



Introduction to the Adaptation Benefits Mechanism (ABM)

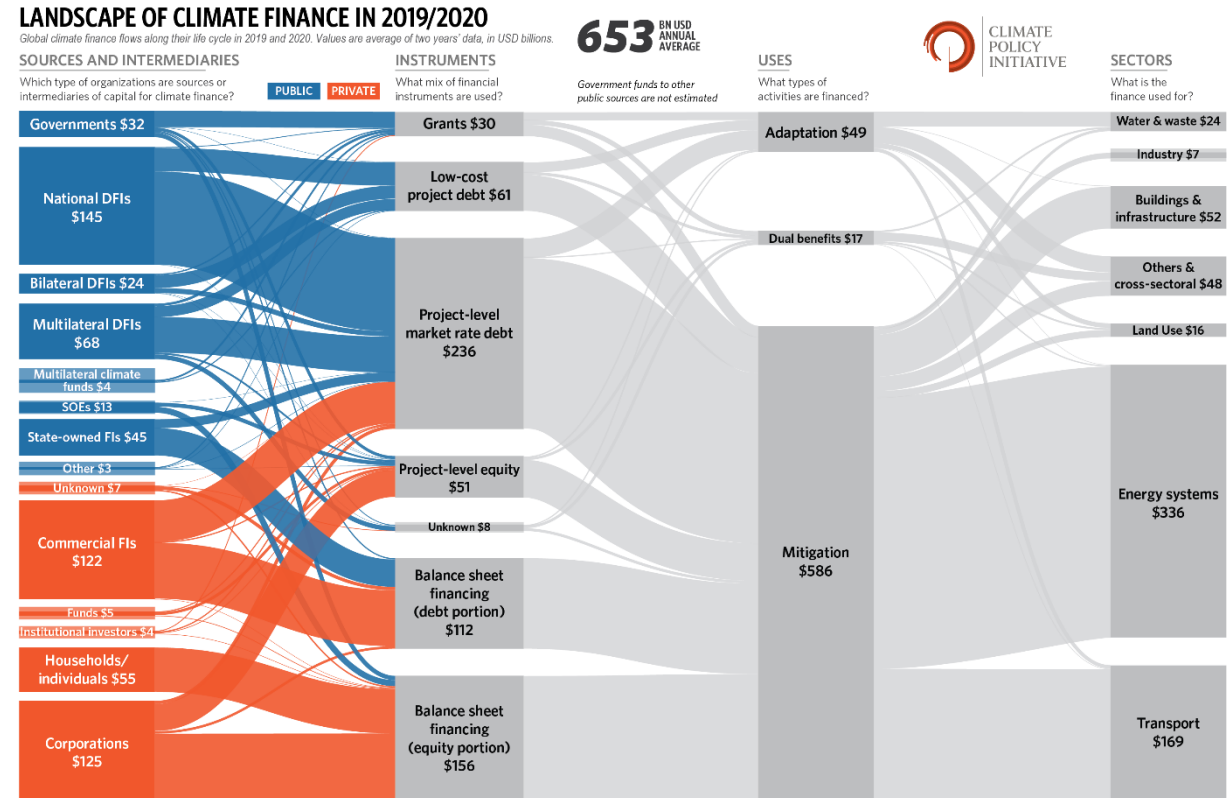
Gareth Phillips, Manager Climate and Environment Finance



Context of Adaptation Finance in Africa and globally



- ❑ Most adaptation projects do not generate strong cash flows to service debt
- ❑ Hence most funding is grant funding – given to public sector not private sector
- ❑ Many projects are small-scale and context-specific and developers cannot access loans
- ❑ Current practice is mitigation with adaptation co-benefits





ABM overcomes financing barriers



- ❑ CDM overcame the challenges to financing renewable energy
 - ❑ Additional cash flow via the sale of **Certified Emission Reductions**
 - ❑ Between 2003 and 2012, the CDM generated a pipeline of over 12000 projects worth more than USD 500 Bn
 - ❑ Similar approach now applied to Art 6.2 and 6.4 activities
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- ❑ We propose a similar approach for adaptation – to offer adaptation project developers a means to generate additional revenues from the sale **Certified Adaptation Benefits**



Overview of the ABM



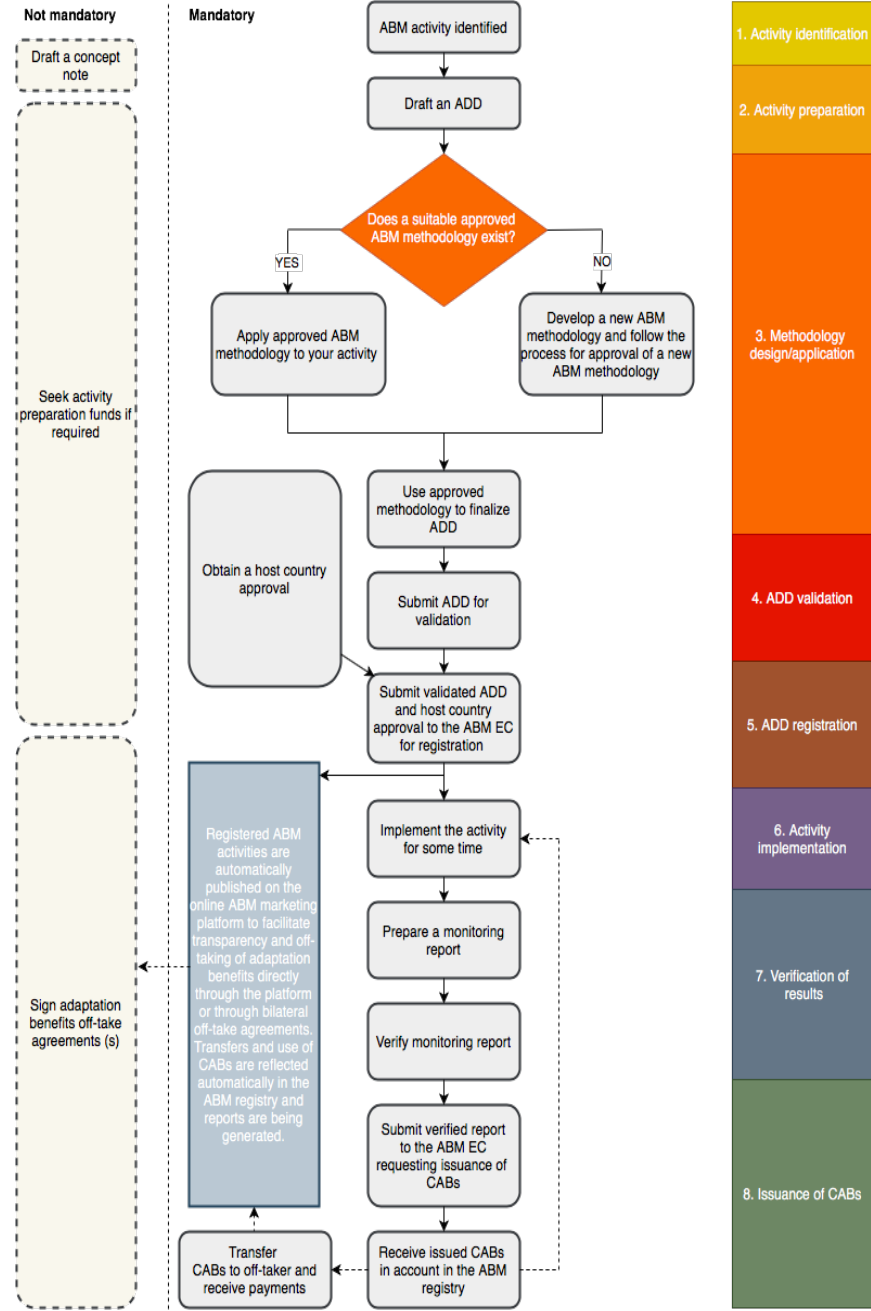
- The ABM is a **results-based financing instrument** to promote **African private sector investment** into adaptation using additional cash flows from **other public and private actors**
- The central component of the ABM is the approved methodology
- Defines technology specific “adaptation benefits”
- Approved Methodology also addresses baseline, additionality, E&S impacts, theory of change, nature and scale of the financial barrier (important for transparency and pricing CABs)
- These methodologies are commissioned by the ABM Executive Committee or prepared / modified by project developers and are publicly available





ABM Project Cycle

- Project Design Document
- Validation
- Registration
- Monitoring & reporting
- Verification
- Certification & Issuance of CABs
- Payment for CABs
- Retirement of CABs
- Reporting of contribution to genuine adaptation needs
- Servicing of loan





Arguments for ABM are compelling



- ❑ Massive and growing need for adaptation
- ❑ Corporates are spending on voluntary net-zero targets but not addressing the **impacts** of GHG emissions – opportunity to balance investment
- ❑ We are called on to **innovate**

- ❑ ABM **de-risks** developer investment by creating returns
- ❑ ABM will **mobilize new money** for adaptation needs
- ❑ ABM will mobilize resources for small-scale projects which are hard to finance and for **MSMEs, women and youth** who struggle to access capital
- ❑ ABM is not just for Africa. **It has global application!**





Status of Pilot Phase of the ABM



- ❑ Launched in March 2019; planned completion postponed by 2 years to 2025 due to COVID
- ❑ Secretariate hosted in AfDB
- ❑ ABM Executive Committee appointed; ToRs; Project Cycle Guidance etc
- ❑ Methodology Panel and Roster of Experts formed
- ❑ Two pilot projects under development – Climate resilient cocoa in Cote d’Ivoire and Rapid deployment dams to counter flooding in Lagos
- ❑ One methodology approved – cold storage of seed potatoes in Kenya





Next steps

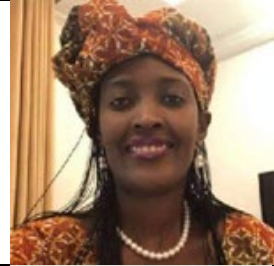





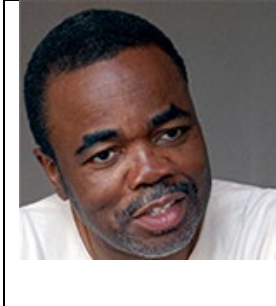
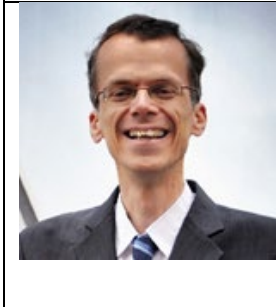
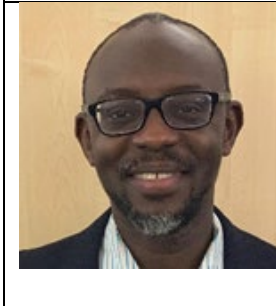

- ❑ AfDB support for ABM has now moved to Presidential level
- ❑ PRST will invite donor countries, philanthropies and corporates to provide finance to create the **African Adaptation Benefit Fund (AABF)**
 - USD 30 – 50 m to sign purchase agreements; TA; Secretariat.
Contributors will receive a basket of CABs
- ❑ Support for the ABM / AABF is included in **President Biden's 2023/24 budget**
- ❑ Engage with the other MDBs and partners on the ABM – for example they could form regional ECs
- ❑ Enroll ABM as a non-market approach under Article 6.8



ABM EC Members



	<p>MS. EVELYNE BATAMULIZA, RWANDA Gender and Climate Change Finance Expert, UNDP</p>
	<p>MS. LOUISE HELEN BROWN, NAMIBIA Climate Finance and Governance Expert, former Senior Climate Change Officer and Coordinator of the African Climate Change Fund</p>
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	<p>MR. LUC GNACADJA, BENIN President of the Governance and Policies for Sustainable Development, former Exec Sec of the UNCCD) and former Minister of Environment of Benin</p>
	<p>MR. AXEL MICHAELOWA, GERMANY Researcher at the Institute of Political Science of the University of Zurich and senior founding partner of the consultancy group Perspectives</p>
	<p>MR. DAOUDA BEN OUMAR NDIAYE, SENEGAL Lead Climate Adaptation Specialist at the Islamic Development Bank, based in Saudi Arabia. Former Adaptation Fund Secretariat staff member</p>
	<p>MR. ASEFA TOFU CHOFORE (PHD), ETHIOPIA Director of Ethiopia Dry Lands Development Program, Enhancing Food and Water Security for Rural Commercialization, World Vision</p>