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

FINAL REPORT

July 2021

African Development Bank Group

Foreword

In response to the need for adaptation finance on the African continent, the African Development Bank has 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 recognizes that most adaptation projects yield economic benefits but not financial benefits and consequently they are unattractive to the private sector. The ABM calls on developed countries to recognize the value of adaptation projects and to communicate a willingness to pay for adaptation through enhancing cooperation among countries as well as promoting inclusivity. If there was a credible means of valuing adaptation benefits, and a willingness to pay for them, then the private sector would be able to invest as it has already been demonstrated by many private sector actors through their support to similar interventions using their Corporate Social Responsibility initiatives.

The ABM is designed as a non-market mechanism under Article 6.8 of the Paris Agreement. Whilst drawing on the lessons learnt from the carbon markets, this approach introduces some very interesting and significant differences and may bring added levels of transparency and fairness to adaptation finance. The ABM aims to bridge the financing gap in adaptation projects including to the most vulnerable groups, providing sufficient finance to make them financially viable whilst ensuring value for money for purchasers of Certified Adaptation Benefits (CABs). The payment of the CABs will therefore enable to close the existing financial gap. CABs will be paid under a results-based scheme, i.e. the purchasers will get committed to purchasing those units before project starts but payments of adaptation benefits will take place after adaptation benefits units are verified throughout the project implementation process.. Since the CABs are project specific, they are not fungible, so there is no scope for speculation or secondary trading. The price the purchaser pays, excluding a possible retail mark-up, is the price the project developer receives. If the host country issues a letter of approval for the project, then the adaptation benefits can be reported as assistance provided to meet host country adaptation goals.

At present, there is no mechanism to incentivize host countries to communicate on adaptation needs on the one hand, and for donor countries to make commitments to support such needs. The ABM could change that and lay a technical ground to fill the huge climate change financial gaps, specifically the adaptation part which accounts for only 10 % of climate finance and which is often neglected compared to mitigation

This report presents very encouraging feedback from a range of stakeholders who have participated in either an online questionnaire or an individual interview. I / We would like to thank the respondents for their time and insights, and I / we look forward to seeing the feedback incorporated into the design of the ABM as it matures.

[To be signed by AfDB representative]

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List of Acronyms

AB	Adaptation Benefits
ABM	Adaptation Benefits Mechanism
ABM EC	ABM Executive Committee
AfDB	African Development Bank
CAB	Certified Adaptation Benefit
CDM	Clean Development Mechanism
COP	Conference of 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 Organization
PA	Paris Agreement
PECG	Climate Change and Green Growth Department
RMC	Regional Member Countries
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
UNFCCC	United Nations Framework Convention on Climate Change

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1. Executive Summary

1.1 Introduction

The Adaptation Benefit Mechanism (ABM) is a results-based mechanism for mobilizing public and private finance for adaptation. It certifies the adaptation benefits of adaptation action in exchange for payments. This concept is being developed by the African Development Bank, with support from the Climate Investment Funds (CIF), in response to a request by African countries to develop innovative mechanisms for leveraging adaptation finance. The ABM has been introduced during the intergovernmental negotiations on Article 6.8 of the Paris Agreement by Uganda and Cote d'Ivoire in 2017. In March 2019, the African Development Bank launched the ABM Pilot Phase (2019-2023), which aims to operationalize and test the mechanism on the ground through demonstration projects in Africa.

The ABM Market Study was commissioned by the African Development Bank in order to bring together key adaptation stakeholders, upstream (policies) and downstream (projects) as well as donors and banks and rally them to the initiative. In particular, the objective was to analyze:

- Their understanding of the mechanism;
- Their points of doubt and requests for clarification;
- Problems that could make the mechanism unattractive;
- Their suggestions for improvement and correction;
- Their willingness to become Certified Adaptation Benefit purchasers.

1.2 Methodology of the Market Study

The Market Study was conducted through four steps, two of which being conducted in parallel:

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

Adaptation stakeholders were grouped according as follows:

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

1.3 Market Study quantitative results

A satisfactory response rate was achieved for the online questionnaire. Out of a 788 contact-point database, and thanks to extensive communication and reminders (emails, climate and adaptation newsletters), sixty-eight (68) participations were received, including 26 in Group I, 16 in Group II, and 26 in Group III.

Participants from Group I and II mostly have a long-standing experience with climate change and adaptation (above 10 years), reinforcing the credibility of their answers. For Group III, lesser experience was observed (50% below 5 years). However, the good response rate demonstrates a strong interest for the topic. The most represented entities 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, most of them spending between 20 million and 50 million, and about the same proportion supports less than 10 projects annually. Potential CAB purchasers (Group I) already support a variety of organizations including SMEs, smallholders and public institutions, while national authorities and institutions (Group II) support public institutions, NGOs, and SMEs. They provide them with capacity building and financial support, or support them in their relationships with finance providers (micro-finance, multilateral development banks and climate funds).

Most of Group III participants currently work with philanthropic bodies and climate finance actors. Overall, they are quite satisfied with the communication and flexibility of philanthropic bodies and bilateral cooperation, but less with development banks and funds. Almost one third of them never received financing, while 15% received less than 50 000 USD per year on average. According to Group II participants, national budgets dedicated to adaptation range between 0 and 5 million USD annually, while the amount received from finance providers is within the same range. Most of participants consider that financial support from finance providers is critical to maximize the impact of adaptation action, and only a 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 among 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;
- Main barriers to finance adaptation are financial and technical (e.g. lack of economically viable projects, lack of high-quality and technical rigor, need for capacity building).

All participants consider the ABM would be highly relevant for agriculture and forestry, water management, energy access, biodiversity, and climate information systems, and for all project sizes with a specific interest for projects ranging from 1 to 50 million USD.

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

Above 90% of participants think that the ABM has the potential to incentivize public and private sector financing of adaptation projects beyond current level. Online questionnaire participants recognized that the ABM has many strengths: (i) it will create incentives by providing well defined and calibrated adaptation products, which are currently lacking, and will demonstrate the value-for-money invested, (ii) it has the potential to support small scale projects that would not be bankable otherwise by giving adaptation an economic value, (iii) it will guarantee the credibility of the action and give confidence in the investment, and (iv) it is better aligned with local context and results, compared to existing adaptation finance mechanisms .

Improvement axes include (i) upscaling the ABM, especially by involving the private sector, (ii) paying attention to shortening processes and time required to receive financing, (iii) ensuring certification costs are not prohibitive for project developers.

1.4 Market Study qualitative results

Based on the interviews conducted, there is a general interest in the concept, and in strengthening adaptation finance. However, doubts exist as participants indicated a potential gap between the conceptual idea and its successful implementation, more specifically on its capacity to mobilize funding from CABs purchasers, to attract project developers, and with regard to the feasibility of the business model. Interviewees think the ABM helps to build a rationale and to tell the story of how adaptation finance is used and explain its positive impact on most vulnerable groups. An in-depth assessment of adaptation actions results with a certified mechanism is expected to improve transparency and give confidence to finance providers. It will also enable the identification of best practices in the implementation of climate adaptation actions. Still, the need to showcase success stories and to improve the communication on the ABM has clearly emerged.

For the ABM implementation, priority should be put on adaptation sectors prioritized in the National Adaptation Plans, demonstrating the need to align ABM projects with national priorities, hence the need to establish partnerships with National Designated Authorities and Focal Points to ensure projects are tailored to local context. Small projects will need to be tackled, high transaction costs as well.

There has been no consensus on the type of indicators to target. If impact would be the most desirable target, interviewees stressed the difficulty to collect data and therefore proposed outcome indicators. Some indicated the need for a baseline scenario to be defined, and for several types of indicators to measure the change. For the verification process, there is a general agreement on the need for it. Most interviewees were in favor of a verification by a third party.

On the organizational structure, participants agree that is it good to have an external body to the African Development Bank to reinforce investors' confidence (i.e. the ABM Executive Committee and the Panel), and it is necessary that they are inclusive and representative especially when the ABM is operational and recognized.

1.5 Recommendations

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

- **Development of pilot studies** to help stakeholders better understand the concept and adhere to it;
- **Identification of a pipeline of potential CAB purchasers and financial partners**;
- **Identification of project developers** including by engaging in a dialogue with relevant stakeholders;
- **Stakeholder mobilization on the ABM** through general communication at international and regional climate events as well as on online platforms. This recommendation includes group-specific strategies for mobilization;
- **Stakeholders' need for capacity building** and technical support, on financial institutions requirements, nature of adaptation projects and availability and quality of data, and on the ABM itself;

- **Institutional arrangements** to enable representativeness of actors, regions, and country priorities, as well as to clarify the differentiated responsibilities of the African Development Bank and the ABM Executive Committee.

1.6 Conclusion

The above summary of the report findings presents a very encouraging feedback from a range of stakeholders who have participated in the Market Study. It is clear that there is an appetite for the Adaptation Benefit Mechanism. It is important to note that many of the suggestions and axes for improvements raised by participants are currently being addressed in the more detailed design of the Adaptation Benefit Mechanism engaged by the African Development Bank and the ABM Executive Committee. It again shows that communication will be critical for ABM success to ensure stakeholders' understanding of ABM specific process and impacts, and to get adaptation actors' buy-in. Recommendations made in this study intend to support this transition from a pilot mechanism to an operational and recognized approach.

2. Introduction

2.1 Context of the study

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) in the continent.

Even if the target of the Paris Agreement 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 USD a year by 2050[2]. However, the global finance for adaptation in 2030 would need be approximately 6 to 13 times higher than international public finance in 2016 to avoid an adaptation gap[3]. Mobilizing new finance, especially from private sources, is therefore crucial for ensuring an adequate level of adaptation in Africa.

The African Development Bank (AfDB) is a development institution, focused on promoting economic development and poverty reduction in Africa, through (i) the mobilization 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 Climate Change and Green Growth Department (PECG) assists Country Programs/Departments with managing the Bank Group's development operations in Regional Member Countries (RMCs). Within the Department, PECG.1 is the division 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 Paris Agreement (PA) sets out an ambitious long-term goal to keep average global temperature increase to well below 2°C compared to pre-industrial levels, aiming at 1.5°C. The Paris Agreement also emphasizes climate change adaptation as a top priority in Article 2. Art. 2.1 (a) establishes the 2°C temperature goal while Art 2.1 (b) states that the Paris Agreement aims at increasing adaptive capacity to "adverse impacts of climate change and foster climate resilience and low GHG development, in a manner not endangering food security"[4]. Article 7 mentions a global adaptation goal, which is however not specified. It also discusses national level adaptation and its integration into the Nationally Determined Contributions (NDCs) but remains silent on policy instruments.

The Paris Agreement allows for the voluntary use of various top down and bottom up cooperative approaches for mitigation and adaptation. While its Articles 6.2 and 6.4 focus only on market-based approaches for mitigation, its 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 market mechanisms for mitigation to create value for resilience through generating adaptation benefits, e.g. by creating a scheme enabling to (i) develop project specific methodologies which set the basis for estimating and quantifying the adaptation benefits, and to (ii) ensure transparency, credibility and environmental integrity through a verification of units during project implementation. Moreover, demonstrating progress towards resilience and adaptation finance is embedded in the Paris Agreement. Non-market mechanisms for adaptation must take into account the unique aspects of climate change adaptation, and can serve to create incentives for the mobilization of public and private sector climate finance similarly 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 African Development Bank, with support from the Climate Investment Funds (CIF), developed the concept of the Adaptation Benefits Mechanism (ABM), which has been introduced in the intergovernmental negotiations on Article 6.8 of the Paris Agreement by Uganda and Cote d'Ivoire since 2017. In March 2019, the African Development Bank launched the ABM Pilot Phase (2019-2023), which aims to operationalize and test the mechanism on the ground through demonstration projects in Africa.

The ABM is a results-based mechanism for mobilizing public and private sector finance for adaptation. It certifies the adaptation benefits of adaptation action in exchange for payments. Project developers can use these payments to achieve financial equity or obtain commercial loans to implement adaptation actions that would not be feasible otherwise. The ABM approach there acts as a de-risking mechanism. The Certified Adaptation Benefits are valuable verified units. The quantified information will serve the transparency targets under the Paris Agreement and other reporting on enhanced resilience and adaptation finance. The ABM can help developing countries with implementing their NDCs, in particular the adaptation component requiring international cooperation and support. An independent senior expert body formed and hosted by the African Development Bank – the interim Adaptation Benefits Mechanism Executive Committee (ABM EC) oversees the ABM and guides the implementation of the ABM Pilot Phase. The ABM EC delivers guidelines and tools for project developers. It also approves ABM methodologies and requests for registration of ABM activities and for issuance of certified adaptation benefits.

The ABM can be briefly described as follows:

[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

1) ABM is a result-based model that will generate “Certified Adaptation Benefits” (CAB) that will be acquired by public financial institutions to tackle climate change and private companies willing to invest in adaptation projects for Corporate and Social Responsibility objectives;
2) Public & private donors will conclude a financing agreement based on result to be achieved;
3) This agreement will specify the fixed payments for Certified Adaptation Benefit, the volume and delivery schedule;
4) It will contribute to de-risking adaptation investments, enable pre-finance of adaptation projects and generate a positive loop to support adaptation investment;
5) the ABM Executive Committee, as an independent third party will ensure the consistency of the adaptation benefits through periodic verification during the project implementation;
6) ABM will comply with the Paris Agreement (Art 6.8) and will support the National Determined Contribution implementation on the adaptation domain.

2.3 Rationale of the Market Study

The ABM Market Study was commissioned by the African Development Bank in order to bring together key adaptation stakeholders, upstream (policies) and downstream (projects) as well as donors and banks and rally them to the initiative. In particular, the objective was to analyze:

- Their understanding of the mechanism;
- Their points of doubt and requests for clarification;
- Problems that could make the mechanism unattractive;
- Their suggestions for improvement and correction;
- Their willingness to become Certified Adaptation Benefit purchasers.

3. Methodology of the Market Study

3.1 Stakeholder mapping and grouping

At the core of the study, the consortium led by EY and Perspective Climate Group built a stakeholders' database to conduct a quantitative survey and qualitative interviews. The Consortium built an Excel database that prioritizes Africa but also covers a wide geographic scope (Asia-Pacific, Latin America, Europe, North America, etc.) to map relevant adaptation stakeholders to collect their viewpoints on the ABM.

The database comprises 788 contact points (above the initial objective of 500 contacts) that have been reached for the online survey, and 15 have been selected for direct interviews as explained in section 2.3.

An initial stakeholders' categorization of contact points was proposed by the African Development Bank in the Terms of Reference. The Consortium has prepared a clustering in three groups to differentiate opinions and provide clarity in the results' analysis:

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

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

Target Groups	Proposed audience	Consortium inputs on audience
Group I	Potential 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.
Group I	Potential AB purchasers: CSR actors	Private companies reporting to Carbon Disclosure Project, companies with Net Zero targets, members of Global Investor Coalition on Climate Change, Coalition for Climate Resilient Investment
Group I	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
Group II	Developing countries' authorities	First priority Africa, second priority LDCs and SIDS outside Africa, third priority other developing countries
Group II	Negotiation groups under the UNFCCC	Beyond national authorities: LDC Group, the Climate Vulnerable Forum, etc.
Group III	Project developers	Developers of classical development as well as climate change mitigation projects in developing countries
Group III	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.
Group III	Other civil society organizations relevant to the functioning of the ABM	Least Developed Countries (LDCs) Universities Consortium on Climate Change, CAN members

Table 1: Target group clustering

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

- Stakeholder group (based on the above classification);
- Organization / entity name;
- Named contact point / Focal Point;
- Contact point position within the organization;
- Email;
- Phone;
- If relevant, details on their past and future engagement in adaptation actions.

Overall, the stakeholders' mapping aimed at considering a broad range of key adaptation stakeholders: upstream (policies) and downstream (projects) as well as the finance sector with donors and banks, to analyze:

- Their understanding of the mechanism;
- Their points of doubt and requests for clarification;
- Problems that make the mechanism unattractive;
- Their suggestions for improvement and correction;
- Their willingness to become an Adaptation Benefit purchaser under the ABM.

Stakeholders' database is presented in **Annex 1 – Stakeholders' Database**.

3.2 Online survey

The first stream of the study consisted in a quantitative study run through an online questionnaire published on Google Forms. The questionnaire consisted in (i) a generic set of questions which applied to all target groups and (ii) sets of questions that were specific to each target group. The general questionnaire framework was the following:

- A short introduction on the ABM as well as the content and purpose of the study (fulfilling awareness raising and dissemination objectives);
- Sections to be filled by the participant:
    - Section A – Participants Profile;
    - Section B – Current experience / practice on adaptation and adaptation finance;
    - Section C – Perception of the ABM and its expected impacts;
    - Section D – The ABM process;
    - Section E – Next steps.

To consult the online questionnaires for the three (3) groups, please refer to **Annex 2 – Online questionnaire forms**. Also, online questionnaires are directly available by connecting to the ABM Market Study Google Account. Access codes are provided in **Annex 3 – Access codes to Google Account**.

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

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

The initial objective of at least 50 replies (10% of replies out of an estimated 500-stakeholder database) has been overshot with **68** replies (**26** in Group I, **16** in Group II, **26** in Group III).

The raw results of the online questionnaires can be found in **Annex 4 – Raw online questionnaire results**. Connection details to the Google Forms account will be shared separately with African Development Bank.

3.3 Direct interviews

In addition to the online survey that allowed the Consortium to gather a large number of feedback, direct interviews were performed to better understand and assess the ABM acceptability conditions from various stakeholders' points of view 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. To consult the offline interview guides shared for each of the three groups, please refer to **Annex 5 – Qualitative interviews guides**.

The 15-stakeholder panel was identified based on specific ABM-related criteria, providing optimal coverage of geography and adaptation activities, and validated with the African Development Bank. Criteria for selection included:

- Type of organization (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;
- Appetite for funding of adaptation projects.

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

In addition, based on interviewee's preference, some interviews were conducted in French.

The detailed stakeholder panel for qualitative interviews is available in **Annex 6 – Panel for qualitative interviews**.

4. Market Study quantitative results

4.1 Overview of 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;
- **Group III – Adaptation project developers:** Non-profit organizations including NGOs, Civil society organizations and CSR actors including the private sector.

Stakeholders in each group tend to have longer experience in climate-related actions than in adaptation actions: 48% of participants having more than 10 years of experience working on climate-related issues , 37% of participants having more than 10 years of experience working on adaptation issues, and Group III even having 50% of participants with less than 5 years of experience on adaptation issues.

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

Finally, stakeholders in Group I tend to focus mainly on financing adaptation activities in Africa (more than 50% of the participants having more than 40% of their adaptation activities in Africa, and almost 27% financing adaptation activities exclusively in Africa).

4.1.1 Group I – Potential AB purchasers (climate finance)

A total of 27 contact points have participated in the online survey under Group I – Potential AB purchasers. The detailed list of Group I participants is available in **Annex 1 – Stakeholders' Database**. The wide majority of respondent are based in Africa. Geographical representation is as follows:

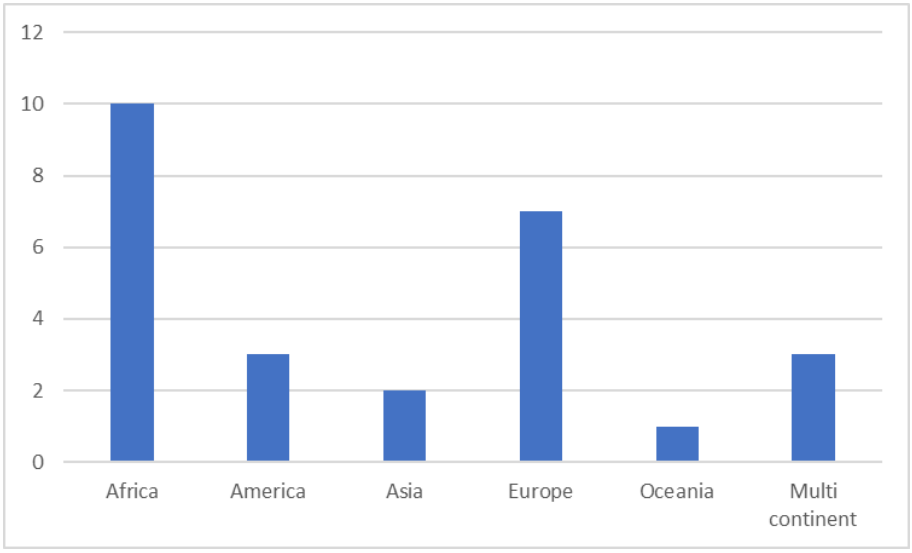

Figure 1: Group I participants location

The panel of participants represents a wide range of organizations and institutions, as shown in below chart. Still, representatives of public climate finance actors and of philanthropic bodies including NGOs account for respectively 38,5% and 15,4% of the group respondents.

Figure 2: Breakdown of Group I participants per type of institution

More than half of Group I participants have been working on climate-related issues for more than 10 years, and more than two third have been working on adaptation-related issues for more than 5 years. The previously mentioned figures demonstrate the participants' knowledge and experience of adaptation, which reinforces the credibility of their answers.

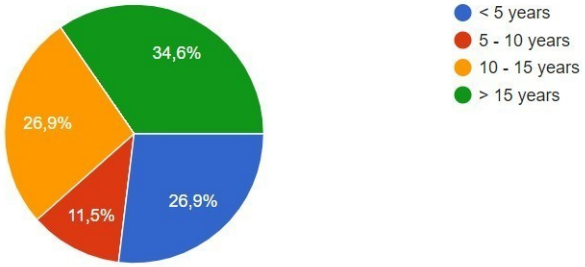

Figure 3: Breakdown of Group I participants per years of experience in climate change

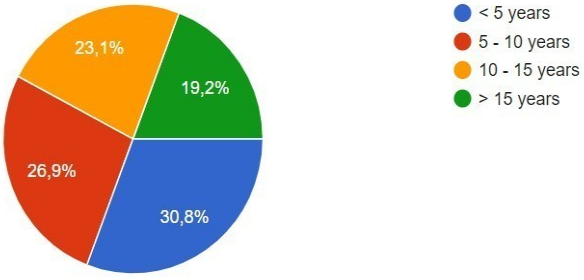

Figure 4: Breakdown of Group I participants per years of experience in adaptation

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%. 26,9% of participants only work in Africa for adaptation-related activities. Those results show that participants tend to have a good awareness of adaptation needs specific to Africa.

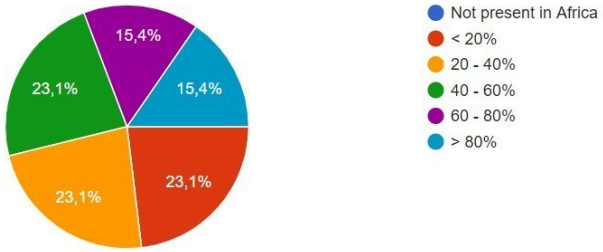

Figure 5: Share of Group I participants adaptation activities in Africa

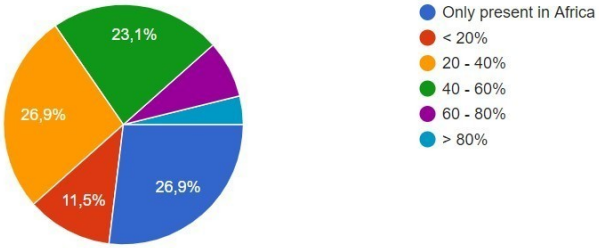

Figure 6: Share of Group I participants adaptation activities in the rest of the world

4.1.2 Group II – National authorities and institutions

A total of 16 contact points have participated in the online survey under Group II – National authorities and institutions. The detailed list of Group I participants is available in **Annex 1 – Stakeholders' Database**. The wide majority of respondent are based in Africa.

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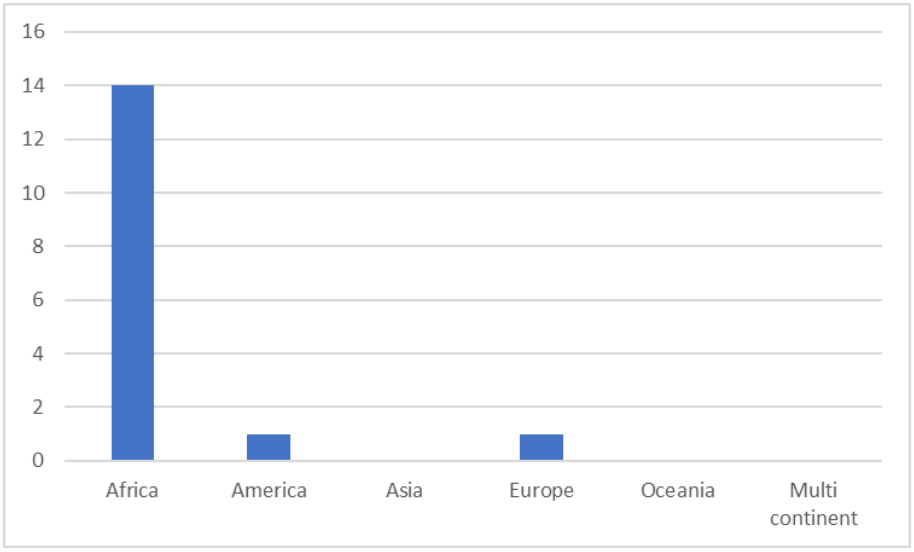

Figure 7: Group II participants location

The panel of participants represents a wide range of organizations and institutions, as shown in below graph. Still, representatives of developing countries' authorities account for 50% of the group.

Figure 8: Breakdown of Group II participants per type of institution

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

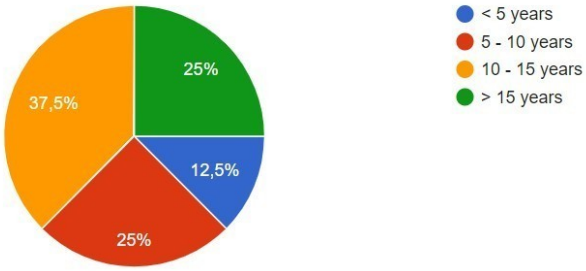

Figure 9: Breakdown of Group II participants per years of experience in climate change

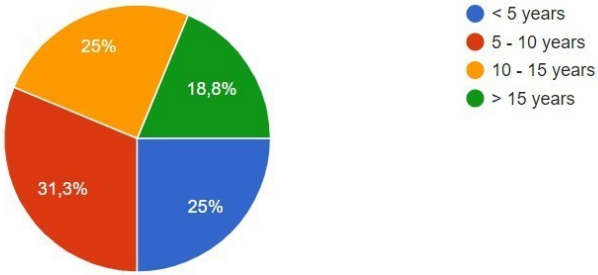

Figure 10: Breakdown of Group II participants per years of experience in adaptation

4.1.3 Group III – Adaptation project developers

A total of 25 contact points have participated in the online survey under Group III – Adaptation project developers. The detailed list of Group I participants is available in **Annex 1 – Stakeholders' Database**. The wide majority of respondent are based in Africa, as follows:

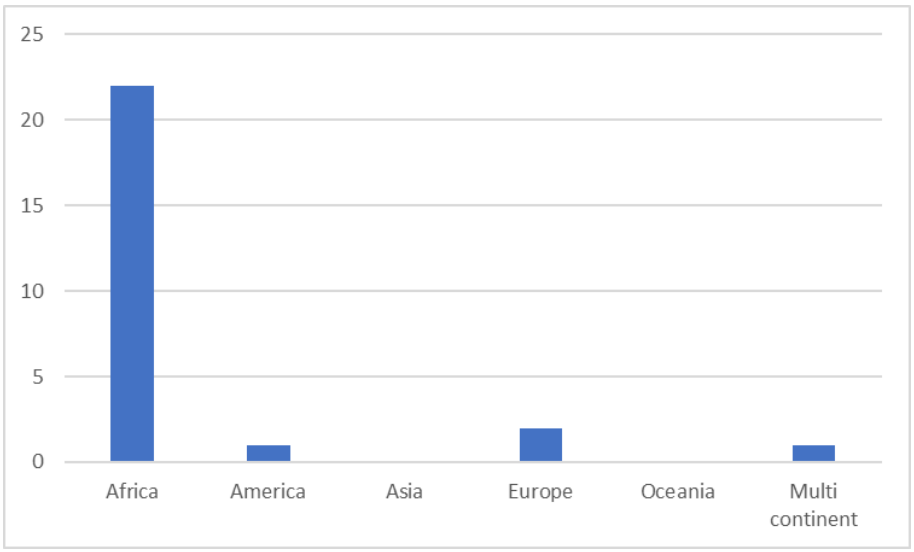

Figure 11: Group III participants location

The panel of participants represents a wide range of organizations and institutions, as shown in below graph. Still, representatives of non-profit organizations including NGOs and civil society organizations account for respectively 50% and 19,2% of the group.

Figure 12: Breakdown of Group III participants per type of institution

More than a third of Group III participants work in agriculture and forestry (34.6%). Other participants operate in a wide range of sectors, therefore providing a good representativity for adaptation.

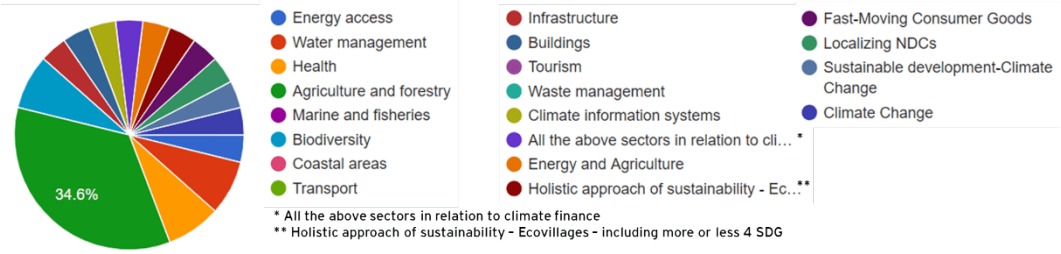

Figure 13: Breakdown of Group III participants per sector

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

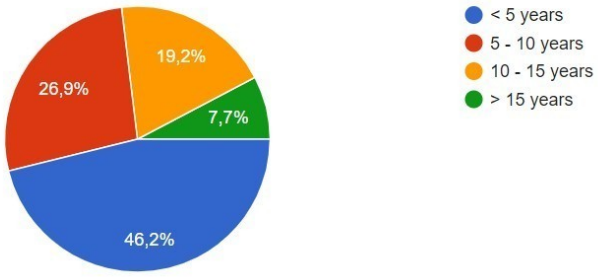

Figure 14: Breakdown of Group III participants per years of experience in climate change

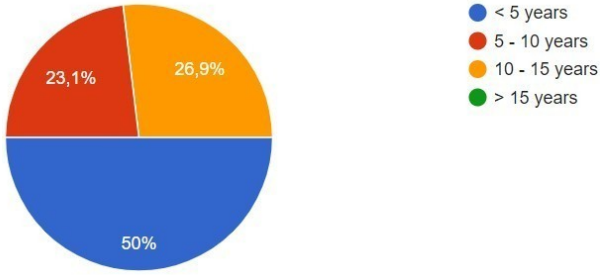

Figure 15: Breakdown of Group III participants per years of experience in adaptation

4.2 Current experience and practice of adaptation and adaptation finance

4.2.1 Consolidated vision of the results

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

4.2.2 Vision per group

4.2.2.1 Group I – Potential AB purchasers (climate finance)

61,5% of Group I participants are working with private sector project in developing countries for adaptation related activities. Among them, 14,2% support more than 50 projects annually, while 52,4% support less than 10 projects annually:

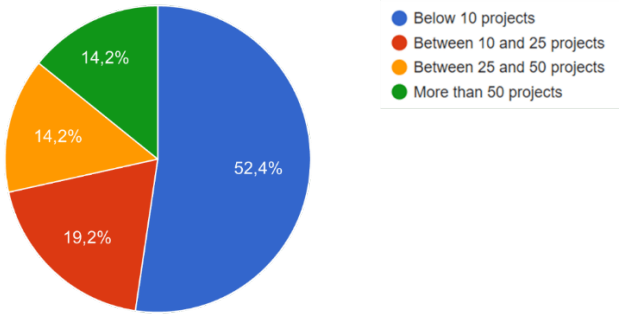

Figure 16: Number of adaptation projects supported annually by Group I participants

The approximate finance volume directed by the above institutions to climate change adaptation, independently of geography, ranges between none to 5 billion. Half of participants spend between 1 million and 100 million USD per year in adaptation, most answers falling in the 20-50 million range:

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%**

Table 2: Approximate finance volume directed by Group I institutions to climate change adaptation, independent of geography (USD per year)

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

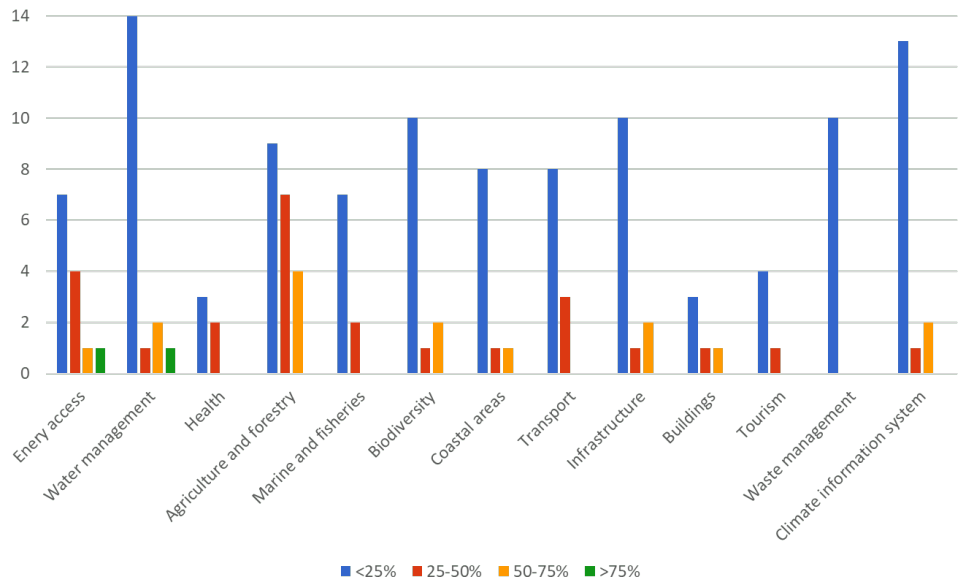

Figure 17: Adaptation sectors supported by Group I participants by intensity and number of answers

Below graph shows that potential AB purchasersalready support a variety of organizations with a larger proportion of small size (Small and Medium Enterprises - SMEs - and smallholders) and public ones, those organization representing up to more than 75% of some participants portfolio.

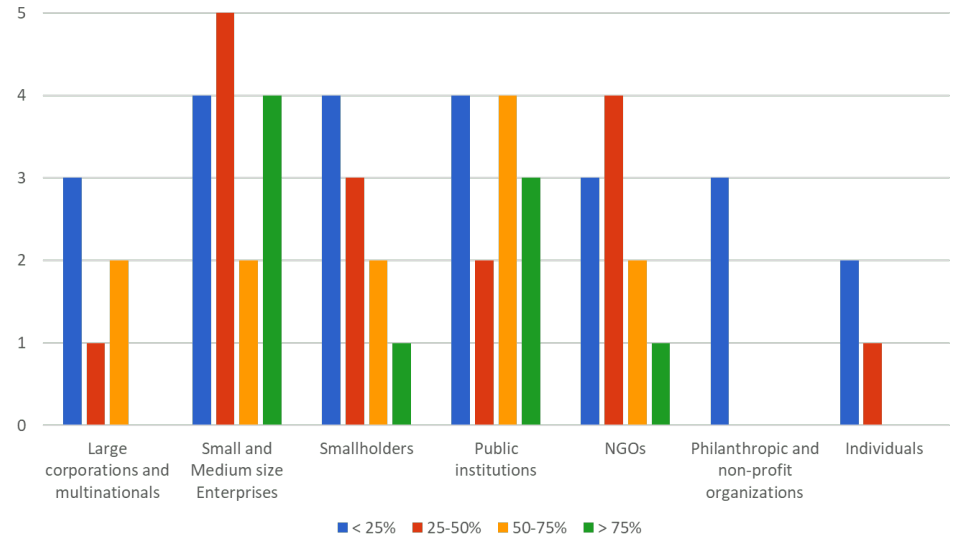

Figure 18: Type of project developers supported by Group I participants by intensity and number of answers

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

Lowest preferences are indicated for guarantees and equity, which do not seem to be well-suited for supporting adaptation projects. Finally, the relevance of results-based payment is rather mixed since 11 participants indicated a low preference, 8 a medium preference, and 6 a high preference.

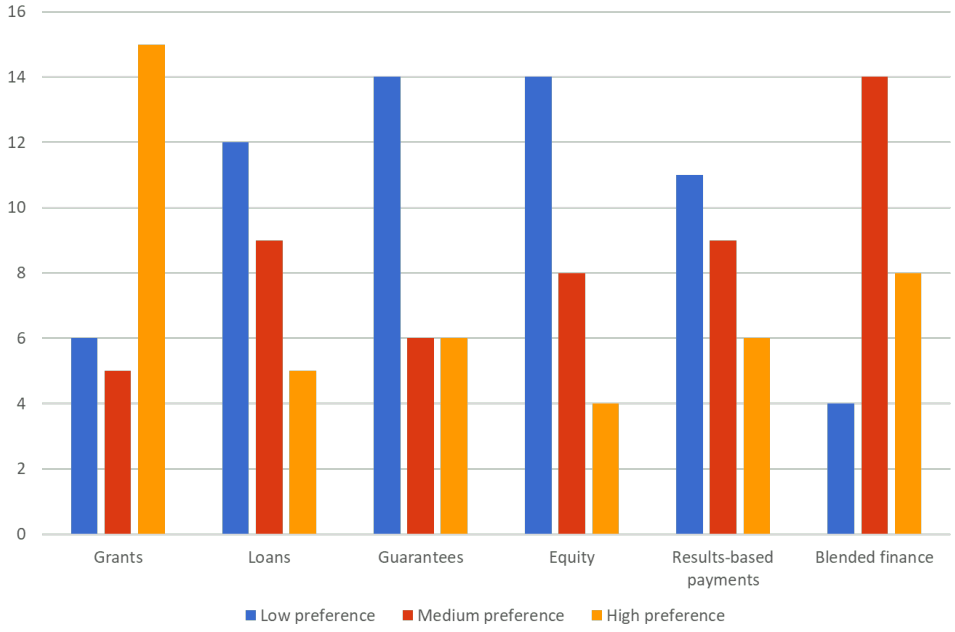

Figure 19: Level of preference of Group I participants for various financial instruments and number of answers

Based on Group I experience and practice of adaptation finance, it seems that the main barriers to finance adaptation projects are financial and technical. Indeed, 84,6% of participants identified financial barriers as a main constraint, and 73,1% identified technical barriers. On the contrary, legal and political barriers do not seem a major barrier for adaptation finance.

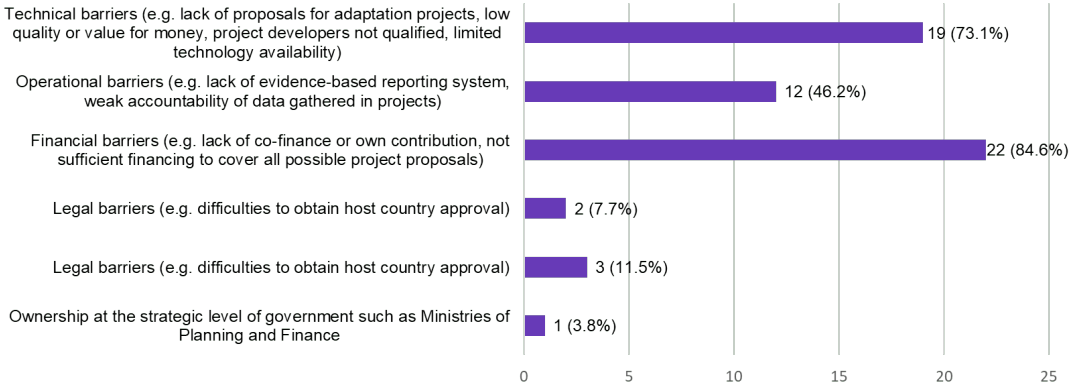

Figure 20: Overview of main constraints and barriers to finance adaptation projects for Group I

Additional information on constraints / barriers provided by respondents is detailed below:

Type of barriers	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 logic of funding research with logic of financing adaptation practice (& 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 pipelines of climate resilience investments - Developing countries need external funding through grants from the GCF and other multilateral sources to finance adaptation projects. Such is 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 very few and the projects are in very early stage
Operational	- Some agencies are not yet mature to support climate adaptation - One of the biggest issues is difficulties to obtain endorsement 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.

Table 3: Constraints and barriers to finance adaptation for Group I

4.2.2.2 Group II – National authorities and institutions

62,5% of Group II participants are working with private sector project in developing countries for adaptation related activities, through several initiatives and programs, including those mentioned below:

- Micro-financing;
- Development banks;
- Green Climate Fund;
- Adaptation Fund;
- Private sector.

The profile of adaptation project developers that national authorities are working with are diverse. 75% of participants indicated they are working with public institutions, 62,5% with NGOs, and 56,3% with SMEs. Other profiles are represented even though as a minority: large corporations, philanthropies, and individuals.

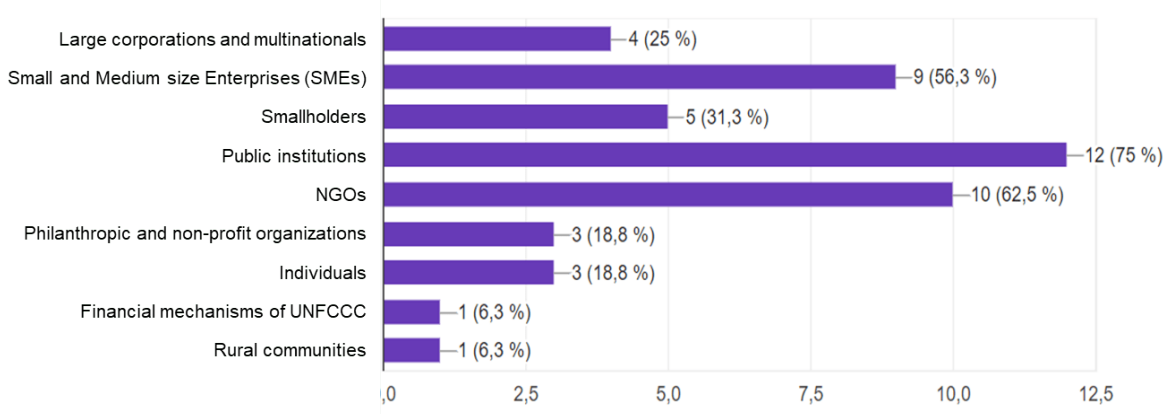

Figure 21: Profile of adaptation project developers in Group II represented countries

For a sectorial perspective, agriculture and forestry is, in almost all countries, a priority sector for adaptation. Climate information systems and water management were also appointed by respectively 68,8% and 62,5% of respondents. Then, biodiversity, coastal areas, energy access and health also seem to be a priority in approximatively half of the countries surveyed.

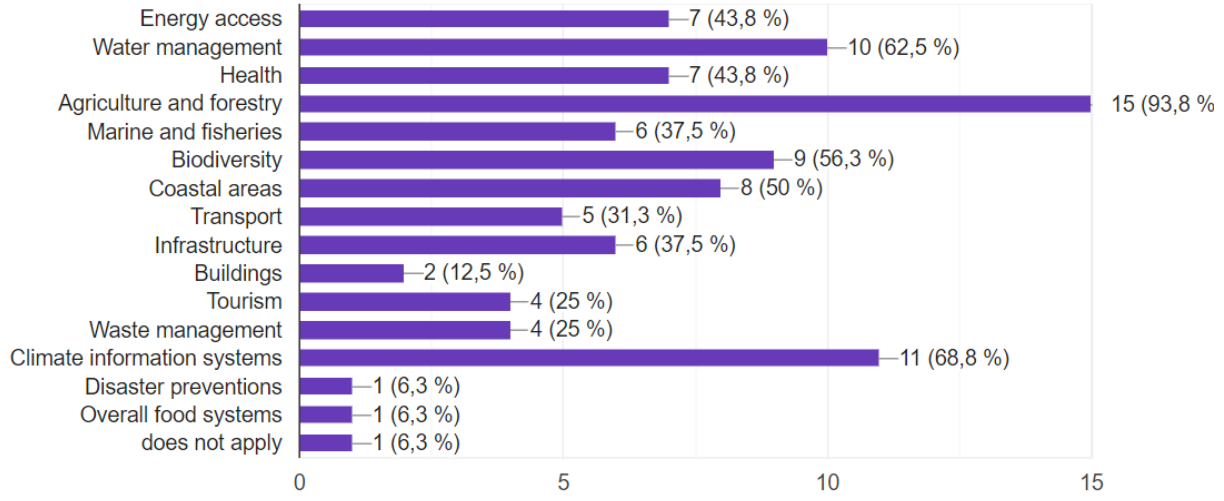

Figure 22: Priority adaptation sectors in Group II represented countries

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.

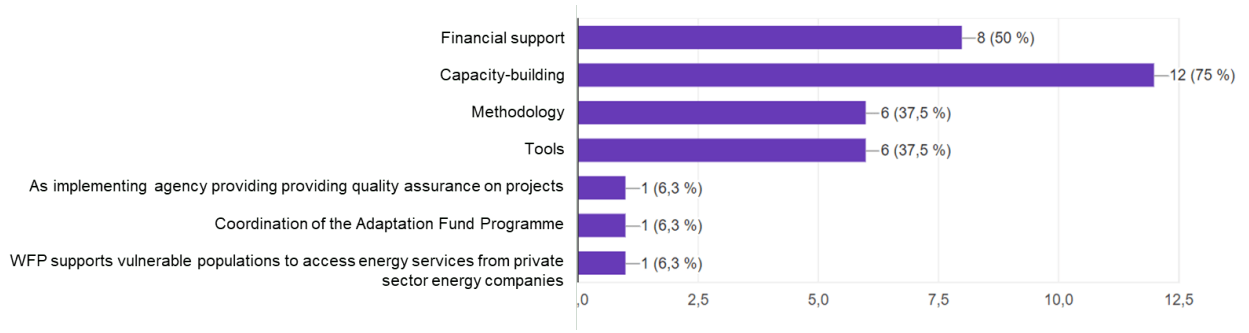

Figure 23: Type of support provided by national authorities and institutions to adaptation project developers

National budgets dedicated to adaptation are very heterogenous among national authorities who replied to the online survey. Indeed, some indicated that there is no budget allocated, sometimes because there is no budget line linked to adaptation. Some other nations indicated the budget dedicated to adaptation ranges between 50K USD per year to around 3M to 5M USD.

Some other nations rely on external support from climate finance providers. 68,8% of Group II respondents have indicated that they work with finance providers to support adaptation projects. The amount of financial support received from finance providers varies from none to 5M USD per year. The responses show that the amount of money dedicated to adaptation, either from the national budget or from 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 they have worked with a wide range of organizations to support adaptation projects, notably the Green Climate Fund (75%), development banks (56,3%) and bilateral cooperation (43,8%). 56,3% of participants indicated they have used regular national budget to support adaptation.

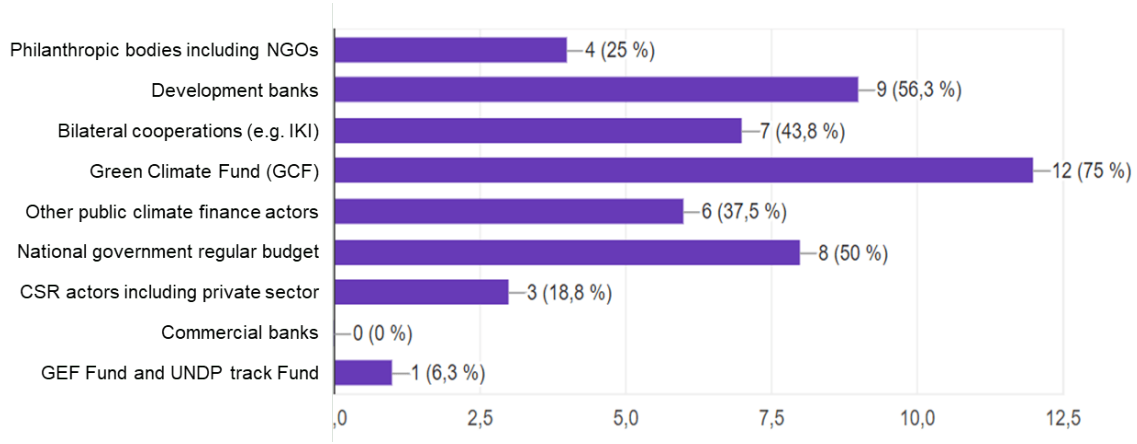

Figure 24: Types of organizations to support adaptation projects in Group II

Likewise Group I, the experience demonstrates that technical and financial barriers seem to be the main ones hindering adaptation finance, from Group II's perspective. Indeed, 75% of participants identified technical barriers as a main constraint, and 68,8% identified financial barriers. Operational barriers also seem to be important based on results displayed below.

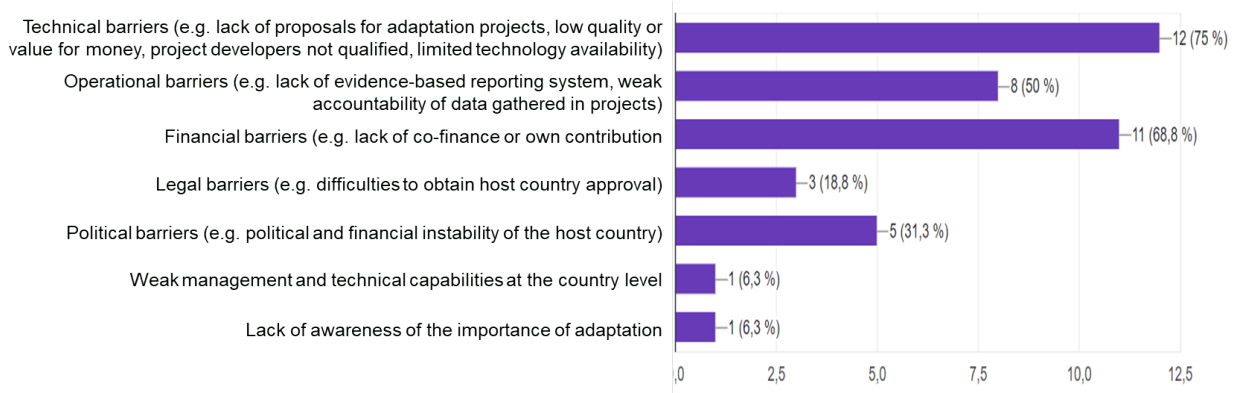

Figure 25: Overview of main constraints and barriers to finance adaptation projects for Group II

Further details on those constraints / barriers are listed below:

Type of barriers	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 not offering quality technology/product/services to vulnerable populations (poor, remote, displaced, etc.)
Operational	- Problem in the area for the 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 analyze. 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.

Table 4: Constraints and barriers to finance adaptation for Group II

81,3% of Group II participants agreed that the financial support from finance providers is critical to maximize the impact of adaptation action. Furthermore, only 1 participant (6,3% of the panel) agreed that the current financial support is satisfactory and fulfils project developers' needs. More than half of participants (56,3%) agreed that the Adaptation Benefit Mechanism would allow to support an increased number of adaptation project developers.

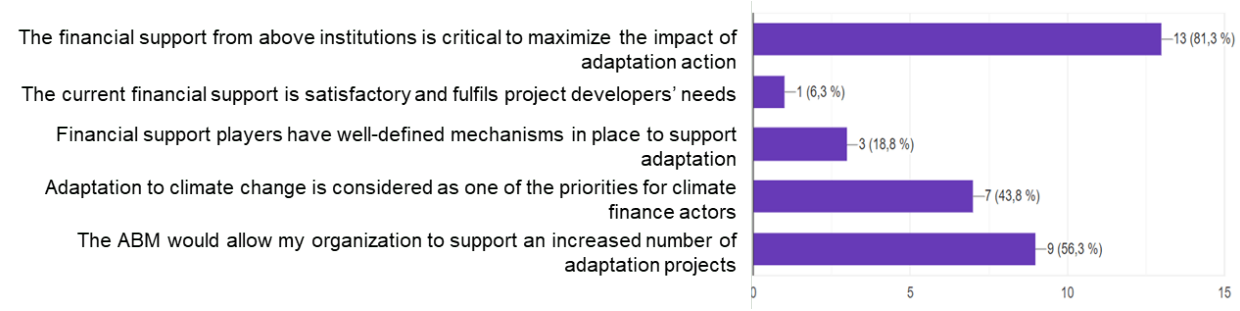

Figure 26: Group II level of agreement with specific statements

In more details, it was 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 best use of it";
- "While there is growing interest and prioritization of adaptation among climate finance actors, more is needed";
- "Financial support from the multilateral climate change funds is slow, un transparent 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 among Group II participants indicated a high preference for grant (14 votes), for blended finance (7 votes), and for result-based payment (6 votes). On the contrary, a low preference was indicated for loans (8 votes). Guarantees and equity are characterized by a medium preference (9 votes each).

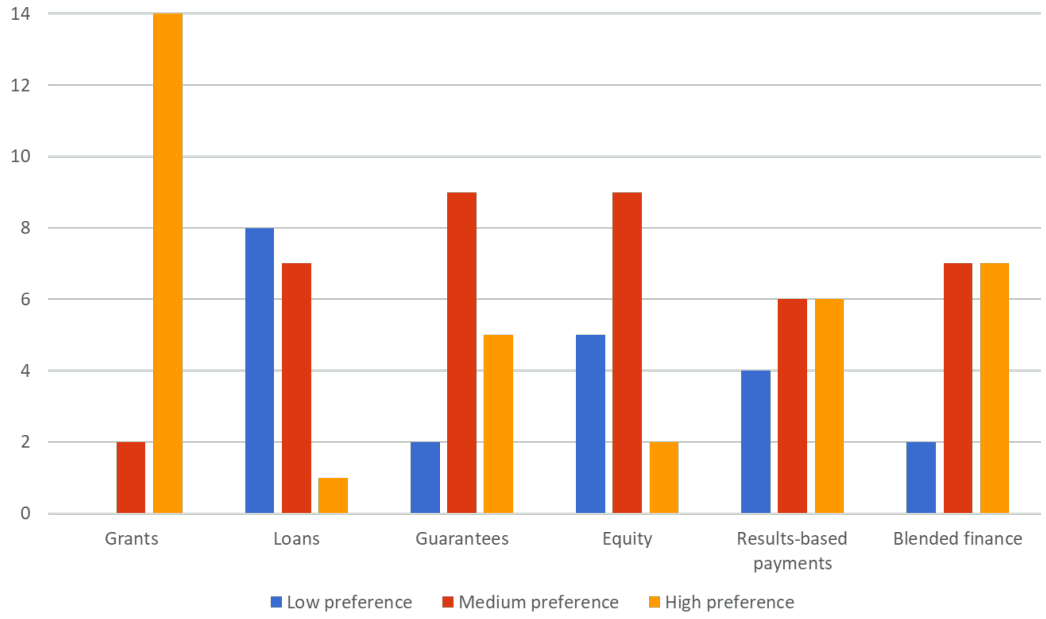

Figure 27: Relevant financial mechanism to support adaptation from Group II perspective by number of answers

4.2.2.3 Group III – Adaptation project developers

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

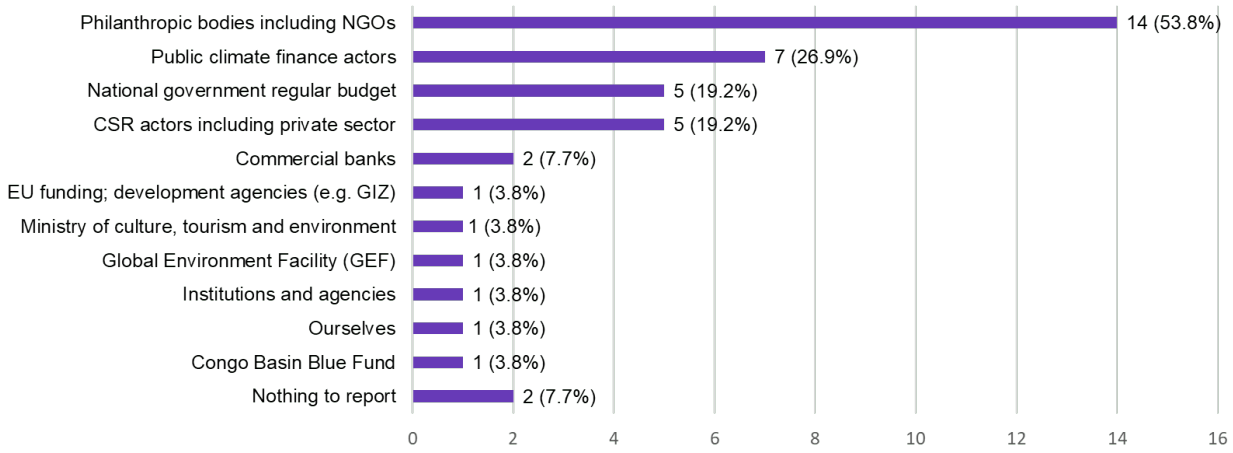

Figure 28: Types of institutions Group III participants have been working with to finance adaptation projects

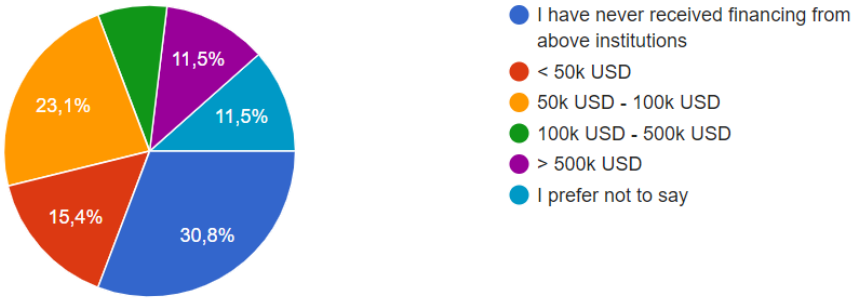

Figure 29: Approximate finance volume Group III participants have received annually

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

- The easiness to engage with them (contact points identification and availability, communication means, etc.): adaptation project developers are "not satisfied" with development banks (10 votes) and the GCF (9 votes). On the contrary, philanthropic bodies including NGOs are, for the most part, rated as satisfactory (11 votes);
- Their flexibility (understands and adapts to the needs, proposes tailored solutions, etc.): adaptation project developers are "not satisfied" with commercial banks (9 votes) and the GCF (8 votes). On the contrary, philanthropic bodies including NGOs and bilateral cooperation (e.g. IKI) are, for the most part, rated as satisfactory (respectively 11 and 9 votes);
- The level of financial support provided compared to their needs: overall, adaptation project developers are either "not satisfied" or "neither satisfied nor not satisfied".

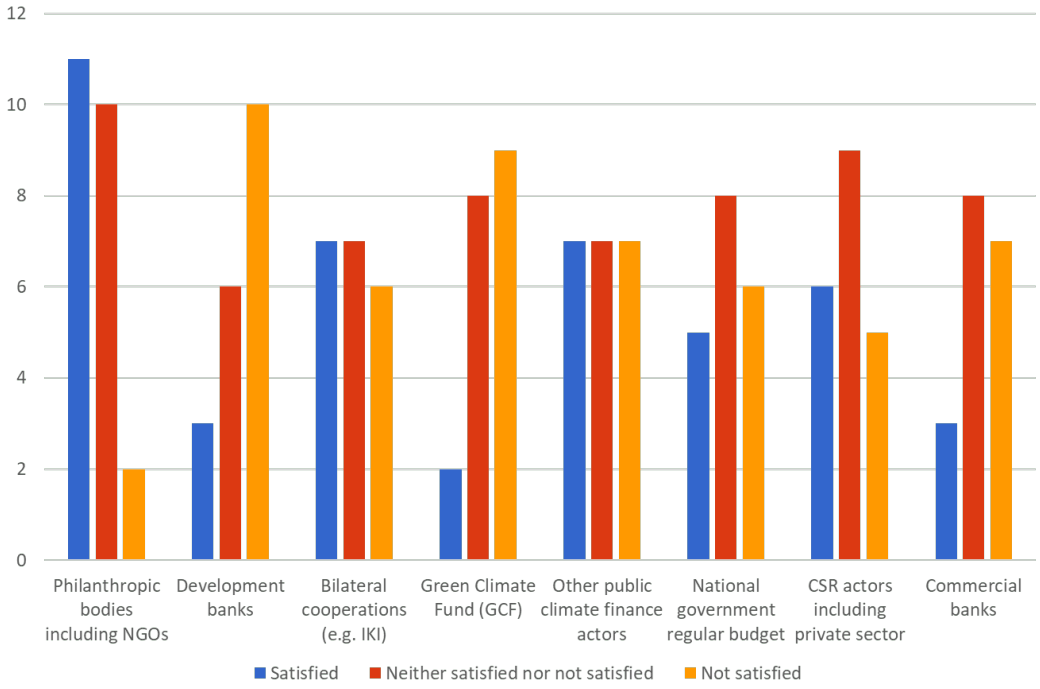

Figure 30: Rating of the easiness to engage with financial institutions by number of answers

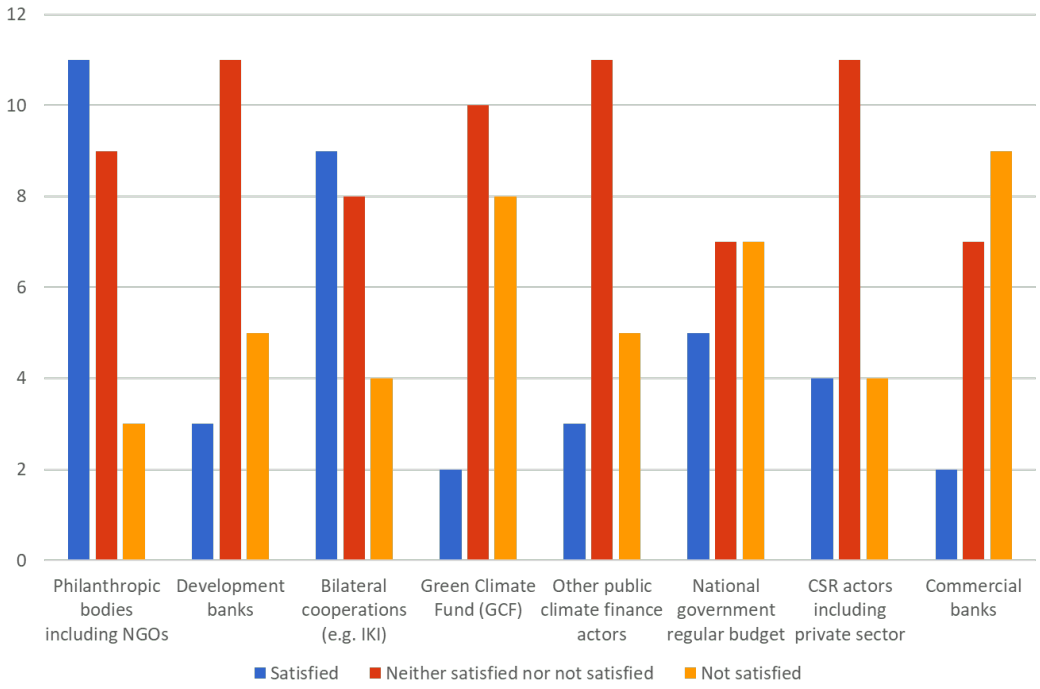

Figure 31: Rating of the flexibility of financial institutions by number of answers

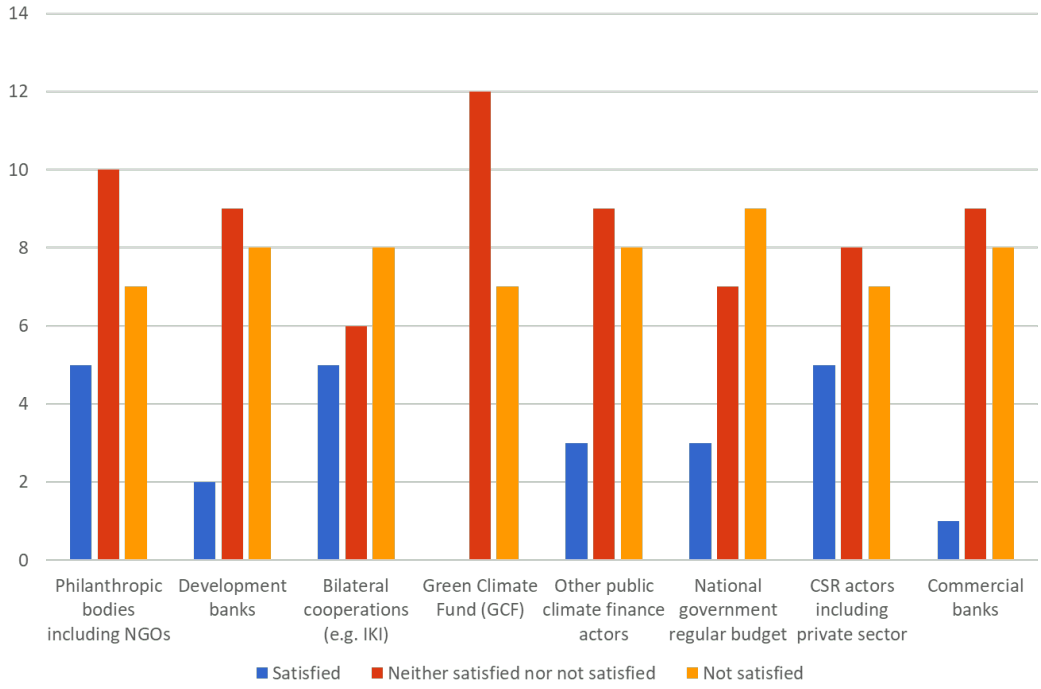

Figure 32: Rating of financial support provided compared to Group III participants' needs by number of answers

Additional comments were made by Group III participants on their overall experience with the financial institutions and supporting organizations, e.g.:

- The financial institutions especially banks do not believe in adaptation related issues because of the long-term nature and ambiguity;
- For the private sector, timelines of fund applications take long and are rather specific (not flexible);
- Supporting agencies do not satisfy or meet the need of local communities;
- 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 element of appreciation.

69.2% of Group III participants agreed that:

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

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

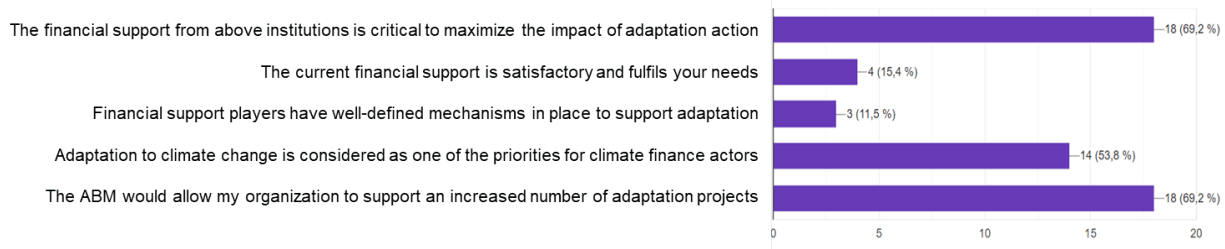

Figure 33: Group III level of agreement with specific statements

Likewise Group I and II, the experience demonstrates that financial and technical barriers seem to be the main ones hindering adaptation finance, from Group III's perspective. Indeed, 76.9% of participants identified financial barriers as a main constraint, and 46.2% identified technical barriers. Operational and political barriers also seem to be important based on below results.

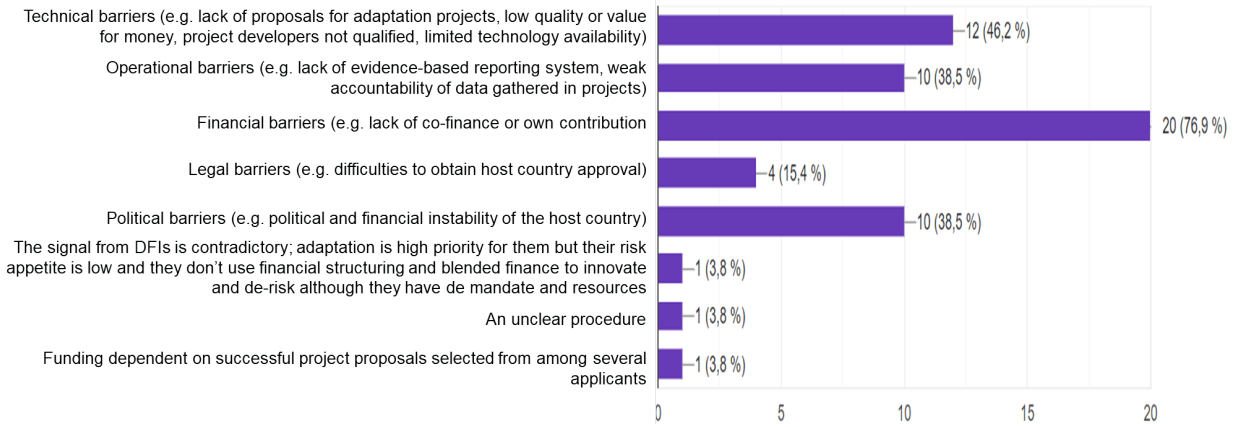

Figure 34: Overview of main constraints and barriers to finance adaptation projects for Group III

Further details on those constraints / barriers are listed below:

Type of barriers	Details
Financial	- Wish to make major investments to tackle climate issues but the ROI is not there. Then co-finance could be a solution, especially if the impact is big for the country; - Inflation, price instability on the purchase market for materials and raw materials or the low income of program beneficiaries; - Do not have donor or sustainable partnership; - The fluctuation of local currencies is a constraint that destabilizes the implementation of projects
Technical	- The bar is set very high for access to funding for people in developing countries; - Collection of technical data, many of the project leaders need support for their qualification, the technical means are limited; - The inadequacy of data collected.
Operational	- The system for accessing funding is closed and limited; local organizations are not informed or 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 being approved by the government, we will receive the finance for the projects; - Poor governance of the leaders of our countries (corruption); - Political conflict between the political actors involved and the difficulty of involving the political-administrative and customary authorities; - The political instability of the country pushes external partners to retract or not to show willingness to finance our projects. This latter 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 they are not initiators

Table 5: Constraints and barriers to finance adaptation for Group III

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

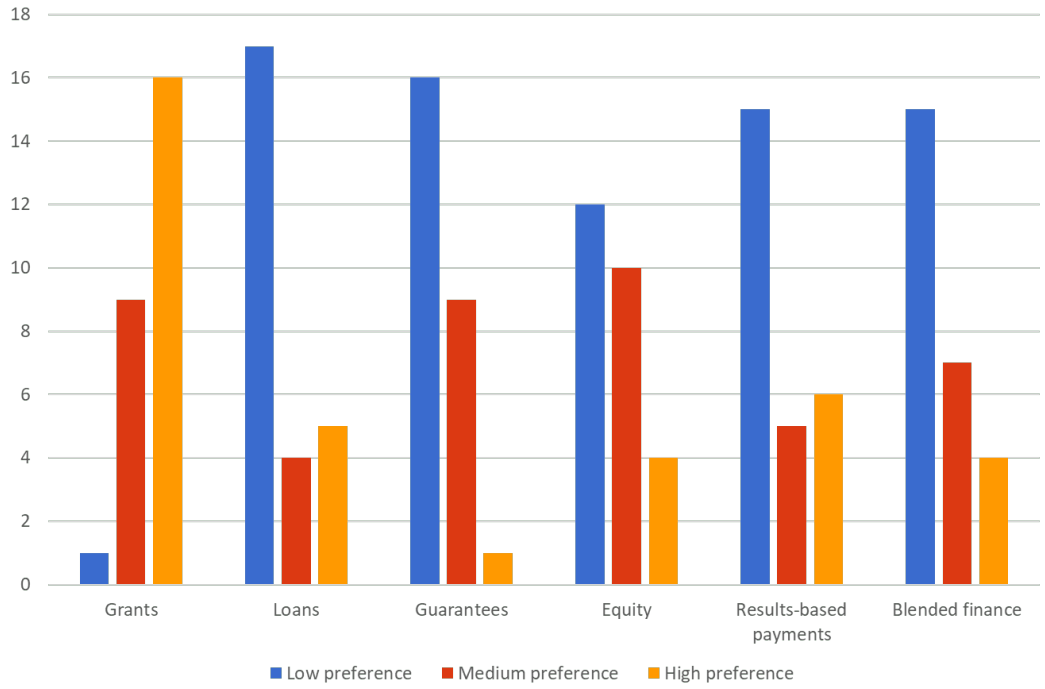

Figure 35: Relevant financial mechanism to support adaptation from Group III perspective by number of answers

4.3 Perception of the ABM process and its expected impacts

4.3.1 Consolidated vision of the results

Participants from the different groups learned about the Adaptation Benefit Mechanism through a variety of channels mostly African Development Bank's website / outreach, but some didn't know about it before answering the questionnaire. Overall, all projects sectors and sizes of projects seem to be relevant for the ABM, with a slight preference for agriculture, forestry and water management projects and for those between 1M and 50M USD. Output, outcome and impact indicators seem to be relevant to measure adaptation benefits, with a slight emphasis on those happening at later stages (outcome and impact indicators preferred to output indicators). Technical and economic information appear to be the most relevant to be provided by adaptation project holders upfront project implementation, both from the finance providers' perspective in terms of requirements, and from the project holders in terms of easiness to provide the information.

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 them, most knew about it through African Development Bank website / outreach.

Group I considers the ABM would be most relevant in agriculture and forestry and in water management, respectively for 76.9% and 65.4%, and for projects ranging from 1M to 5M, USD for more than half of them.

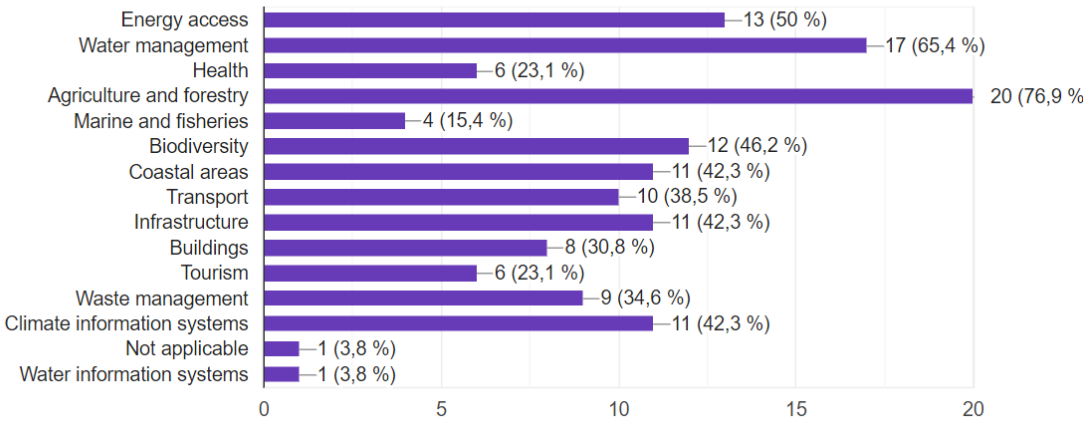

Figure 36: Sectors for which Group I considers the ABM would be the most relevant

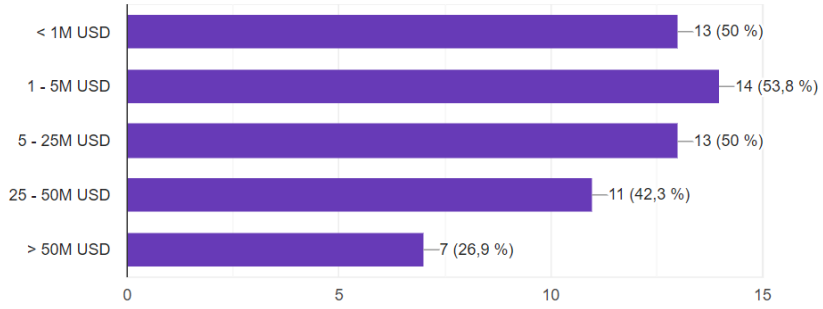

Figure 37: Project sizes for which Group I considers the ABM would be the most relevant

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 a pre-requisite to support adaptation projects.

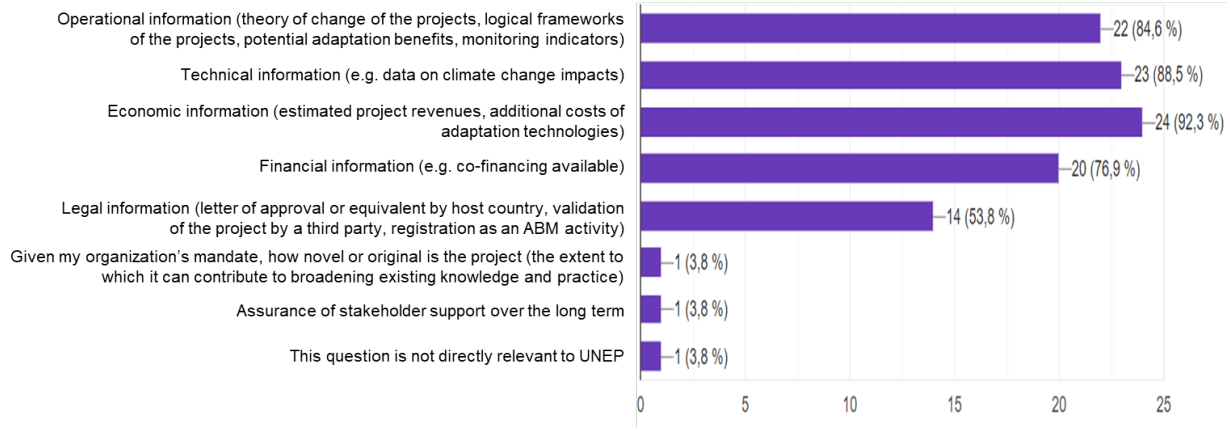

Figure 38: Pre-requisite information to support adaptation projects through the ABM for Group I

With regard to measuring the adaptation benefit, outcome indicators as well as impact indicators were pointed out by Group I as the most relevant, with 84.6% each.

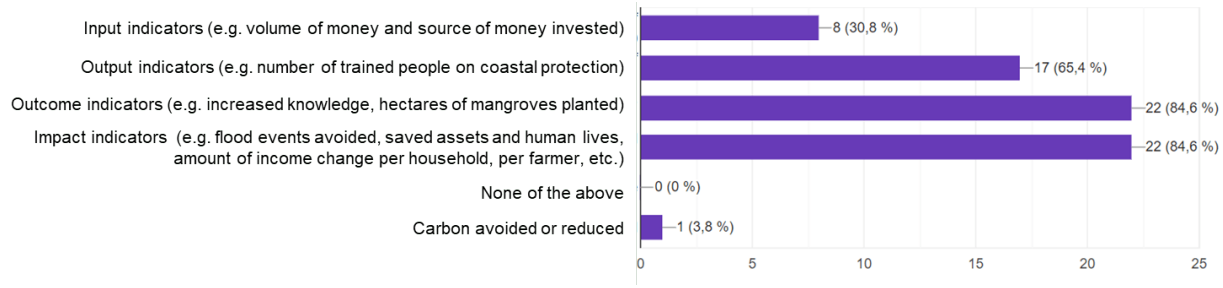

Figure 39: Relevant indicators for measuring adaptation benefits

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

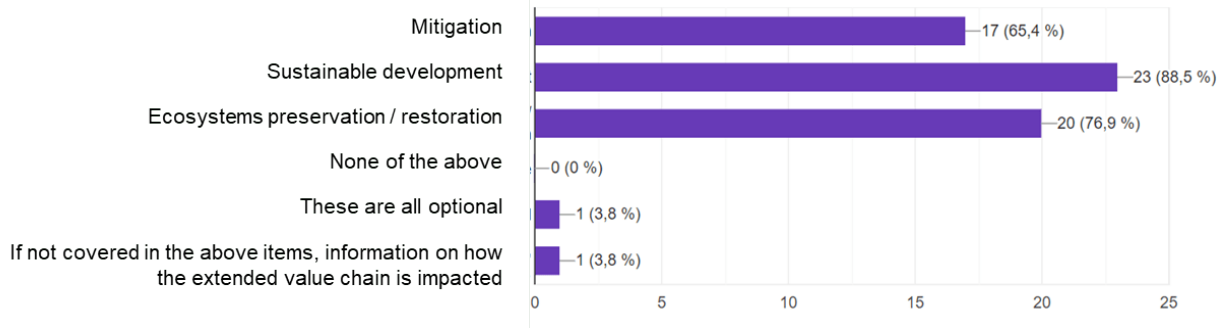

Figure 40: Expected information for the determination of project co-benefits to be reported through the ABM process according to Group I

Below are given some more details on the relevance of each type of indicator, in view of measuring the adaptation benefit and project co-benefits:

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	- "The priority should be on building investor awareness around metrics for measurable results - i.e outputs and outcomes".	- "Output level indicators also 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 year 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";	- "Impact indicators often lack data while the benefits could only be realized in the very long term"; - "The impact might only be known years after a project has been completed".

	- "Indicators linked to outcomes and actual impact would be most valuable"; - "Outcome indicators are the most reliable of the above".	
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

Table 6: Advantages and drawbacks of indicators for measuring the adaptation benefit and project co-benefits for Group I

Some additional questions 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".

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. Several 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, some 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. 53,8% consider the certification should be made by the ABM Executive Committee.

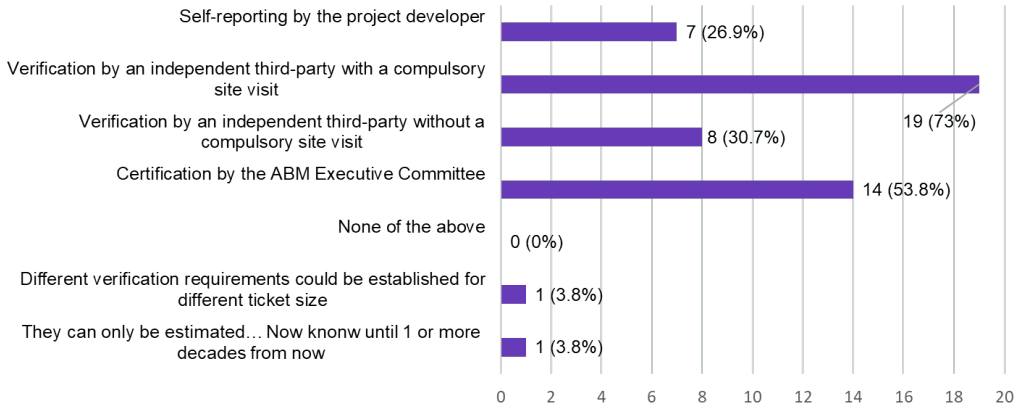

Figure 41: Expected verification of the adaptation benefits for Group I

c. The ABM strengths and axes for improvement

92.3% of Group I think the ABM has the potential to incentivize public and private sector financing of adaptation projects beyond current level for the following reasons:

- "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";
- "The ABM will create incentives by providing well defined and calibrated adaptation products, which is currently lacking, and demonstrates value for money invested";
- "ABM has the potential to support small scale projects that wouldn't be bankable otherwise";
- "I think there are more and more organizations that have a triple bottom line focus. This might help them link the social and environmental elements to the profit element";
- "If this works, it will guarantee the credibility of the adaptation activity thereby giving donors/financing institutions more confidence in their investments";
- "At very least, it speaks to the rhetoric of providing an evidence base of investments of climate finance";
- "Any additional funding availability will help and incentivize national and local actors";
- "It will support Development Finance Institutions to better understand the adaptation benefits and the available incentives (such as funding)".

In addition, the following attention points were suggested:

- "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";
- "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";
- 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 commoditize adaptation benefits in a non-market approach? Is this even a non-market approach, if there are buyers of ABU?
- The cost of certification should not be prohibitive for applicants and the added value of the certificate should be certain so as 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.
- It is, however, a question mark if the scale will we significant enough to truly establish a model mechanism.

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

	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 rigor it is, the cost of measurement and verification compared to benefits, and ability to compare over time"; - "Going beyond the CSR niche"; - "Build out after pilots. Scale makes sense, but after a learning curve has been traveled"; - "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 needs to be soft. If possible, supports must be provided to the countries for preparing requests. Also, language barriers have to be avoided for requests submission (all working language 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"; - "Incentivizes 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 incentivize adaptation, especially for the private sector";	- "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 500K USD. 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 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 monetization 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

	- "Bridging the gap and building private public partnerships to allow increased private sector participation and contribution to the 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".	negative impact on 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 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 "monetize" 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

Table 7: The ABM strengths and improvements for Group I

4.3.2.2 Group II – National authorities and institutions

a. Relevance of the ABM approach for adaptation

56.3% of Group II was aware of the ABM before receiving the questionnaire. Among them, most knew about it through African Development Bank website / outreach and UNFCCC negotiations.

Group II considers ABM would be most relevant in agriculture and forestry and in water management, respectively 81.3% and 62.5% and for projects ranging from 25M to 50M USD, for half of them.

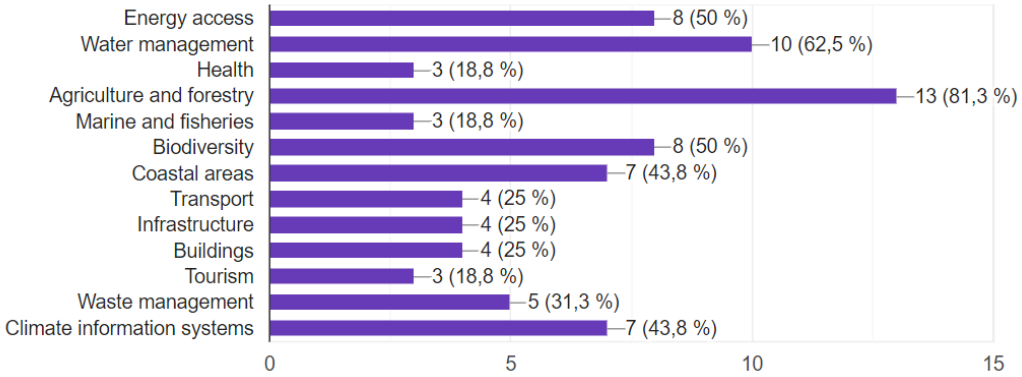

Figure 42: Sectors for which Group II considers the ABM would be the most relevant

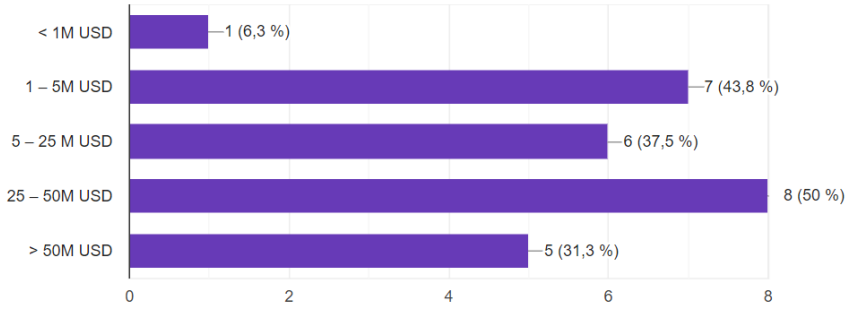

Figure 43: Project sizes for which Group II considers the ABM would be the most relevant

b. The ABM process: relevant indicators and verification means

With regard to reporting and verifying the adaptation benefits, input, output, outcome and impact indicators were all pointed out by Group II as being relevant, with more than 50% of positive opinions for each of them:

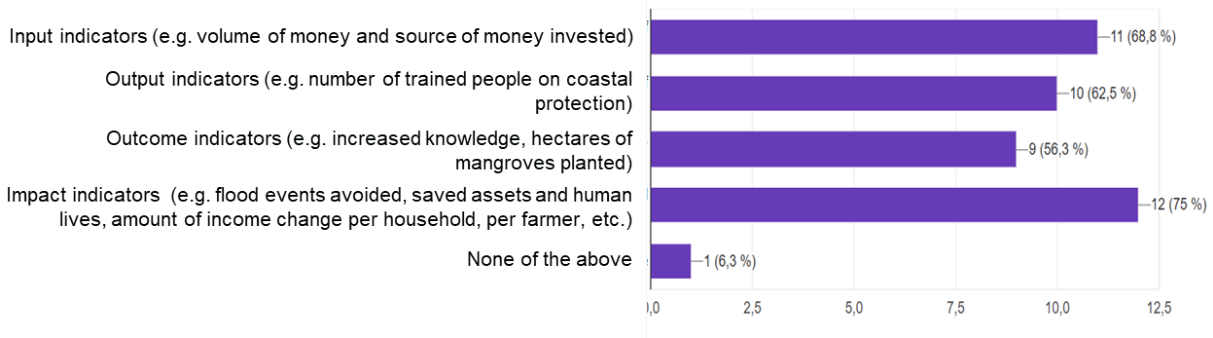

Figure 44: Expected information about the adaptation benefits to be reported and verified through the ABM process

In addition, sustainable development (87.5%) and ecosystems preservation / restoration (68.8%) are the expected information for the determination of project co-benefits to be reported through the ABM process. Mitigation is also relevant (62,5%).

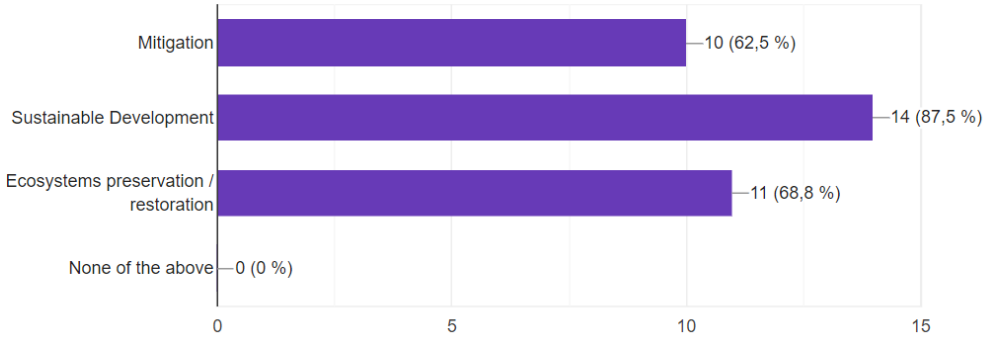

Figure 45: Expected information for the determination of project co-benefits to be reported through the ABM process

68.8% of Group II participants considers that the upfront definition of measurement indicators and their ex-post verification would increase the credibility of the adaptation benefits. Several reasons were provided:

- "This will allow to have 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 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 key to credibility".

Still, some concerns were also raised:

- "You'd need to identify the unit of measurement of adaptation benefit 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. The ABM strengths and axes for improvement

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

	Strengths	Improvement areas
Operational aspects	- "The strength of the ABM is the potential to attract the strict mitigation donors by "importing" the MRV logic into adaptation projects".	- "More capacity building and awareness of the concept"; - "Credibility, scale of resources, geographic reach".
Financial aspects	N/A	- "If focused only on grants"; - "Smaller ticket sizes."
Promotion of adaptation and adaptation projects	- "Giving adaptation a market face invites investors and private sector into seeing the invaluable role of resilience building"; - "It uses money to incentivize behavior".	N/A
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".

Table 8: The ABM strengths and improvements for Group II

4.3.2.3 Group III – Adaptation project developers

a. Relevance of the ABM approach for adaptation

53.8% of Group III was aware of the ABM before receiving the questionnaire. Among them, most knew about it through African Development Bank website / outreach and events.

Group III considers the ABM would be most relevant in agriculture and forestry and in water management, with respectively 88.5% and 80.8%, and for projects ranging from 1M to 5M USD, for more than half of them. Climate information systems and biodiversity also seem to be good candidates with 65,4% each.

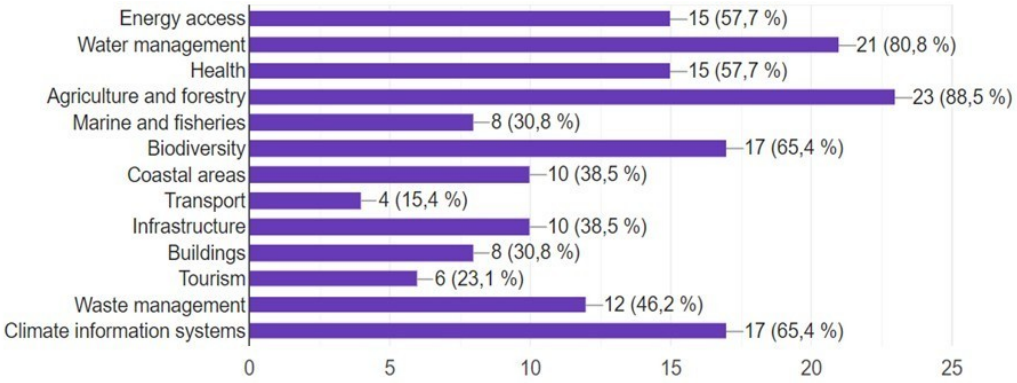

Figure 46: Sectors for which Group III considers the ABM would be the most relevant

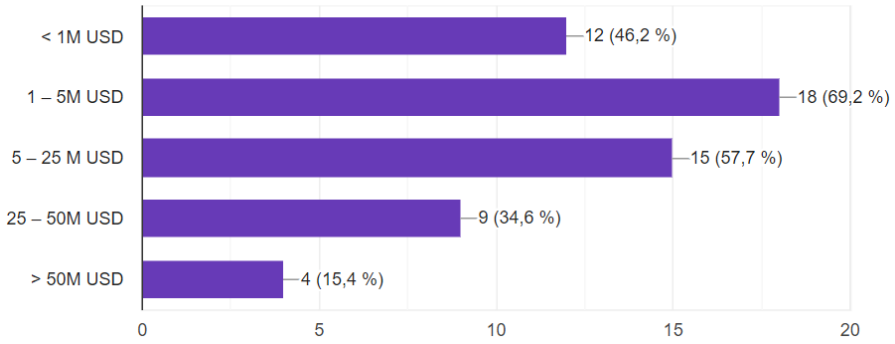

Figure 47: Project sizes for which Group III considers the ABM would be the most relevant

b. The ABM process: relevant indicators and verification means

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

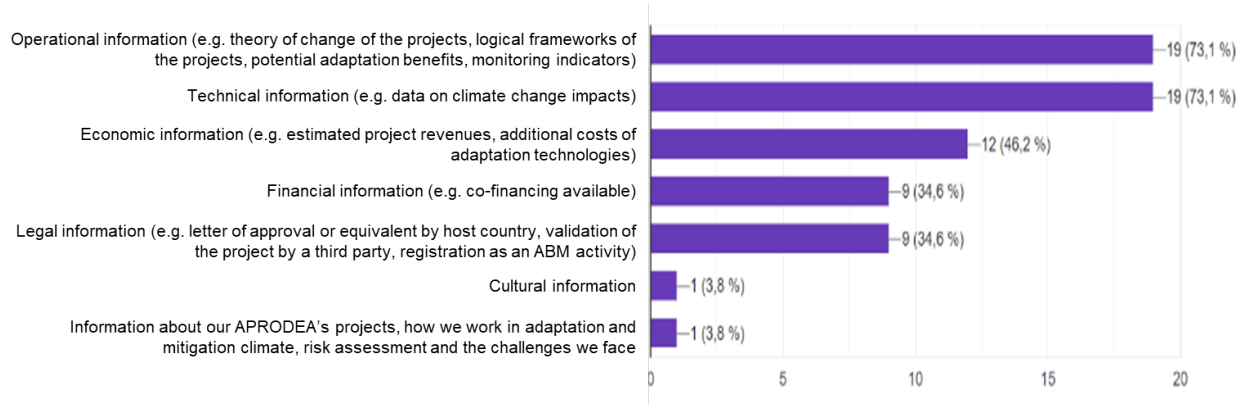

Figure 48: Information Group III could provide to estimate the adaptation action baseline scenario

With regard to measuring the adaptation benefit, impact and outcome indicators (respectively 76.9% and 69.2%) were pointed out as relevant by Group III.

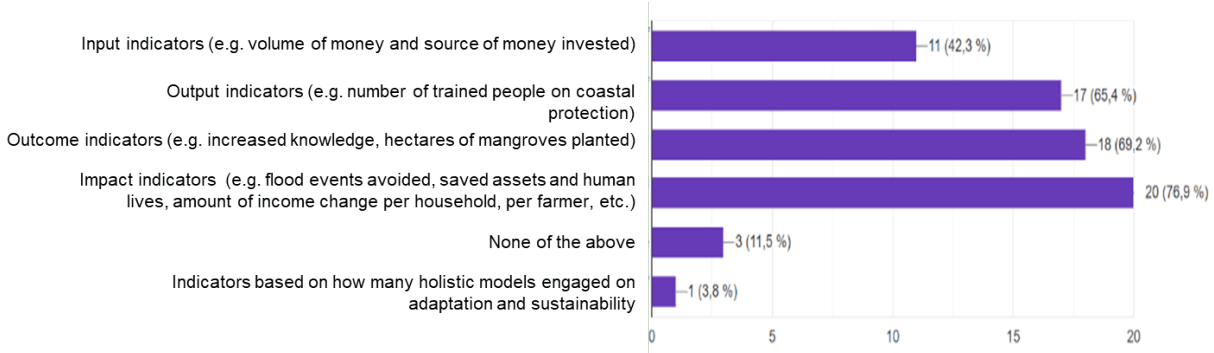

Figure 49: Information Group III could provide to estimate progress on adaptation benefits compared to the baseline scenario

In addition, sustainable development and ecosystems preservation / restoration (respectively 84.6% and 65.4%) are expected information for the determination of project co-benefits to be reported. Mitigation also seem to be relevant (57,7%).

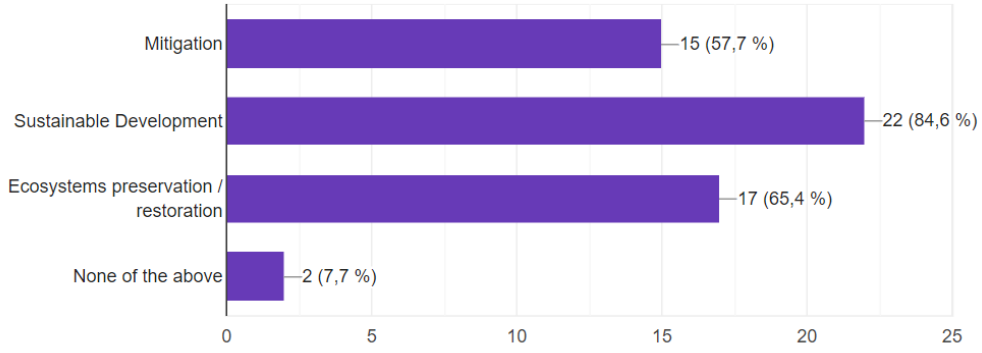

Figure 50: Information Group III could provide to estimate the progress on project co-benefits compared to the baseline scenario

Below are given some more details on the relevance of each type of indicator, in view of measuring the adaptation benefit and project co-benefits:

Indicators	Advantages	Drawbacks
Input	- "When talking about profit, we first see the inputs (the money invested). This is why I chose the input indicators. From the inputs, we get the 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 the 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

Table 9: Advantages and drawbacks of indicators for measuring the adaptation benefit and project co-benefits for Group III

All Group III participants consider that the upfront definition of measurement indicators and their ex-post verification would increase the credibility of the adaptation benefits. They provided below explanations:

- "It would provide clarity from the start of program or project";
- "Even though the indicators could be modified & 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 is targeting 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, in order to achieve the goals and objectives previously defined by it";
- "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. The ABM strengths and axes for improvement

All Group III participants believe the ABM has the potential to incentivize public and private sector participation in adaptation projects beyond current level 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 to build trust and confidence";
- "This mechanism could firstly highlight the need for "formalized" adaptation funding as well as providing 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 to them change the approach";
- "In view of the 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 attention points were suggested:

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

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

	Strengths	Improvement areas
Operational aspects	- "It incentivizes good performance and contributes to implementation of M&E reporting mechanism 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	- "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";

	delivering expected results, financers can have incentive to provide funding, with a higher guarantee of return on Investment".	- "By sending us the questionnaires in French language for the 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 could be interested to participate 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 lie 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 the difficult requirements for project leaders (co-financing and own contribution); (iv) Accompany the project leaders by their regular upgrading (training workshop, conference, etc.); (v) Give the project leaders the amounts requested without being reduced; (vi) To keep the permanent contact with the project leaders for their update"; - "One of the obstacles facing adaptation projects is to secure financing in the construction phase of a project, when project's risk is higher. If ABM can be structured alongside other financial instruments that can cover the startup cost, that would help developers and may yield in successful business models".	- "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".
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 several damages. It is therefore time to think differently, this is even the strength of the	- "Reduce the number of criteria to access ABM funding, popularize it even in schools and among those who have not studied, translate it into national languages"; - "Working together with the different sectors to understand the real needs";

	concept, "curing the problem", it is time for adaptation. We have to 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".	- "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 to funding, helping them to receive skill and tool, etc.".	N/A

Table 10: The ABM strengths and improvements for Group III

5. Market Study qualitative results

5.1 Overview of qualitative panel

As described in the methodology, 15 interviews were planned to discuss the perception of stakeholders in more details. Selection of interviewees was made taking into consideration the following aspects:

- Homogeneous representation of the three target groups;
- Geographical target: Africa with identification of interviewees in Western Africa, Central Africa, East Africa and South of Africa.

The list of stakeholders interviewed is provided in **Annex 6 – Panel for qualitative interviews** and summarized in the table below. The panel is split as follows:

- Group I: 6 interviews;
- Group II: 4 interviews;
- Group III: 5 interviews.

Within each of the below organizations, only one contact point was reached for direct interviews. Therefore, replies reflect their views only, and cannot be held for representative of their organizations as a whole.

#	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

Table 11: Final list of interviewees

Interview reports are provided in **Annex 7 – Qualitative interview reports**.

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 vision of the results

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

a. Group I

Current experience / practice on adaptation and adaptation finance	Perception of the ABM approach and its expected impacts
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 areas 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 key to leverage 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	**Opinion on "Certified Adaptation Benefits"**: good idea that could help spot national adaptation champions and motivate other farmers to develop same actions, but hard to estimate upfront what 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 restauration, construction of infrastructures, energy. As 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**

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.	Within group I, opinions are mixed between output and outcome indicators. No interviewee suggested to consider impact indicator. 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 to and communication on adaptation actions and their benefits; - Faster processes and faster financing of projects than with traditional financial institutions; - Could play as a leverage if being certified ABM is recognized internationally. **ABM improvements**: - Need to communicate more on this mechanism and to explain clearly 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. **Organizational 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 African Development 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 African Development Bank and highlighted importance of increased

	coordination with GCF and UNFCCC. More collaboration and input of project developers through a bottom-up process. **ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach**: yes.

Table 12: Group I – Consolidated interviews results

b. Group II

Current experience / practice on adaptation and adaptation finance	Perception of the ABM approach and its expected impacts
Project developers in contact with: NGOs, local authorities, private actors, civil society, cooperation; **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**: 1-300M$ per year; **Financial mechanisms and instruments used**: primarily grants, or grants completed by private funding at later project implementation stages and loans; **Constraints and barriers to finance adaptation projects**: - Technical difficulty to access financing, and too long to access financing and receive disbursements once projects are started; - Processes and procedures to receive financing too long and difficult; - Too difficult to attract financing for remote areas due to low projects bankability;	**Opinion on "Certified Adaptation Benefits"**: good idea but those costs won't have to be carried by vulnerable populations but by African Development 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 number of beneficiaries of measures 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;

- Need to sensitize 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 bank products.	- 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 nations; - 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 level); - Financial resources will need to be big enough to cover project developers' needs. **Organizational 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; good that the African Development Bank is involved. The executive board and panel are necessary, but they need to be inclusive (thinking about the composition of the executive committee: representativeness of the different actors, regions, etc.). **ABM could fit under Article 6.8 of Paris Agreement as non-market cooperative approach**: yes.

Table 13: Group II – Consolidated interviews results

c. Group III

Current experience / practice on adaptation and adaptation finance	Perception of the ABM approach and its expected impacts
In contact with institutions to finance adaptation actions: European Union, Canadian cooperation, African Development Bank, US Agency for International Development, development banks, national governments, Green Climate Fund, 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	**Opinion on "Certified Adaptation Benefits"**: good idea that would financially incentivize 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 money well spent, and not to create marketable credits; Mostly positive, 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 prioritize 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 project level to program level to have longer term impacts and track long term results.

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 of the financing has been targeting forests up to now, 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 is critical to ensure financial integrity; - Adaptation doesn't receive the same focus as mitigation and is much harder to prioritize; - 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	**Potential to incentivize public and private sector financing of adaptation projects**: yes, actors that understand certification processes will be able to apply this mechanisms fast 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 focusing on project results, including co-benefits (skills that can be transferred, etc). Scalability and replicability are key. Actors need to be informed of 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, 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 at the moment. Focus should be on self-evaluation; **ABM strengths:** Brings innovation in 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 emphasizing on development or economic growth before resilience to climate change; - ABM should lead at most to funders being able to communicate on certified expenses pushing private sector

backed by grants), loans do not appear very relevant	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 to expect from 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 this type of approaches comparable to CDM. **Organizational structure of ABM**: generally, a strong structure. It would be great to have a structure in each country/region to understand local context, decentralize processes and remove language barriers, and African Development Bank could keep 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.

Table 14: Group III – Consolidated interviews results

5.3 Main messages from the three groups on the key questions

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

	Main messages
Opinion on "Certified Adaptation Benefits"	- There is a general agreement on the interest of the global concept and on 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. - Within Group I and certain NGOs (Group III), the main doubts are on the capacity to mobilize funding for Certified Adaptation Benefits (who would buy the Certified Adaptation Benefits?), to arouse interest of project developers and on the real feasibility of the business model (costs of defining, verifying Certified Adaptation Benefits need to be covered by the overall financial mechanism). Multilateral Development Banks are not seeing themselves as potential investors in Certified Adaptation Benefits, however they are open to finance projects mobilizing the ABM. Some interviewees indicated the difficulties to identify the project benefits upfront.
Sectors/types of projects relevant for ABM	- Sectors usually prioritized in National Adaptation Plans were reflected (e.g. agriculture, water management). Group II respondents asked for alignment of the ABM projects with national priorities defined in the national documents (e.g. National Adaptation Plans, Nationally Determined Contributions). - Group II actors indicated the relevance of the scheme for small to medium size projects that lack access to finance. However, certain actors of Group I think that projects size should be large enough to enable economies of scale (to make the business model work); given that project developers for adaptation in Africa can be rather small (SMEs), there will be a need to aggregate small projects. - One Group III interviewee indicated that the ABM should help the transition from project level to program level.
Relevant indicators for measuring adaptation benefits	- Within Group I, opinions are mixed on the level of results to be considered for the Certified Adaptation Benefits – some indicate a preference for output, other for outcome indicators, while others indicate the need for both. One interviewee indicated that outcome indicators are what customers are asking for. Within Group II, opinions on the type of indicators to be used are also diverse. Some think that it should be mainly targeting impacts, whereas other indicate that outcomes are more relevant as this corresponds to the indicator level used at the national scale. In Group III, there are also diverging positions, some indicate the need to cover the full results chain (from inputs to outcomes), others recommend the impact level. - With regards 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 the 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 put emphasis on capacity-building related indicators, which he thinks are the crucial metrics for measuring adaptation. - Some interviewees indicated the need to provide several project indicators and to show projects co-benefits.
Relevance to define measurement indicators	There is a global agreement on the need for a verification process. Most of the interviewee were in favor of a verification by third parties. Only 2 interviewees formulated different opinions: - One interviewee from Group I recognized the relevance of third-party verification but indicated that this has a cost that may be difficult to assume for project developers. He

upfront and to make ex-post verification of adaptation benefits	indicated that if African Development Bank enables to set up 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 a too big role now; the focus should be on self-evaluation as part of the capacity building process.
ABM strengths	- ABM helps to build a rationale, tell the story of how adaptation finance is used and explain the positive impact it had on people's lives. This can help to sensitize and communicate 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 hat 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 gap: getting the private sector involved. - The ABM will help identify best practices in the implementation of climate adaptation actions, and to promote such best practices to other adaptation project developers.
ABM improvements	- There is a need to communicate more on the ABM and to make sure NDAs will understand how it works. Awareness-raising/communication and dialogue with stakeholders is needed. - Ensure alignment with national priorities and need to involve stakeholders at all territory levels (from national level to local level). - The mechanism should not compete with current adaptation finance. It should be complementary and additional to other adaptation actions. - Needs to see success stories, "nuts and bolts still need to be worked out through piloting".
Organizational 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 positive point of the committee is to open the mechanism which goes in the direction of more transparency, it could reinforce confidence of investors in the scheme. Structure - Good to have an external body to African Development Bank. - The Executive Committee and Panel were necessary, but they need to be inclusive. Once the mechanism is recognized, we will have to start thinking about the composition of the Executive Committee (representativeness of the different actors, regions, etc.).
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. One interviewee from Group I questioned the rationale for considering the ABM as a non-market approach: Certified Adaptation Benefits cannot be resold/transferred, but the purchase of the Certified Adaptation Benefits requires the definition of a price. He also indicated that the discussion on whether ABM could fit under 6.8 may not be a relevant argument for the potential investors from the private sector/philanthropists that are not climate experts (too specific and confusing).

Table 15: Main messages on the key questions

6. Study recommendations

Based on the information collected during the two-steps Market Study (online questionnaire and interviews), recommendations in the following areas were identified. Recommendations are not listed by order of priority.

1. Development of pilot studies

The Market Study results show that half of participants to the online questionnaire had already heard of the ABM before this consultation, mainly through African Development Bank's website. A large part of the interviewees had heard about the ABM through international conferences like the Conference of Parties (COP) or existing working groups (e.g. Multilateral Development Banks working group on climate finance). However, most of the interviewees indicated that they only had a general idea of the mechanism and that they were lacking a clear understanding of its specificities/implementation process.

Therefore, developing pilots and demonstrating concretely for those pilots how the ABM would be implemented, which stakeholders would be willing to get involved (project developers but also finance providers), how the financial mechanism would be implemented (showing that the overall approach makes financial sense, i.e. that the costs related to the Certified Adaptation Benefit assessment, verification, etc. can be covered by the mechanism) would help stakeholders to understand and adhere to the concept. During this piloting phase, it will be important to build partnerships with strong partners (both on the project developer side as well as on the financial partner side) that could inspire trust to other companies, industries, financial institutions (public and private).

The selection of pilots should illustrate how the ABM can be applied to different sectors. It should clearly show how vulnerability to climate hazards evolves by comparing the baseline scenario (no adaptation measure implemented) to the project scenario (adaptation measure implemented). The following sectorial areas raised significant interest during the Market Study and could be considered for pilots: agriculture, water resources management and coastal protection.

Special attention should be paid to the type of Certified Adaptation Benefits defined. Given the diverging views on the type of results to be measured, it could be recommended to measure pilot results at outcome level, to consider at least relatively ambitious results.

Some interviewees indicated that it may be difficult to estimate project benefits upfront. The main role of adaptation action methodologies to be submitted to the ABM Executive Committee (ABM EC) is precisely to identify those benefits. In order to facilitate the development of these methodologies, it may be relevant to consider performing feasibility studies upfront, to evaluate what kind of benefits could be expected for each type of project. This approach would follow the steps taken by the private sector under the CDM.

Considering (i) the extensive experience of Group I and II on climate adaptation compared with Group III, and (ii) Group III strong interest in the ABM, African Development Bank could facilitate a dialogue on pilots between stakeholders of different groups for the following purposes:

- Helping stakeholders to understand the concept and how it could be put in practice by highlighting success stories of pilots;
- Understanding the adaptation finance lifecycle and considerations from each actor, based on ABM pilots experience, by holding dedicated workshops;
- Bridge potential gaps in climate adaptation and adaptation finance experience through best practices sharing.

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

2. **Identification of a pipeline of potential** Certified Adaptation Benefit**s** purchasers **and financial partners**

Beyond the identification and mobilization of a few Certified Adaptation Benefits purchasers for the pilots, there is a need to identify a larger pipeline of potential Certified Adaptation Benefits purchasers. During this Market Study, the team faced difficulties in mobilizing Group I stakeholders, particularly companies from the private sector to discuss their potential interest.

Feedback received by public climate finance providers during the interviews show that Multilateral Development Banks do not see themselves as a buyer of Certified Adaptation Benefits, neither at the pilot stage (they would like to be convinced by the pilots) nor on the long term (they do not have funds available for this type of investment). However, experience from the Clean Development Mechanism show that Multilateral Development Banks like the World Bank played a key role in catalyzing the carbon markets by creating initial carbon funds[5]. Therefore, once the feasibility of the ABM is demonstrated through pilots, it may be relevant to discuss options with Multilateral Development Banks to support in catalyzing and up-scaling of the approach (e.g. with a sectoral focus or on the shift from project to programmatic level).

Communication with those stakeholders needs to be improved to identify potential Certified Adaptation Benefits purchasers (see recommendation area 4).

3. **Identification of project developers**

Project developers, particularly from the private sector were difficult to identify during this Market Study. Traditional finance providers contacted rather work with public clients (governments, national agencies, etc.). Activities related to the private sector are often led by other Multilateral Development Banks subsidiaries/entities (e.g. PROPARCO for AFD or IFC/MIGA for the World Bank Group). Those entities targeting the private sector are focusing less on climate related issues, even more when it comes to adaptation. Once concrete pilots can be showcased, engaging a dialogue with those stakeholders could be beneficial to better identify a pipeline of project developers to work with.

Additionally, climate finance institutions like Multilateral Development Banks indicated during the interviews that, once the feasibility is demonstrated, they would be opened to discuss the possibility to provide financial support through their existing financial instruments (e.g. loans, etc.) in order to complement the results-based financial mechanism.

4. **Communication on the ABM**

For now, mainly people working on Article 6 negotiations and adaptation finance have heard about the ABM. Mainly those working on Article 6 negotiations are convinced of the approach, while the others do question the practical implementation of the ABM. It will therefore be important to promote the ABM (and the pilots' processes and results) more broadly so that it can reach for instance financial institutions, national Focal Points for adaptation, NGOs, project developers. The following communication options are proposed for the different groups:

- **General communication valid for the 3 groups:**

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

- 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.), since for the Market Study it enabled to highly increase the study response rate.

- **Group I:**
  - Public climate finance actors:
    - Continue the outreach work undertaken through existing working groups on climate finance to present the results of pilots;
    - Open the dialogue with climate finance providers' subsidiaries focusing on the private sector.
  - CSR actors:
    - Open the dialogue with networks like:
      - Science based targets Initiative[6];
      - Climate pledge[7];
      - Wemeanbusiness Coalition[8].
- **Group II:**
  - Developing countries' authorities: beyond the general communication it would be important for national adaptation Focal Points to be aware of the ABM. African Development Bank could mobilize them through its existing network of partners in the different African countries to:
    - Identify and propose pilots;
    - Drive and assess pilots;
    - Present pilots' results and raise awareness.
- **Group III:**
  - Project developers: as adaptation project developers were harder to identify during the stakeholder mapping, the African Development Bank should (i) rely on their existing pool 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 ones, e.g. with finance providers/traditional sources of climate finance and national authorities to promote the ABM to potential project developers.

5. Stakeholders' need for capacity building

With regard to adaptation action implementation, technical and financial barriers appeared to be the most burdensome for all Groups in the online questionnaire. Beyond the level of financial support, all groups stressed the importance of and need for technical support, notably:

- Financial institutions requirements, e.g. lack of high-quality and technical rigor required by donors;
- Nature of the adaptation projects, e.g. proposals are very few, the projects are in very early stage, project developers not offering quality technology/product/services to vulnerable populations (poor, remote, displaced, etc.);

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

- Availability and quality of data, e.g. collection of technical data, many of the project leaders need support for their qualification, the technical means are limited, the inadequacy of data collected.

Those observations highlight a need for capacity building, more precisely on the three axes presented above. Certain interviewees also raised the need for capacity building on the ABM, both for national authorities and project developers. If the concept is demonstrated through pilots, traditional climate finance providers like Multilateral Development Banks could be mobilized for financing these activities, as they did before for the CDM through capacity building and technical assistance activities (for developing tools and methodologies, contribution to the mechanism readiness, etc.)[9] or as they are currently doing for Article 6 related work.

6. Institutional arrangement

The set-up of an external body through the Executive Committee was generally positively perceived, although its role was not always clear to the interviewee. One interviewee suggested to ensure that, beyond this transition phase, ABM institutional arrangements will enable representativeness of the different actors, regions, etc.

Additionally, given that there was confusion on the role of the ABM EC and the African Development Bank, it will be important in the future, to clarify the differentiated responsibilities of the Executive Committee and of the African Development Bank, through the different communication channels indicated above.

Finally, it will be key to ensure a representation or at least a consultation of national adaptation Focal Points from national authorities to ensure that the projects submitted to the ABM EC are aligned with national adaptation priorities.

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

7. Conclusion

More than 90% of participants to the online questionnaire from all groups consider that a regional development bank such as the African Development Bank is an appropriate entity to support the development of the Adaptation Benefit Mechanism. Among them, more than half think the African Development Bank should lead both the pilot and the implementation phase. This shows the strong confidence in African Development Bank competencies to develop and implement this mechanism.

Furthermore, almost 90% of participants from all groups estimate that the ABM could fit under Article 6.8 of the Paris Agreement as a non-market cooperative approach. Therefore, the ABM seems aligned with the international adaptation framework and can serve as an innovative tool to achieve adaptation goals.

With regards to testing the ABM approach with projects, joining ad-hoc working groups, or receiving further updates on the ABM developments, more than 85% of all participants showed their interest. This result highlights the interest of most participants in participating in the creation of a dedicated instrument to support adaptation finance, and that all types of stakeholders are willing to participate in this creation, from financial purchasers to project developers.

However, as highlighted by interviewees, there is a strong demand from the different groups to see concrete pilots showing that the approach can really attract project developers and investors' interest. Therefore, the identification of pilots and partners appears to be the first step to take, before further extending the outreach and communication with the different stakeholders. The ABM webpage is currently describing a pilot project in Ivory Coast for cocoa production (http://abmechanism.org/abm-projects/). It will be important to disclose further information on the project structuring, role of different partners, type of Certified Adaptation Benefits considered and to show concrete numbers on project finance (through Certified Adaptation Benefits off-take agreement and other financial sources, Certified Adaptation Benefits process agreed in the off-take agreement, etc.).

Contacts of participants interested in further developing the ABM approach are listed in **Annex 8 – List of participants interested in further developing the ABM approach**.

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Last Saved On: 10/4/21 7:30:00 PM
Last Saved By: AfDB ABM secretariat
Total Editing Time: 0 Minutes
Last Printed On: 10/4/21 7:30:00 PM
As of Last Complete Printing
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Number of Words: 21.200 (approx.)
Number of Characters: 120.843 (approx.)