on obtaining a Letter of Approval or equivalent for the candidate ABM activity. A Letter of Approval contains an authorization of the ABM activity participants to participate in a candidate ABM activity under Article 6.8 of the Paris Agreement and an approval of the potential contribution of the candidate ABM activity to the national priorities of the host country for climate change adaptation, poverty eradication and sustainable development. UNFCCC guidance regarding the role of national governments for cooperative activities under Article 6 of the Paris Agreement will be followed for the ABM. In the absence of such guidance and/or national institutional arrangements for Article 6 under the Paris Agreement, during the ABM Pilot Phase any equivalent issued by a relevant national authority, including by a sub-national government, to which this role has been delegated, will be acceptable.

**STEP 4: Activity Description Document validation**

22. Validation is the independent ex-ante assessment of a proposed ABM activity, based on an ADD, including application of an approved ABM methodology, which shall ensure that the proposed ABM activity meets all requirements of the ABM EC.

23. The ABM participants shall submit the ADD, as described in Steps 2 and 3 above, for validation by an independent third party.

24. The independent third parties that have been approved by the ABM EC, in accordance with the “Guidelines on the procedure for selection of an independent third party to validate ABM Activity Design Documents and verify ABM monitoring reports”, as referred to in paragraph 7 (e) above, are published on the ABM website. If the ABM participants wish to use another independent third party, the entity should be requested to submit its expression of interest to validate ABM ADDs in advance, in accordance with the “Guidelines on the procedure for selection of an independent third party to validate ABM Activity Design Documents and verify ABM monitoring reports”.

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19 Based on best practices with adaptation, it is envisaged that local stakeholders may provide valuable reflection and insights on the potential adaptation benefits of the activity.

20 The national UNFCCC focal point is responsible for designating a national authority for Article 6. All UNFCCC focal points and national authorities are listed on the UNFCCC website. In the absence of UNFCCC guidance and national arrangements for Article 6, during the ABM Pilot Phase, any equivalent to a Letter of Approval will be acceptable, such as a letter of no objection / acceptance / endorsement / confirmation that the activity is in line with national priorities or similar in the form of a letter or an e-mail expressing the support of the government for implementing the ABM activity.
party to validate ABM Activity Design Documents and verify ABM monitoring reports”, as referred to in paragraph 7 (e) above.

25. The ADD validation process shall be guided by the “Operational Guidelines for independent third party validation of ABM Activity Design Documents and for independent third party verification of ABM monitoring reports”, as referred to in paragraph 7 (f) above.

26. The ADD validation process contains a period of 30 days of stakeholders’ consultations on the ADD, during which the ADD and the draft validation report will be made publicly available. Upon successful completion of the validation process, the validator shall issue a validation report, addressed to the ABM EC, which shall be made publicly available.

27. A host country Letter of Approval or equivalent, as referred to in paragraph 21 above, has to be obtained at latest upon successful validation of the ADD and prior to submitting a request for registration under Step 5 below.

STEP 5: Activity registration

28. The ABM activity participants shall submit a request for registration of the successfully validated activity as an ABM activity to the ABM EC. The request should contain the ADD, the Letter of Approval or equivalent of the host country, as referred to in paragraph 21 above, and modalities for communication, in accordance with the “Guidelines on the procedure for submission of a request for registration of an Adaptation Benefits Mechanism activity”, as referred to in paragraph 7(g) above.

29. The ADD registration process consists of a completeness check by the ABM secretariat and a 15 days period for consultations with Parties involved in the ABM activity, in accordance with the “Guidelines on the procedure for submission of a request for registration of an Adaptation Benefits Mechanism activity”, as referred to in paragraph 7(g) above.

30. The ABM EC shall consider the recommendations of the independent third party, serving as a validator, and the comments made by all stakeholders. If there is no objection from a Party involved in the ABM activity and/or at least three members of the ABM EC, the request for registration of the activity in the ABM Registry will be approved by the ABM EC. Otherwise, the request will undergo a review to allow for further consultations and clarifications. Following the review, it may be approved or rejected. Any stakeholder of the candidate ABM activity may rebut the decision of the ABM EC through the “ABM grievance mechanism”, as referred to in paragraph 7 (l) above.

STEP 6: Activity implementation

31. The ABM activity, registered under Step 5 above, shall be implemented with the view to generating adaptation benefits, which could be certified and issued under Steps 7 and 8 below respectively. The adaptation benefits generated and other relevant information should be captured in a monitoring report, as further explained under Step 7 below. The time period covered by the monitoring report will be further referred to
as a “verification period”. The length of the verification period is determined by the ABM activity participants.

32. The ABM activity participants shall monitor the implementation of the ABM activity in accordance with the approved ABM methodology. The frequency of monitoring and the length of the verification periods may be elaborated in the ABM methodology and in the financial model in the ADD.

**STEP 7: Monitoring report verification**

33. Verification is the independent review and ex-post determination of the adaptation benefits generated as a result of the implementation of an ABM activity during the verification period and the associated finance in terms of incremental costs, co-finance, finance leveraged, contributions in kind, etc., as relevant.

34. Certification is the written assurance by the verifier that during the specified verification period the ABM activity has applied the relevant ABM Methodology and has:

   (a) achieved a number of adaptation benefits, as defined in the application of the relevant ABM Methodology in the ADD;

   (b) addressed the outcomes of the stakeholder consultation and, if applicable, the outcomes of the environmental impact assessment;

   (c) contributed to the claimed environmental, social and economic co-benefits;

   (d) achieved any other parameters, as specified in the methodology;

35. The ABM participants shall prepare a monitoring report for a defined\textsuperscript{21} verification period, containing justification of the elements in paragraph 34 above and submit it for verification by an independent third party that shall be different than the third party, which has conducted the ADD validation, as referred to under Step 4 above. The independent third parties that have expressed interest in verifying ABM monitoring reports and were approved by the ABM EC, in accordance with the “Guidelines on the procedure for selection of an independent third party to validate ABM Activity Design Documents and verify ABM monitoring reports”, as referred to in paragraph 7 (e) above, are published on the ABM website. If the ABM participants wish to use another independent third party\textsuperscript{22}, the entity should be requested to submit its expression of interest to verify monitoring reports for ABM activities in advance, in accordance with the “Guidelines on the procedure for selection of an independent third party to validate ABM Activity Design Documents and verify ABM monitoring reports”, as referred to in paragraph 7 (e) above.

36. The verification process shall be guided by the “Operational guidelines for independent third party validation of ABM activity design documents and for independent third party verification of ABM monitoring reports”, as referred to in paragraph 7(f) above.

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\textsuperscript{21} The activity participants shall define an appropriate monitoring period.

\textsuperscript{22} Designated Operational Entities for the Clean Development Mechanism and other organizations with similar experience are invited to express interest for validating and verifying ABM ADDs.
37. The verification process contains a period of 30 days of stakeholders’ consultations on the monitoring report, during which the ADD, the monitoring report and the draft verification report will be made publicly available.

38. Upon successful completion of the verification process, the verifier shall issue a verification report, including a certification statement addressed to the ABM EC, as referred to in paragraph 34 above, and the verified monitoring report, which shall be made publicly available.

**STEP 8: Issuance of Certified Adaptation Benefits**

39. The ABM activity participants shall submit the verification report with a request for issuance to the ABM EC, in accordance with the “Guidelines on the procedure for submission of requests for issuance of certified adaptation benefits”, as referred to in paragraph 7(h) above.

40. The issuance process contains a completeness check by the ABM secretariat and a 15-days period for consultations with Parties involved in the ABM activity.

41. The ABM EC shall consider the recommendations of the independent third party, serving as a verifier, and the comments made by all stakeholders. If there is no objection from a Party involved in the ABM activity and/or at least three members of the ABM EC, the certified adaptation benefits are issued in the ABM Registry on the ABM website. Otherwise, the request will undergo a review. Any stakeholder of the candidate ABM activity may rebut the decision of the ABM EC through the “ABM grievance mechanism”, as referred to in paragraph 7 (l) above.

42. Certified adaptation benefits shall be issued in the ABM Registry. Each certified adaptation benefit (CAB) will have a unique code number (CAB Code), which will be sent to the ABM activity participants, in accordance with the modalities for communication, as submitted together with the request for registration under Step 5 above. They can be claimed by the activity participants, forwarded to an off-taker or purchased by a buyer and can be used only once. The CABs provide verified information for transparency under the Paris Agreement or other reporting. All Parties involved will receive relevant information.

43. ABM Activities with multiple verification periods should continue implementation of the ABM activities during and upon verification, and issuance of the CABs with the view to preparing subsequent monitoring reports. The process for issuance of certified adaptation benefits shall be repeated from steps 6-8 above.
ANNEX I: ABM Activity Cycle and roles of the different actors involved

44. Figure 1 illustrates the ABM Activity Cycle procedure.

Figure 1. ABM Activity Cycle Diagram
Actors involved in the ABM Activity Cycle and their roles

45. The actors involved in the ABM Activity Cycle are the following:
   (a) ABM EC;
   (b) ABM secretariat;
   (c) ABM participants;
   (d) ABM validators;
   (e) ABM verifiers;
   (f) Host country government;
   (g) Other Parties involved in the ABM;
   (h) Local stakeholders;
   (i) International stakeholders;
   (j) Off-takers, climate funds and other donors for adaptation;
   (k) Commercial banks and other financial institutions; and
   (l) Other actors as considered relevant.

46. The roles of each actor in the ABM Activity Cycle are clarified below.

**ABM EC**
47. According to these guidelines, the main tasks of the ABM EC in the ABM Activity Cycle are:
   (a) developing and adopting various strategies, guidelines and tools necessary for the operationalization of the ABM Activity Cycle;
   (b) approving new ABM baseline and monitoring methodologies proposed by ABM activity participants;
   (c) approving third party validators/verifiers;
   (d) approving requests for registration of ABM activities in the public ABM Registry submitted by ABM activity participants;
   (e) approving requests for certification and issuance of the adaptation benefits generated by ABM activities submitted by ABM activity participants.

**ABM secretariat**
48. The ABM secretariat is hosted by the African Development Bank and acting in accordance with its Terms of Reference. In the ABM Activity Cycle, the ABM secretariat facilitates the work of the ABM EC and serves as an interface for communication between the ABM EC and other actors.

**ABM participants**
49. According to these guidelines, the main tasks of the ABM participants are:
   (a) arranging finance for the ABM activity, including for preparation, validation, implementation, monitoring and verification. Upon registration, the ABM activity participants may start negotiating and signing off-take agreements with various actors for payments upon delivery of certified adaptation benefits to be generated by the registered ABM activity. Such agreements may include pre-payments, as agreed. An “Example of an off-take agreement”, as referred to in paragraph 7 (n) above. More information on the funding mechanism available for ABM activities, is available on the ABM website, as referred to in paragraph 7 (i) above. In case own finance or pre-finance is not available, signed off-take agreements can be used to obtain a commercial loan from a commercial bank or another financial institution;
(b) identifying ABM activities. At this stage an ABM activity idea note or a concept note may be developed and used to seek clarification on eligibility for the ABM and host country acceptance or funding for technical assistance;

(c) preparing an ABM ADD for a candidate ABM activity, containing also the application of an approved ABM baseline and monitoring methodology. In case, no approved ABM Methodology is available, the ABM participants should design and submit a new ABM Methodology for approval by the ABM EC;

(d) conducting consultations with local stakeholders, as required;

(e) submitting an ABM ADD for a candidate ABM activity, containing also the application of an approved ABM baseline and monitoring methodology, for validation by an independent third party, listed on the ABM website;

(f) submitting requests for registration of an ABM activity in the public ABM Registry to the ABM EC;

(g) implementing the ABM activity;

(h) monitoring the ABM activity in accordance with the monitoring methodology and preparing a monitoring report;

(i) submitting the monitoring report for verification by an independent third party, different than the validator;

(j) submitting a request for issuance of certified adaptation benefits to the ABM EC;

(k) delivering certified adaptation benefits to contracted off-takers and buyers and receiving payments, in accordance with the off-take or purchase agreement, as applicable.

**ABM validators**

50. The independent third parties, serving as ABM validators, validate the ABM ADD, containing also the application of an approved ABM baseline and monitoring methodology and prepare a public validation report. The process for validation includes a period of 30 days for consultation with international stakeholders.

**ABM verifiers**

51. The independent third parties serving as ABM verifiers, verify the monitoring reports submitted by ABM activity participants and prepare a public verification report. The process for verification includes a period of 30 days for consultation with international stakeholders.

**Host country government**

52. The main tasks of the host country governments in the ABM Activity Cycle is issuing a Letter of Approval or equivalent for each ABM activity. Furthermore, the host country government may participate in all stakeholders consultations and trigger a review when requests for registration and issuance are submitted to the ABM EC.

53. During the ABM Pilot Phase, the host country governments are recommended, if they have not yet done so, to ratify the Paris Agreement and designate a national authority for cooperative approaches under Article 6 of the Paris Agreement, covering also Article 6.8 cooperative approaches for mitigation and adaptation. The host country government will receive information from ABM activities, and may use this information for transparency under the Paris Agreement or other reporting.
Other Parties involved in the ABM
54. Parties other than the host country government, involved in the ABM Activity may participate in all stakeholders consultations and trigger a review when requests for registration and issuance are submitted to the ABM EC.

55. During the ABM Pilot Phase, other Parties involved are recommended, if they have not yet done so, to ratify the Paris Agreement and designate a national authority for cooperative approaches under Article 6 of the Paris Agreement, covering also Article 6.8 cooperative approaches for mitigation and adaptation. Other Parties involved may receive information from ABM activities, if they wish so, and may use it for transparency under the Paris Agreement or other reporting.

Local stakeholders
56. According to these guidelines, local stakeholders may participate in stakeholders consultations taking place in the stages of ABM activity preparation, validation and verification.

International stakeholders
57. According to these guidelines, international stakeholders may participate in stakeholders consultations taking place in the stages of ABM activity validation and verification. International stakeholders with local representations, may take part also in stakeholders consultations in the stage of ABM activity preparation, if relevant and in accordance with the national requirements.

Off-takers, Climate Funds and other donors for adaptation
58. Off-takers, climate funds and other donors for adaptation may sign off-take agreements for payments upon delivery of CABs with the ABM activity participants upon successful registration of the ABM activity in the ABM Registry by the ABM EC, which may include pre-payments, as agreed. They may also provide technical support to ABM activity participants in earlier stages.

Commercial banks and other financial institutions
59. Commercial banks and other financial institutions may provide commercial loans to ABM activity participants using off-take agreements for CABs as a collateral, in a way similar to using Emissions Reductions Purchase Agreements for climate change mitigation activities. It is recommended that commercial banks and other financial institutions develop incentive policies for adaptation activities funded through the ABM, including lower interest rates.