MEASURING THE ADAPTATION ECONOMY

The Adaptation Economy Index

January 2026

morphosis.

MEASURING THE ADAPTATION ECONOMY

The Adaptation Economy Index

January 2026

About this Report

Measuring the Adaptation Economy: The Adaptation Economy Index sets out and illustrates the practical application of an approach to measuring, and so more effectively planning, executing and communicating progress in advancing a 'whole economy' approach to transformative adaptation in a world increasingly and severely impacted by climate change. The approach provides an indexed measure of national progress, an initial step that paves the way for a family of sub-national, sectoral and asset-level indexes to be developed.

The Adaptation Economy Index builds on the Adaptation Economy Policy Framework developed by a Morphosis-led policy research group including Center for Sustainability Studies at Fundação Getulio Vargas, the Paulson Institute, Instituto Itaúsa and Basilinna, and released in November 2025 in the context of COP30. The Index draws on and offers measures of the Framework's seven overarching enabling domains, summarised in The Rise of the Adaptation Economy and four associated technical papers including Brazil and China case studies.

About Morphosis

Morphosis is an adaptation solutions investment business for a severely climate-impacted world 'beyond 1.5°C'. Our purpose is to deliver affordable transformative adaptation solutions to low and middle-income households by catalysing the adaptation economy through investment, policy engagement, research and advisory work. Morphosis orchestrates a network of private investors, market, policy and other stakeholders, and invests in a growing portfolio of adaptation solution businesses.

www.morphosis.solutions

Contact: info@morphosis.solutions

Acknowledgements

Morphosis would like to acknowledge the following people for their invaluable contributions to this report.

Lead co-authors are Jennifer Blanke and Simon Zadek.

We are grateful for the contributions made by other team members: Elisabeth Erasmus, Dominique Guinard, Samruddhi Kothari, Ingrid Kukuljan, Niall Murphy, and Lucy Oulton.

Morphosis also wants to acknowledge the key contributions made by our research partners in the first phase of work on the adaptation economy, notably the teams from Center for Sustainability Studies at Fundação Getulio Vargas, Instituto Itaúsa, the Paulson Institute and Basilinna led by Annelise Vendramini, Marcelo Furtado and Deborah Lehr, respectively.

All errors and omissions in this report are the responsibility of the authors.

Citation: MORPHOSIS SOLUTIONS SA.

Measuring the Adaptation Economy: the Adaptation Economy Index.
Geneva: Morphosis, 2026.

Table of Contents

Boxes

Exhibits

Appendices

1 Executive Summary

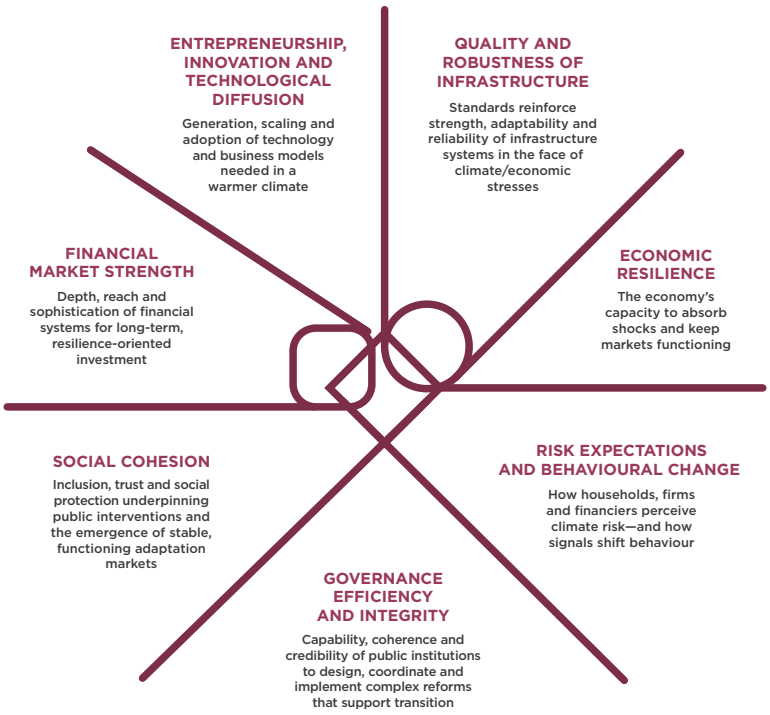
Adaptation to a world 'beyond 1.5C' requires a seismic shift in the global economy.

Beyond necessary efforts to safeguard communities and assets, there will be a need for new products and services that deliver affordable adaptation solutions at scale, especially in meeting basic needs—food, water, shelter, health, education and security—to the majority of the world's population, low and middle-income households living in climate vulnerable regions.

Policy action to advance adaptation economies must and can be standardized.

Morphosis's *Rise in the Adaptation Economy* released at COP30 along with its partners, Center for Sustainability Studies at Fundação Getulio Vargas, the Paulson Institute, Instituto Itaúsa and Basilinna, provided a world-first policy framework for advancing adaptation markets and economies. It highlighted with many use cases how policy measures have in the past underpinned public interest markets, such as clean tech, and how such an approach can and must be taken to advance transformative adaptation.

Exhibit 1: Adaptation Economy Policy Framework – Summary



Policies to advance adaptation economies must be standardised and measurable.

Policy action must be standardised, executable, and well communicated. This requires above all measurability. To ensure the widespread useability of the Framework, Morphosis has prototyped the first *Adaptation Economy Index* (AEI).

This pilot covers 14 countries across the **seven pillars** set out in the Framework—including Risk Expectations and Behavioural Change, the Quality and Robustness of Infrastructure, and Social Cohesion.

By quantifying enablers (inputs like policy) and outcomes (outputs like insurance penetration), **the AEI is a standardised scoreboard for stakeholders to identify and act to overcome structural bottlenecks** and provides critical information about investment-ready jurisdictions. This in turn provides the basis for policymakers to build policy roadmaps and for investors and solution providers to contribute to such roadmaps and to assess progress as a basis for making investment and business location decisions respectively.

Insights arising from the prototyping phase.

The initial AEI results highlight that **no nation included in the sample is yet prepared for a severely climate impacted world.** Even the top-ranked nation, New Zealand (score of 4.74/7), suffers from a significant 'hardware' gap in infrastructure. The findings point to some useful archetypes:

- **Indonesia** stands out as a "Proactive Adapter," leveraging high domestic savings (36.87% of GDP) despite high climate vulnerability.
- **Romania** emerges as an "Innovation Outlier," with high technical potential but low institutional reliability.
- **Peru and Colombia** face a "double burden" of high vulnerability and low market readiness.

There is a major 'expectations and behaviour' gap: insights from 112 countries.

While the prototyping of the full seven-pillars underlying the AEI currently covers only 14 countries, Morphosis has scaled the *'Risk Expectations and Behavioural Change'* pillar to a more globally representative sample of 112 nations. This expanded dataset offers some preliminary insights, notably that climate risk perception does not correlate with relative national income or wealth. For example:

- **Awareness Leaders:** Countries like **Malawi (1st)** and the **Philippines (4th)** possess more acute "adaptation mindsets" due to the frequency of climate shocks, signalling strong latent demand for solutions.
- **The Preparedness Ceiling:** No nation—including high-income countries like **Norway** or **Belgium**—obtain top scores. This suggests that the global "behavioural software" remains in a reactive phase, failing to reach the proactive level required for a severely climate impacted world.
- **Strategic Market Entry:** For solution providers, countries like **Portugal and Costa Rica** potentially offer lower customer acquisition costs because a high percentage of their populations are already "very worried" about severe weather and active in disaster planning.

Strategic imperatives for stakeholders.

The AEI, even at this early prototyping phase, builds on the original Framework in providing a quantitative basis for building pathways for the adaptation economy for three primary groups:

Policymakers: Moves beyond "damages avoided" metrics to target specific structural links, such as improving risk alignment/expectations and appropriate building codes to make adaptation investment more attractive to the private sector.

Investors: Provides robust insights into relevant policy and associated market and economic developments, improving the pricing of jurisdictional risk and identifying "innovation hotspots" (e.g., Estonia) for scalable technologies.

Solution Providers (and investors): Supports the identification of high-latent-demand markets, such as Portugal, where 52% of the population is already "very worried" about climate risks, especially relevant for businesses seeking to identify 'transition' markets during a period of broader market development.

The Adaptation Economy Index can serve to pivot action on adaptation to economic development strategies and practices.

Underpinned by the Framework's seven pillars, the AEI provides a basis for policy makers in collaboration with investors and solution providers to build and execute adaptation economy roadmaps. In so doing, it supports the much-needed actions to advance policy-informed markets that can deliver, at scale, affordable adaptation solutions.

Morphosis invites adaptation practitioners to contribute to the rapid development of ambitious, measurable action in developing the adaptation economy.

Adaptation is thankfully rising rapidly up the policy and market agendas and is of growing concern to citizens worldwide. Adopting the right economics of adaptation is key to success, integrated into ongoing efforts to decarbonise and ensure nature positive outcomes.

Morphosis's quantifiable 'whole economy' approach supports the development of executable roadmaps for robust, ambitious, integrated action.

Envisaged in the next stage of work during 2026 and beyond is:

1. Building out the Adaptation Economy Index to include more countries, better metrics, and clear connections to actionable policy levers.
2. Piloting the Framework and Index in supporting the development of roadmaps at the country, regional and sector levels.
3. Using the Index and its derivatives to inform private and public investment decisions.

Such efforts will advance more rapidly and effectively through extended collaboration, which should be taken as an open invitation from Morphosis to practitioners from the policy, investment and broader business, philanthropic and research communities to engage and advance this collective endeavor.

2 The Adaptation Policy Framework for Transformative Adaptation

The 2025 UN Climate Change Conference in Belém, Brazil (COP30), marked an historic turning point in the global climate agenda. Long overshadowed by mitigation efforts, adaptation has been promoted to the forefront of international priorities, culminating in the Belém Package—a landmark agreement committing the global community to tripling adaptation finance by 2035. Set against the symbolic backdrop of the Amazon, COP30 signaled that adaptation is no longer a peripheral concern, but a defining economic imperative.[1]

Against this high-stakes backdrop, we—alongside our partners at the Center for Sustainability Studies (FGV), Instituto Itaúsa, the Paulson Institute, and Basilinna—launched a series of reports organised around the concept of the **Adaptation Economy**. Drawing on the work of many others, we define this as the set of *"activities, policies and institutions that deliver the goods, services and systems that advance inclusive prosperity in a climate-impacted world."* Our goal is to shift the global dialogue and practice away from a restrictive, supply-side focus on technical finance mechanisms for adaptation and toward a more holistic, systemic perspective and approach.[2]

We define the Adaptation Economy as the set of activities, policies and institutions that deliver the goods, services and systems that advance inclusive prosperity in a climate-impacted world.

It is now self-evident that we are already in a world 'beyond 1.5C' trending towards a global average of 2-3C above historic benchmark levels. Such a world is already—and will increasingly be—defined by a series of systemic stresses, uncertainties and volatilities, and tipping points and phase shifts. Annual losses already measure in the trillions of dollars, with forward predictions based on current trajectories measured in terms of double-digit reductions in global GDP, and with the economies of some nations expected to be entirely irradicated.

In this context, incremental adjustments are no longer sufficient today let alone in the future. Inclusive prosperity for all, and literal survival for many, depends on our success in advancing what the UN refers to as **'transformational adaptation'**—*a fundamental shift in the basic attributes of our way of living to better cope with climate change and its impacts*. This is all the more necessary for the great majority of the world's population—low and middle-income households living in climate vulnerable regions—that increasingly span the world.

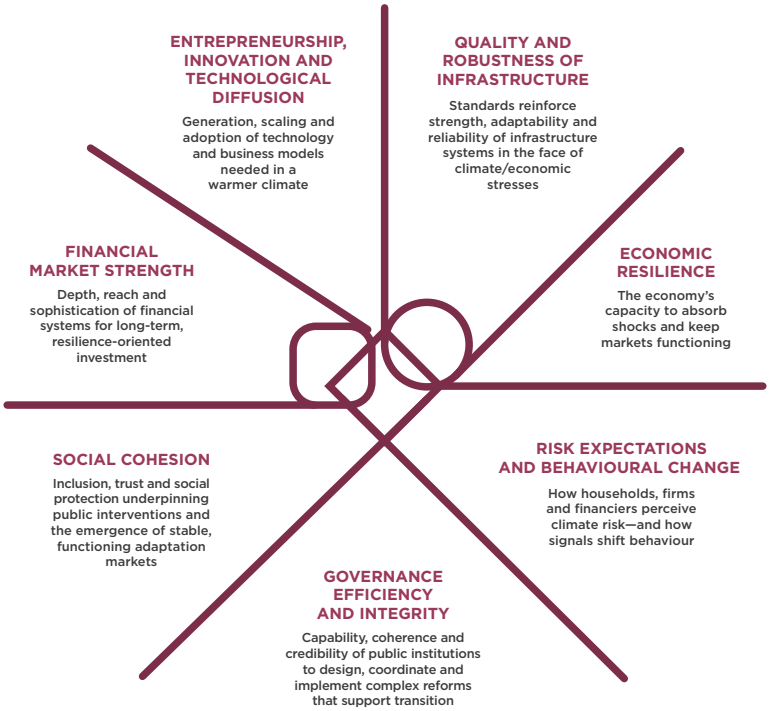
Making such changes on such a short time scale requires the involvement of all actors and the deployment of every available instrument. That said, some actors and pathways will have more to contribute than others. Governments have a key role to play, but are increasingly financially constrained, limiting the potential of publicly financed solutions. Market-based approaches, likewise, must be part of the solution, but can only contribute at scale if the conditions are right, notably the financial rewards that will attract private capital at scale.

What is needed is an adaptation economy that incentivises the development, investment in, and scaled access to, affordable adaptation solutions, especially those that enable households to secure basic needs: food, water, shelter, education, health and security.

The Seven Domains of the Adaptation Economy Policy Framework.

The transition to such an economy is not a single act but a systemic reconfiguration. To help delineate the contours of the transformation needed, in our recent work we put forward an **Adaptation Economy Policy Framework**, as summarised in Exhibit 1, which identified seven domains that are critical to a nation's capacity to foster, scale, and sustain adaptation markets.

Exhibit 1: Adaptation Economy Policy Framework – Summary



These domains have been selected by drawing from the body of work supported by systemic actors such as the International Monetary Fund, the Organization of Economic Cooperation and Development, the World Bank Group including the International Finance Corporation, and the Network of Central Banks and Supervisors for Greening the Financial System, as well as many other research groups, think tanks and consultancies.

Notably, rather than focusing on specific sectors, such as water and sanitation or food, we have concentrated on transversal drivers of economic and broader societal adaptation, that is, the underlying "gears" of the adaptation economy, as follows.

1. **Economic Resilience:** The macroeconomic foundation, including fiscal stability and trade diversification, which lowers the cost of capital and buffers economies against climate-induced supply shocks.
2. **Risk Expectations and Behavioural Change:** The "software" of the economy—mandatory disclosures, open risk data, and climate-stress testing—that align household and business decisions with reality.

3. **Financial Market Strength:** The availability of adaptation-focused financial products and prudential oversight that unlocks private and blended capital.
4. **Entrepreneurship, Innovation, and Technological Diffusion:** The engine of new solutions, focusing on R&D, tech-transfer, and the workforce skills needed to deploy adaptation products at scale.
5. **Quality and Robustness of Infrastructure:** The physical "hardware," embedded in building standards and spatial planning, which must in itself be resilient to warming temperatures and which serves as a foundation for all other market activities.
6. **Governance Efficiency and Integrity:** The institutional credibility—transparent procurement and anti-corruption measures—required for long-term policy implementation and the smooth functioning of markets.
7. **Social Cohesion:** Inclusive social protection frameworks and equitable access to services, ensuring that entrepreneurs can take risks and that society endeavours to leave no one behind amid massive transformation.

More details on the seven domains including selected policy levers are presented in Appendix 1.

The philosophy underpinning this domain-level perspective is the recognition that mobilising private capital—and indeed public financing—is not merely a technical question of designing better financing mechanisms. Instead, transformational adaptation requires the deliberate shaping of the broader ecosystem in which businesses, investors, and communities operate. Innovation and capital do not flow into a vacuum; they flow into environments where risks are transparent, rules are credible, and social structures are cohesive.

Transformational adaptation requires the deliberate shaping of the broader ecosystem in which businesses, investors, and communities operate.

By mapping each of the seven domains against specific, actionable policy instruments, the Framework allows stakeholders to move beyond generalities to identify immediate, high-impact priorities. Ultimately, the Framework shifts the narrative from viewing adaptation as a series of isolated projects to seeing it as a cohesive process of fostering resilient, innovative, and inclusive markets.

The Framework, while cast as of particular use by policymakers, is more than relevant for two other major sets of actors: investors and adaptation solution businesses. Both require vibrant markets to succeed, being increasingly conscious of the limits to public financial support through guarantees and other blended financing solutions. Both see the urgent need for policy action to close gaps and remove distortions to make adaptation solutions profitable and so investable.

The Framework is not simply useful for three distinct stakeholder groups—policy makers, investors and solution providers. It is useful in bringing them together to work collaboratively and more effectively in stimulating the markets that will enable the innovation, scale and affordability of adaptation solutions.

3 Quantifying the Seven Domains: From Ideas to Measurement

While our previous work established the conceptual framing and policy relevance of an adaptation economy, this paper marks an evolution in approach by moving from a qualitative framework to a quantitative tool. We introduce here a prototype of the **Adaptation Economy Index (AEI)**, a diagnostic tool that puts numbers to the seven core domains of our Framework, transforming them into the seven pillars of an index. By transforming broad policy intent into a data-driven "scoreboard," the AEI bridges the gap between high-level rhetoric and market execution, providing a standardised, comparable basis for decision-making across three primary stakeholder groups.

Envisaged for the full version of the Index is the use of a combination of data approaches, drawing on existing authoritative, publicly available data, augmenting this with survey data, and bringing in real-time data generated from an Artificial Intelligence platform that is being developed for this specific use. Over time this powerful combination of elements will allow for real time inquiry, blending in of user-proprietary data, and the evolution of a set of indexes that covers sectors, sub-sovereign and super-sovereign jurisdictions, and asset level analysis.

For this initial, prototyping phase, we have made use exclusively of the first type of data. Specifically, we have identified and made use of a suite of publicly available indicators from leading global institutions—including the World Bank, IMF, OECD, and the Lloyd's Register Foundation.

The selection of indicators across the seven pillars represents an initial, systematic mapping of the complex, interdependent drivers of a nation's adaptive capacity. By aggregating these indicators, the AEI seeks to provide a transparent baseline for stakeholders to evaluate the structural health of an adaptation economy and identify the specific policy areas required for transformation.

Box 1: The Power of Indexes

History has shown that indexes can create a race to the top, drive reform, unlock capital, and reshape global priorities. Such success depends on their framing, positioning in change processes, and their technical robustness.

Over the past two decades, global indexes such as the World Economic Forum's *Global Competitiveness Index (GCI)* and the World Bank's *Doing Business Index (DBI)* have proved catalytic in shaping reform agendas and policy priorities across countries. These indices offer structured, comparative assessments of national performance in areas such as economic competitiveness, regulatory efficiency, and governance integrity. As internationally recognised benchmarks, they provide governments with tangible targets and frameworks for improvement, while also signaling investment risk and opportunity to global markets.

The *Doing Business Index*, in particular, had a pronounced influence on regulatory reforms. Countries undertook extensive legal and administrative changes—such as simplifying business registration, improving contract enforcement mechanisms, and streamlining tax procedures—in direct response to DBI metrics. The index's country rankings became a source of both internal political accountability and international prestige, prompting competition among governments to climb the rankings and demonstrate reform credentials to investors and donors. Despite the World Bank's discontinuation of the index in 2021, now replaced by the *Business Ready* framework, its impact on the global regulatory reform landscape remains widely acknowledged.

Similarly, the *Global Competitiveness Index* prompted countries to address broader structural and institutional factors that influence long-term productivity and growth. By emphasising innovation capability, infrastructure quality, education systems, and market efficiency, the GCI helped guide policy strategies in both emerging and advanced economies.

In the adaptation space, the ND-GAIN Country Index is a measurement tool developed by the University of Notre Dame to "help governments, businesses and communities examine risks exacerbated by climate change, such as over-crowding, food insecurity, inadequate infrastructure, and civil conflicts." Free and open source, the Country Index uses 20 years of data across 45 indicators to rank over 180 countries annually based on their level of vulnerability, and their readiness to successfully implement adaptation solutions.

These indexes, and others, have served as both diagnostic tools and reform catalysts, promoting transparency, competition, and performance benchmarking across a broad spectrum of policy areas. While each has its methodological challenges and critics, their collective influence on national policy agendas and institutional modernisation has been significant.

Exhibit 2 transposes the policy domains into seven pillars, describing why each is critical to the transition and how the chosen metrics serve as proxies for policy environments supporting the emergence of adaptation economies. More details on the data used in each of the pillars are presented in Appendix 2.

To measure the extent to which nations are creating the markets and economic structures needed for a severely climate-impacted world, an index must capture both the conditions for success and the evidence of progress. By integrating both 'enablers' and 'outcomes' as proxies for policy effectiveness the AEI provides a comprehensive view of a country's systemic capacity. Enablers represent the structural prerequisites—the 'inputs' such as adaptation-relevant tertiary graduation rates, regulatory quality, and institutional trust—that create the necessary environment for adaptation to occur. In contrast, outcomes serve as real-world results—the 'outputs' like macro-fiscal stability and insurance penetration—which prove that policies are translating into tangible economic adaptation.

The inclusion of both types of metrics is essential because it allows the index to function as a diagnostic tool rather than a simple ranking. Relying solely on outcomes might show how an economy is performing today, but it fails to reveal whether that success is sustainable; for instance, a country might have resilient infrastructure (an outcome) but lack the social cohesion (an enabler) required to maintain it during a prolonged crisis. Conversely, a country with strong enabling factors but poor outcomes may be suffering from a "policy gap," where the theoretical capacity for adaptation exists but has not yet been effectively deployed into the real economy.

Ultimately, this combined approach provides a powerful signal to both policymakers and private investors. For governments, it identifies where the "institutional machinery" is breaking down, whether in the physical hardware of infrastructure or the behavioural software of public risk awareness. For the private sector, the alignment of strong enablers with improving outcomes signals a market that is not only in need of adaptation solutions but also possesses the stability and regulatory clarity to make those investments profitable. By balancing these proxies, the index measures the holistic health of the factors, policies, and institutions required to build a thriving adaptation economy.

In summary, these seven pillars provide a holistic diagnostic of a nation's current standing and future potential within the adaptation economy. By moving from qualitative observations to this quantitative, indicator-based approach, the Index provides the necessary precision to guide strategic action across diverse geographies and economic contexts.

Exhibit 2: Structure and Data of the Preliminary Adaptation Economy Index

Index Pillar	Focus	Rationale	Working Metrics
ECONOMIC RESILIENCE 1	Macro-fiscal stability and trade diversification	The bedrock of adaptation. High savings rates and diversified trade portfolios act as vital buffers against the immediate production losses and long-term fiscal volatility inherent in a +1.5C world. By minimising aggregate consumption and investment losses after climatic shocks, a resilient economy ensures it has the fiscal space to build forward properly amid rising temperatures.	Gross domestic savings (% GDP), Inflation (2-year average), and Export Product Diversification/ Concentration Indices.
RISK EXPECTATIONS AND BEHAVIOURAL CHANGE 2	Public awareness and private risk-transfer	The "behavioural software" of a society. Assesses whether citizens and businesses are mentally and financially prepared for climate impacts. High awareness and risk-transfer mechanisms like insurance indicate strong market demand for adaptation solutions, signaling to providers where investments in climate-smart products are most likely to take root.	Public sentiment on climate threats, household disaster planning, and non-life insurance penetration.
FINANCIAL MARKET STRENGTH 3	Capital availability and regulatory quality	Strong, stable financial markets are the primary engines of capital formation. They allow adaptation-aligned businesses to access the financing—such as green bonds—needed to scale their operations. Transparent financial regulation also builds investor confidence, helping capital to flow toward climate-adaptive solutions.	Domestic private sector credit, green bond issuance, and financial service regulations.
ENTREPRENEURSHIP INNOVATION AND TECHNOLOGICAL DIFFUSION 4	Solution supply, business dynamism and human capital	Productivity, ease of new business creation and a robust talent pool are proxies for a nation's ability to innovate. These metrics provide a sense as to whether an economy is prepared to successfully develop and deploy new ideas and technologies—such as precision irrigation or heat-resilient construction materials—that define a thriving adaptation economy.	Material productivity, adaptation-relevant tertiary graduation rates, and business entry/competition efficiency data.
QUALITY AND ROBUSTNESS OF INFRASTRUCTURE 5	The physical foundation of the economy	Infrastructure is the "hardware" of the economy, as well as a critical sector unto itself. Transparent and high-quality infrastructure standards ensure that the physical assets underpinning daily life—from energy grids to water systems— are planned and built to withstand unprecedented climate stress. Resilient infrastructure safeguards asset returns and protects the service dependability that businesses and communities rely on.	Logistics Performance Index, environmental construction permits, and building/ zoning regulation transparency.
GOVERNANCE EFFICIENCY AND INTEGRITY 6	Institutional credibility and responsiveness	High trust and low corruption are fundamental prerequisites for the long-term, multi-level planning required for transformational adaptation. Effective governance provides the rules of the game, transparency and responsiveness necessary for the creative destruction inherent in transformational adaptation.	Trust in government, Corruption Perceptions Index, and government stakeholder engagement.
SOCIAL COHESION 7	Societal cohesiveness and trust	Social cohesion provides the political and societal durability essential for navigating difficult, and often costly, economic transitions. By protecting the most vulnerable through robust social safety nets, governments do more than provide relief; they foster the psychological and financial security necessary for business risk-taking and the creation of new ideas. This inclusive approach builds the public trust and community engagement required to sustain long-term climate policies, transforming adaptation from a source of friction into a shared foundation for innovation and growth.	Social protection coverage, public unemployment spending, and community trust levels.

A Strategic Tool for Policymakers, Investors and Solution Providers

The AEI is not a static ranking; it is a dynamic diagnostic tool. By mapping these diverse data points—from insurance volumes to university graduates in adaptation-relevant fields—the Index makes the systemic nature of the adaptation economy visible.

The AEI is not a static ranking; it is a dynamic diagnostic tool.

This data allows for a direct comparison of where policy levers are working and where structural gaps remain. It enables a nation to see, for example, that while its infrastructure robustness and planning may be strong, a lack of social cohesion or financial market strength might be the true bottleneck preventing private capital from scaling local solutions.

For **policymakers**, the AEI will serve to build roadmaps that move adaptation from a peripheral "climate add-on" to a core competitive economic strategy. It allows domestic leaders to diagnose specific structural gaps—such as weak risk-transfer mechanisms or innovation bottlenecks—and prioritise the specific policy levers, like resilience-linked building codes or market competition rules, that can catalyse private investment. This quantitative clarity is also essential for creating targeted "policy-based financing" models where national budget allocations and sovereign borrowing are directly linked to measurable progress. For example, for developing countries, by demonstrating robust adaptation economics embedded in macroeconomic plans, countries can strengthen their sovereign risk profiles and establish a credible basis for policy-linked borrowing with Multilateral Development Banks (MDBs).

For the **investment community**, the Index begins to provide the transparency required to evaluate jurisdictional and asset-level risks with similar precision applied to traditional financial considerations. It enables investors to look beyond static risk and identify where the "enabling conditions"—such as financial market functioning and robust regulatory frameworks—are most supportive of climate-adaptive assets in sectors like water systems, climate-smart agriculture, and climate-proofed urban infrastructure. By encouraging countries to accurately price both the physical risks of climate change and the rewards of successful adaptation, the AEI is a tool to help capital avoid stranded assets and locate high-value opportunities in nations that are actively de-risking their economic futures.

For **solution providers**, the Index offers a strategic guide to locating the most supportive environments for scaling products and services profitably. By quantifying the strength of local innovation ecosystems and the clarity of regulatory signals combined with population expectations, the AEI reveals where businesses delivering adaptation technologies can most effectively deploy their solutions and raise capital to scale their activities. This data-driven clarity can help entrepreneurs to target markets where demand is not only present but backed by the institutional and financial infrastructure necessary to support sustainable, large-scale growth.

The roadmap is clear. The Belém Package emphasised that adaptation finance must not only grow in volume but also in its ability to shape markets. Our Index marks a step towards supporting this process by moving beyond the mere mobilisation of capital to analyse the underlying machinery of an economy: how risk is priced and understood, how public spending can catalyse new sectors, and how regulatory frameworks help solutions climb the ladder toward commercial viability. With the deliberate, coordinated action reflected in these seven pillars, adaptation can move from a cost to be minimised to a driver of inclusive prosperity, providing the accountability required to turn a decade of intent into a decade of implementation.

Adaptation can move from a cost to be minimised to a driver of inclusive prosperity, providing the accountability required to turn a decade of intent into a decade of implementation.

As we continue to upgrade the AEI, expanding its scope with more granular and AI-driven data, it is our hope that it will provide an increasingly nuanced and useful tool for policymakers, investors, and solution providers to roll out the goods and services needed with speed and precision in a climate-impacted world.

4 Initial Findings from the Adaptation Economy Index Pilot

While we acknowledge that data in the adaptation space is still evolving, this initial iteration of the AEI uses robust and authoritative proxies to provide a baseline for 14 countries across nearly every region. This is intended as a "living" Index; over the coming year, we will refine these metrics, integrate AI-generated real-time data, and expand our coverage to include many more countries from all regions. While this first iteration is a work-in-progress, the data reveal useful insights into how different countries are starting to build adaptation economies around the world.

Exhibit 3 shows the ranks and the scores across the 14 countries in this first iteration of the AEI as well as in each of the seven individual pillars.

Exhibit 3: Results of the Adaptation Economy Index

Country	Adaptation Economy Index		Economic Resilience		Risk Expectations and Behavioral Change		Financial Market Strength		Entrepreneurship, Innovation and Technological Diffusion		Quality and Robustness of Infrastructure		Governance Efficiency and Integrity		Social Cohesion	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
NEW ZEALAND	1	4.74	3	4.67	5	3.53	1	5.01	3	5.37	14	4.82	1	4.84	3	4.98
PORTUGAL	2	4.50	9	3.73	1	3.92	4	4.11	4	5.34	7	5.24	9	3.78	1	5.36
INDONESIA	3	4.43	4	4.58	7	3.30	2	4.68	14	3.60	12	4.95	3	4.62	2	5.27
ESTONIA	4	4.21	7	3.74	14	2.25	12	2.96	1	5.57	3	5.60	2	4.73	5	4.60
MEXICO	5	4.19	10	3.61	8	3.20	5	3.83	12	4.25	4	5.59	5	4.25	4	4.60
GREECE	6	4.16	5	3.92	3	3.79	8	3.24	6	5.12	10	5.13	10	3.56	9	4.37
CROATIA	7	4.09	12	3.40	12	2.76	14	2.93	7	4.90	2	5.84	4	4.36	6	4.41
HUNGARY	8	4.03	13	3.30	9	3.15	3	4.34	8	4.66	8	5.21	13	3.16	7	4.41
COSTA RICA	9	4.02	2	5.04	2	3.83	13	2.96	13	3.76	9	5.13	6	4.19	13	3.21
SLOVAK REPUBLIC	10	4.00	6	3.36	13	2.29	10	3.12	11	4.39	1	5.89	7	4.07	8	4.38
BULGARIA	11	3.95	8	3.73	11	2.99	11	2.98	5	5.25	5	5.43	11	3.51	11	3.76
ROMANIA	12	3.94	14	3.25	10	3.07	6	3.30	2	5.54	11	4.96	8	3.84	12	3.64
COLOMBIA	13	3.90	11	3.50	6	3.43	7	3.29	9	4.59	6	5.35	12	3.20	10	3.97
PERU	14	3.85	1	5.28	4	3.76	9	3.20	10	4.49	12	4.95	14	2.34	14	2.90

Results of the Adaptation Economy Index Pilot

Before diving into the detailed findings, it is important to contextualise the scores.

In order to convert the data into comparable values, each variable is normalised to a 1 to 7 scale. Each pillar is then aggregated as the unweighted average of the individual variables included. The overall AEI score is the unweighted average across the seven pillars. More details on the methodology are provided in Appendix 4.

The scores are measured on a scale of 1 (worst) to 7 (best), reflecting the extent to which countries are laying the groundwork for adaptation economies. Currently, even the highest-ranking nations remain in the middle of this spectrum; with the top score at 4.74, it is clear that no country in our sample is yet close to providing an ideal environment for flourishing adaptation markets. Rather, while some nations have built strong individual areas—such as robust financial markets or social safety nets—none have yet achieved the seamless, systemic reconfiguration required for economies set to deliver abundant, affordable solutions in a highly climate impacted world.

The results also show that preparedness is not dictated by geographic location or baseline wealth alone, but by varying degrees of policy and institutional strength.

The Leaders: Balanced Resilience vs. Targeted Strengths

New Zealand ranks 1st, thanks to its strong structural stability. It ranks first in both the strength of its financial markets and governance efficiency and integrity, supported by significant domestic credit to the private sector and high trust in government. It also benefits from solid levels of social cohesion and economic resilience. However, it ranks a remarkable last of all sample countries for the quality and sustainability of its infrastructure, suggesting a "hardware" gap that could threaten its overall standing.

Portugal is ranked 2nd, with particularly forward-looking climate risk expectations among the population underpinned by strong social cohesion. It has a high percentage of people very worried about severe weather (52%) and reasonable social protection, which help to lay the socioeconomic and psychological groundwork needed for adaptation markets to take root and grow.

Indonesia is ranked 3rd, with relatively strong financial market and social cohesion underpinnings, characterised by healthy levels of green bond issuance and the highest gross domestic savings among the countries covered, providing domestic resources for investments. However, Indonesia faces a specific bottleneck, ranking a rock-bottom 14th for the quality of entrepreneurship and innovation in the country, and with weak infrastructure and related regulations a hindrance. This creates a "targeted strength" profile where it is accruing capital to potentially invest in private adaptation but efforts are required to upgrade its entrepreneurial potential and regulatory environment to facilitate the rollout and adoption of the country's unique adaptation solution needs.

Mexico is ranked 5th, characterised by an uneven profile. It has reasonably strong infrastructure and standards (ranked 4th), providing good physical foundations for adaptation markets. However, it faces a notable implementation gap given weaknesses in the quality of entrepreneurship and innovation in the country and challenges in setting up companies, which can hold back the creation and rollout of relevant adaptation businesses.

While Lower in the Ranking...

Romania (ranked 12th) presents a paradoxical profile, serving as the sample's "innovation outlier" with the second-highest score for entrepreneurship and innovation. This technical strength is driven by a strong pool of adaptation-relevant graduates, yet the country ranks last in economic resilience and near the bottom in social cohesion and trust in government. Romania's policy gap is a stark mismatch between its high technical potential and its low institutional reliability indicating that the country's lack of macroeconomic stability and social trust may be holding back its capacity to scale its innovation engine into a cohesive adaptation economy.

Colombia, ranked 13th benefits from reasonably good infrastructure quality and standards, but its overall standing is dragged down by governance inefficiencies, as well as high inflation. The data suggests that without improving institutional integrity, Colombia's moderately robust physical attributes may lack the regulatory and financial support needed to allow adaptation solutions to scale.

Peru, while benefitting from strong economic resilience due to robust domestic savings and strong export diversification, is ranked bottom of the sample overall at 14th. Particular concerns are governance inefficiencies and a lack of social cohesion. This represents a classic policy gap: while the macroeconomic foundations are solid, institutional credibility and social trust should be buttressed to support the long-term, coordinated economic transformation required for a well-functioning adaptation economy.

Key Stakeholder Takeaways: Policymakers, Investors and Solution Providers

While these initial results are mainly indicative of our direction of travel, we can already identify some useful takeaways for each of the three primary stakeholder groups.

For Policymakers: Identifying Structural Bottlenecks

> **Targeting the weak link: New Zealand** leads the overall Index, yet the poor assessment of the quality and robustness of its infrastructure indicates a specific, measurable area for reform to foster adaptation markets.

> **Governance as an accelerator: Estonia** and **New Zealand's** top rankings in governance efficiency correlate with their comparatively higher overall scores, suggesting that institutional integrity is a primary driver of their "adaptation- readiness".

> **Closing the innovation-finance gap: Indonesia** (ranked 3rd overall) has some encouraging strengths, for example, its strong green bond issuance, yet its last-place rank for innovation, and weaknesses in the area of infrastructure and related regulation, indicates that capital alone isn't enough. Policymakers there must now pivot toward encouraging adaptation-relevant education, easing business creation and ensuring appropriate rules and standards so that the finance mobilised can be deployed into relevant locally-developed solutions.

For Investors: Assessing Jurisdictional Risk and Value

Predictability and Financial Strength: New Zealand and **Indonesia** have comparatively strong financial markets. For investors, this might signal jurisdictions with a focus on sustainability-focused finance and regulatory quality needed to support private sector adaptation efforts.

Innovation Hotspots: Estonia, as well as **Romania** boast comparatively strong environments for entrepreneurship and innovation. Investors looking for "alpha" in the adaptation space may find the most fertile ground for technology transfer and scalable solution providers in potentially overlooked markets with reasonably high innovation potential.

Pricing Social Risk: Weak levels of social cohesion (e.g. in **Peru** and **Costa Rica**) signal potential political volatility that could impact the long-term durability of adaptation projects, requiring higher risk-premia or de-risking mechanisms.

Identifying "Safe Haven" Infrastructure: Investors seeking to invest in climate-adaptive physical assets can look to the **Slovak Republic** and **Croatia**, which are assessed as having reasonably adaptive environments for infrastructure, for example via building standards and zoning transparency. This may suggest lower regulatory risk for adaptation-focused construction and utility projects.

For Solution Providers: Mapping Market Demand

High Awareness Markets: Portugal and **Costa Rica** rank highest for risk expectations and behavioural change. Solution providers in these countries may find lower customer acquisition costs because a high percentage of the population—52% in Portugal—is already "very worried" about severe weather.

Strategic Entry Points: For providers of digital public infrastructure or data-driven risk tools, **Estonia** offers the most efficient business entry environment, providing a low-friction "sandbox" for refining technologies before exporting them to larger markets.

These results provide a sense of how the AEI can be useful to each of the key stakeholder groups, a benefit that with grow over time as the Index expands and increases in sophistication. The results can also be cut and analysed across various lenses, for example by isolating top performers or grouping countries by level of development, or by taking a deeper dive into a particular domain or country. Box 2 provides such a deep dive into the performance of Indonesia.

Box 2: Spotlight on Indonesia: A Contrast of Financial Strength and Physical Vulnerability

Indonesia presents an instructive case study within the Adaptation Economy Index, ranking 3rd overall and standing out as the highest-performing emerging economy in the sample. Its position is anchored by a reasonably strong foundation that provides the necessary financial resources for adaptation. Indonesia leads the entire 14-country group in gross domestic savings at 36.87% of GDP and benefits from comparatively healthy green bond issuance. The country is thus building a "capital engine" to help fund transformation in a climate-impacted world. However, a closer look at the data reveals a stark policy gap where this financial strength meets significant structural and technical bottlenecks.

The most pressing challenge for Indonesia lies in its physical "hardware" and innovation capacity. Despite its ability to mobilise capital, the country ranks last for its entrepreneurship, innovation, and technological diffusion. This deficit is characterised by lower material productivity and a shortage of adaptation-relevant graduates, implying that while the country can fund adaptation, it may struggle to produce specific, locally-tailored technologies—such as precision irrigation or heat-resilient materials—at the scale required.

This innovation gap is compounded by a critical weakness in the quality and robustness of infrastructure, where Indonesia ranks 12th. The raw data highlights specific vulnerabilities in the "rules of the game" that govern the built environment: the country struggles with building, zoning, and land-use regulations, as well as the environmental sustainability of its water utilities. The human cost of this gap was tragically illustrated by a recent major cyclone, which caused significant loss of life and demonstrated that existing infrastructure was simply not up to the task of withstanding systemic climate stress.

For Indonesia to usher in a true adaptation economy, it is critical to move beyond defensive spending and treat the "build back differently" mandate as a core economic priority. The current weakness of climate-relevant building codes and transparent zoning standards acts as a barrier, preventing mobilised capital from being effectively deployed into resilient assets. To bridge this gap, Indonesia can benefit from knowledge transfer models, such as its 2025 strategic partnership with Estonia, another country in our sample. By leveraging Estonia's expertise in digital governance and transparent regulatory frameworks, Indonesia can begin to reform the institutional machinery—such as environmental construction permits and infrastructure standards—needed to ensure that its strong domestic savings are invested in a physical foundation that protects its 280 million citizens rather than one that remains vulnerable to the next climate-induced shock.

5 Placing the AEI Results in Context

While the Index provides a number of useful insights in and of itself, it is also informative to compare the results with other relevant datasets. In the sections that follow, we carry out such an exercise to understand the interplay with two important forces. First, we look at the relationship between the AEI and a measure of actual climate vulnerability: this provides a sense of the need and urgency for countries to foster adaptation markets. Second, we consider the relationship between the AEI and general government debt: this indicates the extent to which government finances are strained and thus the urgency of driving more private capital into adaptation solutions.

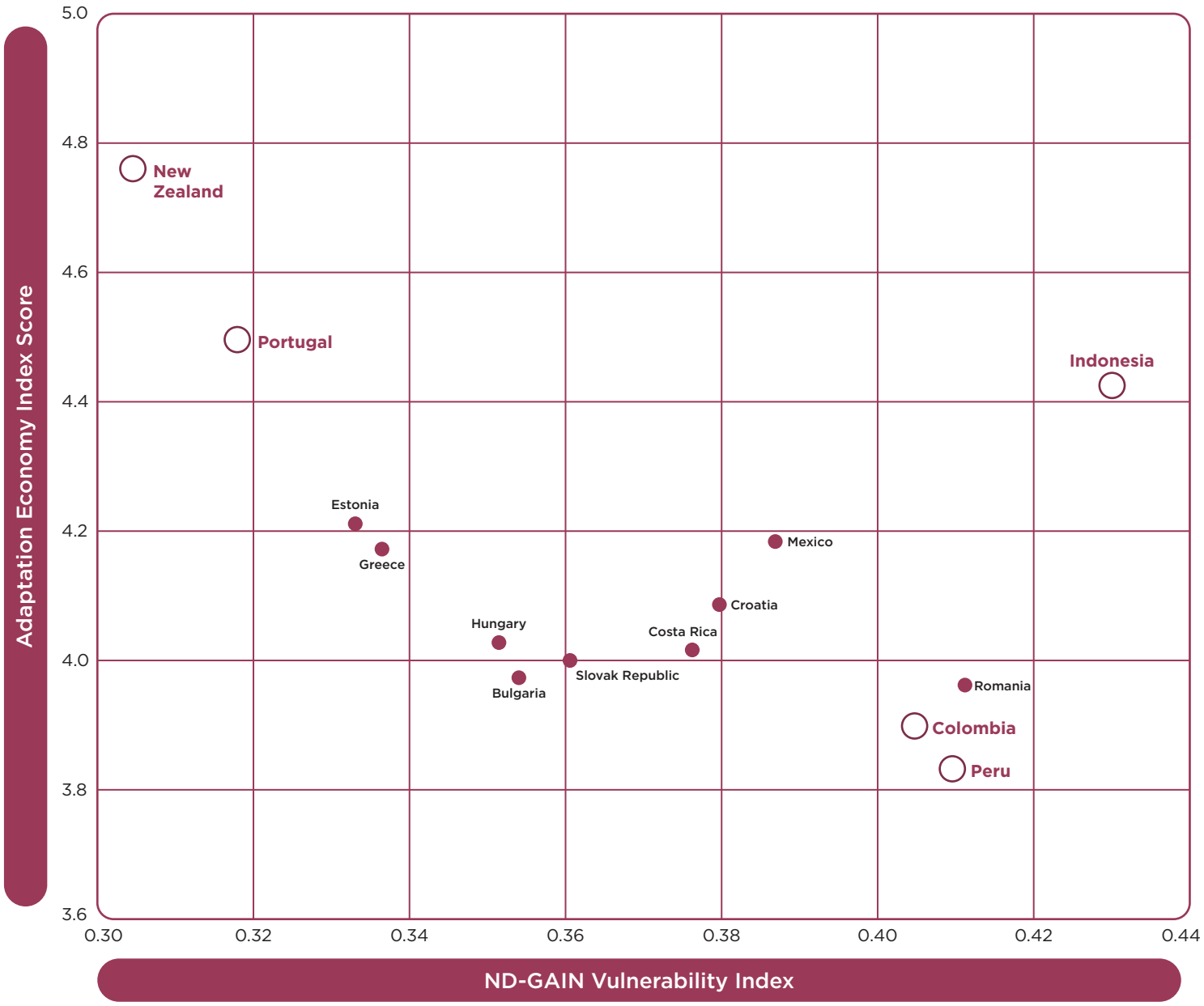
Contrasting the AEI results with Climate Vulnerability

This section contrasts on the one hand the:

- **Adaptation Economy Index (AEI)**, which measures the extent to which countries are building a basis for policy-guided market-based approaches to delivering affordable adaptation solutions,
- With, on the other hand, the **ND-GAIN Vulnerability Index**, which measures a country's exposure and sensitivity to climate disruption.[3]

By mapping these two dimensions, we can help to distinguish those countries that are simply 'safer' due to geography and those that are actively building the economic machinery to thrive in a warming world. This is shown in Exhibit 4.

Exhibit 4: The Adaptation Economy Index versus Climate Vulnerability



The Readiness-Vulnerability Matrix: Key Insights

The contrast between market readiness and physical vulnerability reveals four distinct archetypes within our 14-country pilot:

The Safe Haven Leaders (Top-Left): New Zealand and **Portugal** occupy more favoured positions. New Zealand leads the sample with the highest AEI score (**4.74**) and the lowest climate vulnerability (**0.304**). These nations have the strongest foundations to foster adaptation markets while facing relatively lower systemic threats compared to the rest of the group.

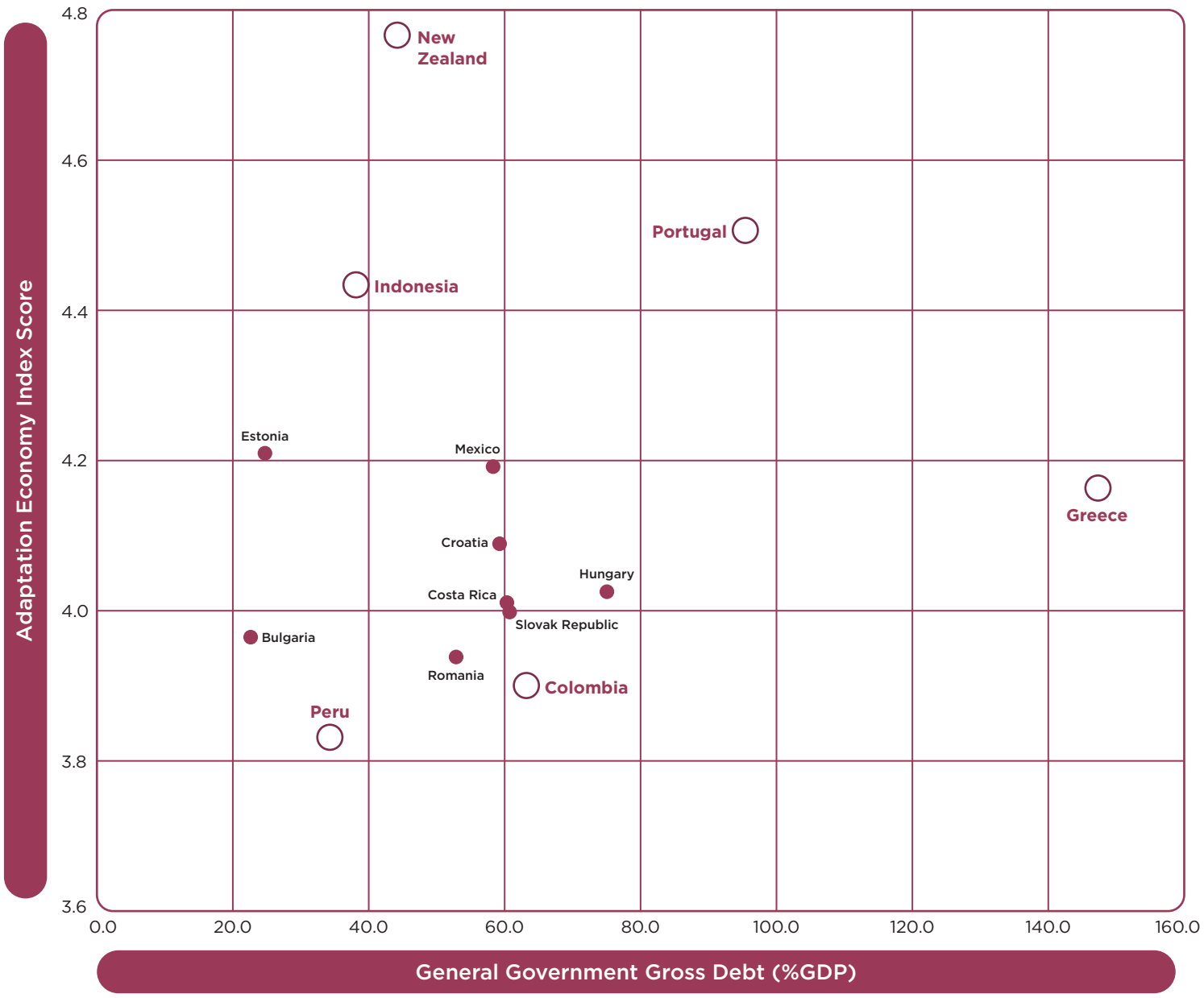
The Proactive Adapters (Top-Right): Indonesia is a relative "overperformer," maintaining the third-highest AEI score (**4.43**) despite the sample's highest vulnerability (**0.43**). This suggests a strategic effort to build a resilient economy through capital mobilisation and social cohesion. Indonesia can build on this by closing the gaps in infrastructure and innovation, to better withstand systemic climate stress.

The Critically Fragile (Bottom-Right): Peru and **Colombia** face a dangerous "double burden." They exhibit high vulnerability (scores above **0.40**) but currently rank at the bottom of our AEI sample (scores below **3.9**). For these countries, the lack of adaptation economy preparedness acts as a multiplier for climate risk; without structural reforms in governance and financial market strength, it will be a struggle to turn capital into tangible future proofing for their economies and citizens.

Contrasting the AEI results with Government Debt

This section compares a nation's **Adaptation Economy Index (AEI)** score with its **General Government Debt** (as a percent of GDP). This analysis helps to uncover which countries are successfully leveraging market-based readiness to offset fiscal constraints, as shown in Exhibit 5. This comparison is vital because nations with high government debt—typically those exceeding the 60% threshold—face limited fiscal space and must rely more heavily on private markets and systemic economic shifts to deliver adaptation solutions.[4]

Exhibit 5: The Adaptation Economy Index versus Government Debt



Fiscal Constraints vs. Market Readiness: Key Archetypes

The intersection of debt and readiness identifies which countries are successfully building "market gears" in the face of limited fiscal space, even if their overall progress remains a work in progress.

The Imperative for Debt-Constrained Greece represents a unique case of a country navigating an exceedingly high debt burden of 147.0% while maintaining a mid-range AEI score of 4.16. Given that its fiscal position severely restricts the state's ability to fund large climate-resilience projects, it is critical that Greece continue to strengthen its adaptation economy. This represents a vital area for future structural reform to ensure the private sector can pick up where the public budget leaves off.

High-Debt Market Resilience: Portugal stands out as the most successful in the sample at decoupling adaptation from the public purse, reaching an AEI score of 4.50 despite a 95.0% debt load. While this is a relatively strong foundation—driven by high public risk awareness—it still falls short of a fully transformative economy, leaving the country in a vulnerable position if market solutions do not scale rapidly.

The Fiscal Opportunity Gap: Peru and **Colombia** highlight where structural reforms are lagging behind fiscal capacity. Peru, despite a healthy debt-to-GDP ratio of 32.7%, holds the lowest AEI score in the sample at 3.85. This identifies a "policy gap" where the primary bottleneck to adaptation may not be a lack of government funding, but a lack of institutional machinery and market signals needed to deploy private sector funding effectively to needed adaptation solutions.

Balanced Leaders and the "Low Debt" Opportunity: New Zealand and **Indonesia** demonstrate how lower debt levels can coexist with proactive market-building, providing these nations with a unique "double advantage" of fiscal flexibility and relative structural readiness. New Zealand leads the sample with an AEI score of 4.74, indicating that while it benefits from a manageable government debt of 44.3%, it is not relying on the public purse alone; rather, it continues to foster an environment conducive to private adaptation markets. Similarly, Indonesia (39.2% debt) demonstrates the potential for developing economies to shift the burden away from the public sector.

By identifying these relative differences, the comparison helps policymakers pinpoint where fiscal burdens are being mitigated by efforts to build markets and where low debt might be "wasted" due to poor institutional readiness.

This 14-country snapshot is just the beginning. In order to have a more nuanced sense of the difference between countries it will be critical to expand the Index to many more countries across all regions. This is a research goal for our team in the coming year. In the meantime, to already get a sense of how the AEI will increase in relevance as more countries are included, the next section carries out a deep dive into one pillar of the Index: Risk Expectations and Behavioural Change, which is critical to gauging latent demand for adaptation solutions in different countries.

6 Deep Dive into Risk Expectations and Behavioural Change in a Larger Dataset

This section examines the results of the Risk Expectations and Behavioural Change pillar. While data constraints currently limit the full seven-pillar Adaptation Economy Index to 14 countries, we have successfully scaled this specific pillar to a much larger and globally representative sample of 112 nations. Measuring the "behavioural software" of an economy—how citizens perceive risk and how households prepare—is a prerequisite for any functioning adaptation market. The findings from this broader dataset, shown in Exhibit 6, reveal a complex global landscape where the perception of risk does not always align with economic wealth or traditional infrastructure strength.

Measuring the "behavioural software" of an economy—how citizens perceive risk and how households prepare—is a prerequisite for any functioning adaptation market.

An observation across the expanded 112-country dataset is the overall ceiling of preparedness; currently, no nation—regardless of its wealth or vulnerability—achieves a score near the ideal 7. With top-tier scores of around 4.5, it is evident that even the most advanced "adaptation mindsets" remain inadequate compared to the systemic risks of a highly climate impacted world. These widespread mediocre scores suggest that the global behavioural mindset is still in an early, reactive phase, failing to reach the level of proactive, ingrained expectation required to drive a truly transformative adaptation economy. For vulnerable nations, this gap is particularly acute, as the psychological and operational readiness of households and businesses has not yet scaled to match the "new normal" of intensifying climate shocks.

Exhibit 6: Results of the Risk Expectations and Behavioural Change Pillar for 112 Countries

Country	Rank	Score
Malawi	1	4.57
South Korea	2	4.52
Luxembourg	3	4.41
Philippines	4	4.29
Austria	5	4.04
United States	6	3.99
Portugal	7	3.92
Canada	8	3.90
Germany	9	3.83
Costa Rica	10	3.83
Chile	11	3.79
Greece	12	3.79
Brazil	13	3.77
Peru	14	3.76
South Africa	15	3.70
Ecuador	16	3.70
Slovenia	17	3.70
Vietnam	18	3.60
Spain	19	3.58
Mauritius	20	3.55
New Zealand	21	3.53
Italy	22	3.52
Argentina	23	3.50
Switzerland	24	3.48
Nicaragua	25	3.46
Honduras	26	3.45
Panama	27	3.45
Cyprus	28	3.44
Guatemala	29	3.43
Colombia	30	3.43
Japan	31	3.42
Cambodia	32	3.42
Bolivia	33	3.39
Mozambique	34	3.38
Namibia	35	3.37
El Salvador	36	3.36
Kenya	37	3.34
Indonesia	38	3.30
Georgia	39	3.28
Malaysia	40	3.28
Australia	41	3.25
Uruguay	42	3.25
Zambia	43	3.24
Mexico	44	3.20
Paraguay	45	3.18
Senegal	46	3.18
United Kingdom	47	3.15
Dominican Republic	48	3.15
Hungary	49	3.15
Thailand	50	3.13
Mongolia	51	3.13
Morocco	52	3.11
France	53	3.09
Romania	54	3.07
Burkina Faso	55	3.02
Venezuela	56	3.00
Gabon	57	2.99
Bulgaria	58	2.99
Bosnia Herzegovina	59	2.99
North Marcedonia	60	2.98
Tanzania	61	2.98
Botswana	62	2.92
Albania	63	2.90
Norway	64	2.91
Benin	65	2.86
Belgium	66	2.85
Sweden	67	2.84
Cameroon	68	2.83
Turkey	69	2.82
Ukraine	70	2.82
China	71	2.80
Sri Lanka	72	2.80
Ghana	73	2.79
Croatia	74	2.76
Ireland	75	2.76
Kyrgyzstan	76	2.72
Serbia	77	2.72
Laos	78	2.71
Latvia	79	2.69
Algeria	80	2.66
Mauritania	81	2.66
Tunisia	82	2.65
Uganda	83	2.63
Singapore	84	2.63
Iceland	85	2.62
Uzbekistan	86	2.62
Ivory Coast	87	2.60
Czech Republic	88	2.60
Netherlands	89	2.59
Denmark	90	2.57
Finland	91	2.56
Jordan	92	2.52
Bangladesh	93	2.50
Poland	94	2.49
Pakistan	95	2.44
United Arab Emirates	96	2.43
Russia	97	2.42
Armenia	98	2.39
Moldova	99	2.31
Slovakia	100	2.29
Myanmar	101	2.28
Tajikistan	102	2.27
Hong Kong	103	2.26
Estonia	104	2.25
Lithuania	105	2.24
Bahrain	106	2.23
Kazakhstan	107	2.17
Azerbaijan	108	2.12
Egypt	109	2.01
Saudi Arabia	110	1.97
Israel	111	1.94
Yemen	112	1.87

Malawi ranks 1st globally in this pillar, followed by the **Philippines** at 4th. This suggests unsurprisingly that nations already experiencing a high frequency or intensity of climate shocks tend to possess a more acute "adaptation mindset" than some advanced economies that appear less vulnerable. While **Luxembourg** (3rd) and **Austria** (5th) seem well attuned to the risks at hand, other highly developed nations appear much lower on the list; for example, **Norway** ranks 63rd and **Belgium** 66th, indicating significantly lower scores in behavioural readiness despite their financial resources. In other words, there does not seem to be a strong correlation between income level and risk expectations.

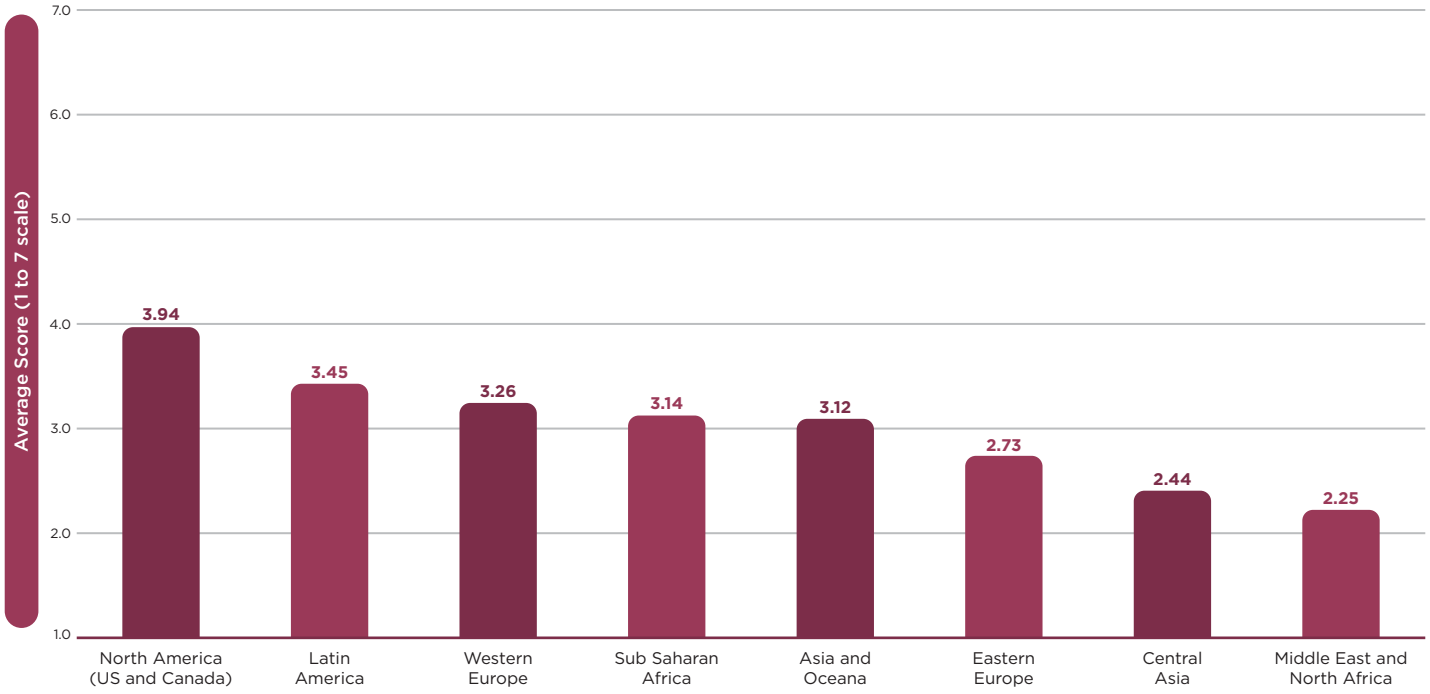
Several emerging markets show high levels of preparedness and concern, signaling potentially strong latent demand for adaptation solutions. Latin America exhibits notable awareness, with **Costa Rica** (10th), **Brazil** (13th), and **Peru** (14th) all ranking within the top 15 globally. These scores reflect populations that are both worried about severe weather and active in disaster planning. Conversely, there is strong heterogeneity across Asia: while the Philippines sits near the top, nations such as **Thailand** (50th) and **China** (71st) show much lower levels of household-level disaster awareness and risk expectations. At the lower end of the Index, a potential blind spot in risk perception poses a major challenge in countries like **Egypt** (109th) and **Saudi Arabia** (110th). In these contexts, the barrier to scaling adaptation markets may not be a lack of technology or talent, but a lack of public risk-signaling and consumer awareness.

Ultimately, the transition to an adaptation economy is not merely a matter of financial capacity, but of aligning deep-seated public expectations with practical, scalable solutions. Understanding these diverse behavioural landscapes is essential for navigating the complex reality of global adaptation.

Regional Variations in the Behavioural Software of Adaptation

The regional aggregation of the expanded Risk Expectations and Behavioural Change pillar, shown in Exhibit 7, reveals a startling global truth: the psychological readiness for a severely climate impacted world is not distributed evenly, nor is it strictly tied to economic development.

Exhibit 7: Risk Expectations and Behavioural Change: Regional Averages



North America (the US and Canada) emerges as the regional leader with an average score of 3.94, suggesting a relatively high degree of public awareness and household-level risk transfer compared to the rest of the world. While this score is still far from the "ideal 7," it indicates a mature market for adaptation products where the primary barrier is likely the supply of affordable solutions rather than public awareness of the need.

In stark contrast, the **Middle East and North Africa (MENA)** region sits at the bottom of the global table with a score of 2.25, followed closely by **Central Asia** (2.44). This "expectation gap" in the MENA region—which faces extreme heat stress and water scarcity—presents a profound strategic challenge. It suggests that in these geographies, the transition to an adaptation economy is stalled not just by a lack of finance, but by a lack of public risk-signaling and behavioural readiness. Without a fundamental shift in how risk is perceived at the household and business levels, the demand for adaptation-focused goods and services will remain latent, even as physical threats escalate.

Key Regional Takeaways:

> **The North American Readiness Lead:** With the highest regional average (3.94), North America appears most "market-ready" for the scaling of private adaptation solutions. This suggests that investors in this region may find lower friction in consumer adoption of climate-resilient technologies.

> **The MENA "Awareness Barrier":** The lowest regional score (2.25) in the Middle East and North Africa identifies a critical "policy gap". For these countries, the immediate priority is not necessarily technical innovation, but the deployment of "behavioural software" efforts—such as mandatory risk disclosures and public awareness campaigns—to align consumer behavior with climatic reality.

> **Latin America's Competitive Edge:** Ranking second globally (3.45), Latin America demonstrates a high level of risk awareness and concern. This creates a fertile environment for "Proactive Adapters" to emerge, as the population is already attuned to the necessity of change, providing a strong social foundation for market-shaping policies.

While these regional variances highlight distinct cultural and institutional starting points, the universal gap between current scores and the "ideal 7" underscores a global imperative for systemic reform. Ultimately, the AEI serves not to finalise a list of winners and losers, but to provide a diagnostic roadmap that turns these behavioural insights into the engine for a thriving, worldwide adaptation economy.

Ultimately, the AEI serves not to finalise a list of winners and losers, but to provide a diagnostic roadmap that turns these behavioural insights into the engine for a thriving, worldwide adaptation economy.

7 Other Applications and Next Steps for the Adaptation Economy Index

Sectoral Applicability of the Index Framework

While the Framework is rooted in a holistic, whole-economy, view its primary strength lies in its inherent flexibility. It is not designed to be a rigid, top-down metric that only captures national-level trends; rather, it functions as a modular diagnostic structure capable of surfacing the specific policy nuances required for different industries and sub-sovereign contexts. This adaptability allows the Framework to bridge the gap between high-level national strategy and the granular reality of local market formation.

At the macro level, the Framework focuses on system-wide enablers. These are the cross-cutting drivers—such as governance integrity, institutional transparency, and the depth of financial markets—that serve as the fundamental bedrock of a nation's overall investability. Without these foundational elements, even the most sophisticated adaptation technologies will struggle to find a stable foothold. By quantifying these systemic enablers, the AEI provides a clear signal to global capital about the baseline stability and readiness of a national economy to host adaptation-aligned investments.

Simultaneously, the Framework accommodates sector specific pathways that define how different industries must evolve. In the agricultural sector, for instance, the focus shifts toward the domains of innovation and risk expectations, where the deployment of drought-resistant seed technology must be coupled with the psychological and financial safety nets of social safety nets. In contrast, the construction and real estate sectors find their center of gravity in infrastructure robustness and economic resilience, where the enforcement of modern building codes and strategic land-use planning dictates long-term value. By applying these seven pillars through a sectoral lens, the Index can become a tool for identifying the unique barriers and catalysts inherent to each industry.

The Framework accommodates sector specific pathways that define how different industries must evolve.

Delivering Short-Term Strategic Gains

While the ultimate objective of this quantitative approach is to foster long-term inclusive economic productivity, the AEI also provides several immediate strategic advantages that can be operationalised today. By transforming the "existential imperative" of adaptation into a manageable economic transition, the Index can help support the immediate optimisation of public and private capital.

One of the most direct applications is in the realm of **public procurement**. Governments can use the AEI's domain-specific data as a systematic basis to incentivise targeted adaptation markets through direct state spending. By setting procurement standards that reward high-scoring adaptive technologies and services, policymakers can actively shape markets, providing the initial demand necessary for solution providers to scale.

Furthermore, the Index facilitates a more sophisticated approach to adaptation finance by embedding measurable, jurisdiction-level risks directly into financial markets. This quantification allows investors to move beyond vague ESG commitments and instead incentivise capital flows toward specific, adaptation-relevant assets. When risk is priced accurately through the lens of the seven pillars, it creates a clear financial rationale for investing in the resilient infrastructure and businesses that will define future value.

Finally, this quantitative transition enables **a critical alignment between carbon and nature-based investments**. By providing a holistic view of a nation's adaptive capacity, the Index can help to raise awareness that massive influxes of capital into clean energy and nature landscapes should not be siloed. Instead, these investments can be strategically aligned with the rise of broader adaptation markets, ensuring that a reforestation project or a wind farm also contributes to the underlying structural resilience of the local economy. Ultimately, the AEI begins to lay a systematic foundation required to secure prosperity today, turning a global challenge into a measurable and investable opportunity.

Next Steps: Plans to Expand and Improve the AEI

The preliminary Adaptation Economy Index (AEI) and our expanded global analysis of the behavioural expectations pillar demonstrate a fundamental reality: while the data required to build an adaptation-ready economy exists, it is currently fragmented across disparate institutions and formats. While we have successfully measured the Risk Expectations and Behavioural Change pillar across a broad sample of 112 countries, this represents only a starting point. Our objective over the coming year is to move decisively beyond the limitations of static, traditional datasets to create a dynamic, whole-economy diagnostic that can be applied to any jurisdiction, regardless of its current stage of economic development.

A primary goal of this evolution involves **expanding geographic and sectoral coverage**. We do not intend to be limited by the current 14-country sample; rather, our objective is to scale the Index to achieve truly global reach. A central priority in this expansion is bridging the "Africa Gap." By integrating African nations into the full seven-domain Index, we can directly address the regions where the adaptation finance gap is most acute and where the need for market-shaping policy is most urgent. Furthermore, this expansion will allow for a far more nuanced analysis across different regions and income groups, moving away from broad generalisations to identify the specific economic archetypes that define how different nations adapt.

To achieve this scale, we are planning to **harness AI for unique and high-frequency insights**. To overcome the "data lag" that often renders traditional sovereign reporting obsolete by the time it is published, we have begun work on a sophisticated, AI-driven data architecture. This will allow us to fill existing information gaps in the seven-domain Framework with real-time or near-real-time proxies. For example, we are developing predictive market mapping tools that use artificial intelligence to scan local-language media and regulatory filings, detecting emerging adaptation markets and subtle policy shifts long before they are reflected in international databases. Similarly, we are exploring the use of computer vision and satellite imagery for autonomous infrastructure assessments, allowing us to track the physical robustness of critical assets and the speed of environmental permitting in regions where ground-level reporting is inconsistent or non-existent. In addition, by employing natural language processing (NLP) to monitor digital landscapes, we can capture granular behavioural sentiment, tracking shifting public expectations and the demand for adaptation goods and services in real-time.

Ultimately, this technical evolution is in service of **building a community of practice**. The Adaptation Economy Index is designed as a "living" tool; its ultimate success depends not just on the metrics we produce, but on its role in catalysing a collaborative ecosystem among policymakers, investors, and solution providers. We invite stakeholders to engage deeply with this preliminary work—testing the Framework against local realities, contributing proprietary or localised data streams, and participating in real-world pilots. By combining deep human expertise with advanced, high-frequency quantification, we can move adaptation from an ad-hoc defensive measure to a systemic driver of inclusive prosperity in an increasingly climate-impacted world.

Call to Action: Measuring What Matters for Adaptation

At its core, the Adaptation Economy Index rests on a simple but powerful idea: what we do not measure, we do not do. To move from a pilot of 14 countries to a truly global understanding of the state of adaptation economies, we must bridge the data gaps that currently obscure climate risk and hide economic opportunity. This transition is not just a technical challenge; it is a social and political process that requires a solid foundation in data and statistics to ensure that no one is left behind. For the Adaptation Economy to take root, stakeholders from across the spectrum must move beyond reactive responses to proactive planning fueled by shared, decision-grade information. We invite you to join us in this critical effort through three key actions.

The Adaptation Economy Index rests on a simple but powerful idea: what we do not measure, we do not do.

The first priority is to **close the "adaptation economy measurement gap."** Successful adaptation depends on processes that connect knowledge across sectors and communities. We call on national and sub-national governments to move beyond defensive metrics by shifting the focus from simply measuring "damages avoided" to actively measuring the growth of adaptation-aligned markets and the scaling of resilient products. In other words, shifting to a need and demand-based approach. This requires adopting open data strategies to ensure that climate policymaking is informed by all relevant sources, from socioeconomic data to local knowledge. Governments must define quantitative targets that move beyond qualitative descriptions to establish clear, time-bound, and measurable objectives for each of the seven pillars. Furthermore, it is essential to track implementation by integrating adaptation-aligned fiscal planning mechanisms, such as budget tagging and tracking systems, to ensure absolute accountability and transparency in resource allocation.

Secondly, we must **co-produce decision-grade information**, as investors and solution providers cannot act without reliable signals. We call on researchers, data stewards, and private entities to participate in data collaboratives that break down data stored in private silos—such as insurance loss data or supply chain vulnerabilities—to unlock insights that serve the public interest. There is a vital need to contribute ground-level insights by using localised data collection, citizen science, and IoT sensors to provide the facts on the ground necessary to validate the AI-powered satellite observations and machine learning models we will be integrating into the Index. This data collection must focus on applied solutions, ensuring it serves real-world decisions by helping to identify where, when and how climate impacts will require specific adaptive solutions to allow citizens to thrive in a warmer climate.

Finally, we must **integrate learning into action**. Measurement is not just a technical exercise; it is a tool for transformational learning and action. The community of practice among those prepared to work together will focus on defining indicators, interpreting results, and refining the Framework based on lived experiences of adaptation in the field. By embedding learning loops, we can use gathered information to adjust approaches in real-time, ensuring that resources are not misdirected and that adaptation measures effective and appropriate. By investing in our capacity to monitor and report in a harmonised and standardised way, we create the evidence base needed to build trust, reduce conflict, and secure a foundation for prosperity in a climate-challenged world.

The failure to harness the substantial economic benefits of climate adaptation represents a profound missed opportunity that would undermine trillions of dollars in potential global growth and long-term prosperity. We must move beyond the outdated perception of adaptation as a defensive cost to be minimised or a burden on the balance sheet; it is, in reality, a primary source of future value, technological innovation, and sustainable growth. When framed correctly, the adaptation economy reveals an expansive landscape for private investment to scale essential solutions, ranging from climate-smart food systems to resilient urban infrastructure.

We must move beyond the outdated perception of adaptation as a defensive cost to be minimised or a burden on the balance sheet; it is, in reality, a primary source of future value, technological innovation, and sustainable growth.

By investing in our collective capacity to monitor, quantify, and report on these dynamics in a harmonised and standardised way, we will collectively provide the necessary transparency to reduce market uncertainty. This paper has detailed our preliminary attempts to establish a tool to this end—one that creates the rigorous evidence base required to build institutional trust, attract large-scale private capital, and catalyse innovation. Ultimately, this work is about supporting a transition where transformational adaptation serves as the robust foundation for inclusive global prosperity in an increasingly climate-challenged world.

Appendix 1

The Seven Domains of the Adaptation Economy

The Adaptation Economy Index is built upon the structure of our Adaptation Policy Framework. The Framework has identified seven primary policy domains that determine a nation's capacity to foster, scale, and sustain adaptation markets, as described in the table below.

The Adaptation Economy Policy Framework

Policy Domain	Description	Relevance to Adaptation	Key Policy Levers
ECONOMIC RESILIENCE 1	The economy's capacity to absorb shocks and keep adaptation markets functioning	Predictable macro conditions, and well-functioning markets lower the cost of capital and keep supply chains, prices and demand stable.	• Macroeconomic and fiscal stabilization measures • Diversification and resilient trade/ logistics strategies • Property rights and land-use reforms
RISK EXPECTATIONS AND BEHAVIOURAL CHANGE 2	How households, firms, and financiers perceive climate risk, and how signals/ standards shape behaviour.	Well communicated accurate, visible and priced risk, turns latent need into real demand and directs capital toward relevant adaptation solutions.	• Mandatory climate-risk disclosure and stress tests • Open climate risk data/early warning systems and risk mapping • Consumer protection and awareness raising
FINANCIAL MARKET STRENGTH 3	Depth, reach and sophistication of financial systems for long-term, resilience-oriented investment.	Properly regulated financial systems, with appropriate investment vehicles, determine whether private, public and blended capital can flow at scale and at tenors/prices that make solutions viable.	• Framework for green, resilience and catastrophe bonds • Public spending alignment with adaptation priorities • Prudential regulation and supervision incorporating climate and disaster risk
ENTREPRENEURSHIP INNOVATION AND TECHNOLOGICAL DIFFUSION 4	Generation, scaling and adoption of technology and business models needed in a warmer climate.	Innovation expands the menu of solutions and drives costs down; appropriate policies determine how quickly and effectively new goods, services and business models can diffuse to firms, farms and homes at scale.	• Research focused on adaptation priorities • Incubators, extension services, and tech-transfer partnerships • Relevant workforce development and vocational training
QUALITY AND ROBUSTNESS OF INFRASTRUCTURE 5	Planning, standards and maintenance requirements determine the strength, adaptability and reliability of infrastructure systems in the face of climate and economic stresses.	Resilient infrastructure is both a market in and of itself as well as the platform upon which many other adaptation markets depend.	• Climate-resilient codes/standards • Risk-informed spatial planning/zoning • PPP frameworks with resilience requirements
GOVERNANCE EFFICIENCY AND INTEGRITY 6	Capability, coherence and credibility of public institutions to design, coordinate and implement complex reforms that support economic transition.	Strong and transparent governance supports both social and economic transitions, creating the conditions for adaptation markets to emerge and scale without unduly burden-ing limited public resources.	• Mechanisms for regulatory responsiveness to emerging private sector needs • Regulatory streamlining/one-stop permitting for solution providers • Open contracting, anti-corruption controls
SOCIAL COHESION 7	Inclusion, trust, safety and social protection underpinning the effectiveness of public interventions and the emergence of stable, functioning adaptation markets.	Inclusive access and trust foster real, scalable markets; cohesion reduces conflict risk and smooths reform adoption.	• Adaptive and shock-responsive social protection systems • National insurance and/or catastrophe pool laws establishing shared risk mechanisms • Participatory planning, community ownership and grievance mechanisms

Source: **The Rise of the Adaptation Economy: Investing in Adaptation and Resilience in a World Beyond 1.5C**. Geneva: Morphosis Solutions SA, 2025.

Appendix 2

The Data Architecture of the Adaptation Economy Index

This selection of indicators represents a rigorous attempt to map the complex, interdependent drivers of a nation's adaptive capacity. By aggregating these high-fidelity data points, the Index provides a transparent baseline for stakeholders to evaluate the structural health of an adaptation economy and identify the specific policy levers required for transformation.

Economic Resilience

- Gross domestic savings (% GDP) (World Bank)
- Inflation, two-year average (IMF WEO Database)
- Export product diversification index (World Bank)
- Trade Diversification Index of export concentration (UNCTAD)

Risk Expectations and Behavioural Change

- Climate Change a Threat to Country in Next 20 Years (Lloyd's Register Foundation, World Risk Poll)
- Worried Severe Weather Events Could Cause Serious Harm (Lloyd's Register Foundation, World Risk Poll)
- Plan for Future Disaster Known by All Household Members Over 10 Years Old (Lloyd's Register Foundation, World Risk Poll)
- Nonlife insurance premium volume to GDP (%) (World Bank)

Financial Market Strength

- Domestic credit to the private sector (% of GDP) (World Bank WDI)
- Green Bond issuance (IMF Macroeconomic Climate Indicators Dashboard)
- Quality of Regulations for Financial Services (Business Ready Data, World Bank)

Entrepreneurship, innovation and technological diffusion

- Material productivity, economic value added generated per unit of materials consumed (OECD)
- Tertiary graduates by field (STEM and other relevant) (OECD)
- Market Competition (Business Ready 2024, World Bank)
- Quality of Regulations for Business Entry (Business Ready 2024, World Bank)
- Operational Efficiency of Business Entry (Business Ready 2024, World Bank)

Quality and robustness of infrastructure

- Trade and Transport Infrastructure Quality (Logistics Performance Index, World Bank)
- Environmental permits for construction (Business Ready 2024, World Bank)
- Building, Zoning and Land Use Regulations (Business Ready 2024, World Bank)
- Building, Zoning and Land Use Transparency (Business Ready 2024, World Bank)
- Environmental Sustainability of Water Utilities (Business Ready 2024, World Bank)

Governance Efficiency and Integrity

- Trust in Government (OECD)
- Corruption Perceptions Index (Transparency International)
- Government Stakeholder Engagement (Future Well Being How's Life data, OECD)

Social Cohesion

- Population covered by at least one social protection benefit (ILO Stat)
- Public unemployment spending as a percent of GDP (OECD)
- Neighbors Care About You and Your Wellbeing (Lloyd's Register Foundation, World Risk Poll)

Additional details and descriptions of each of the variables is included in Appendix 3.

Appendix 3

Detailed Metadata of the Preliminary Adaptation Economy Index

The indicators included in the preliminary Adaptation Economy Index represents a rigorous attempt to map the complex, interdependent drivers of a nation's adaptive capacity with existing cross-country data. This appendix provides detailed descriptions of the metadata used in calculating the Index, organised into the seven domains, or pillars of our Framework and Index.

The title of each indicator appears on the first line. Below is a description of each indicator. If necessary, additional information is provided underneath. The data used in the computation of the AEI represent the most recent and best data available at the time when they were collected.

Pillar 1: Economic Resilience

Gross domestic savings (% GDP), 2024 or most recent year

Gross domestic savings are calculated as GDP less final consumption expenditure (total consumption). This indicator is expressed as a percentage of Gross Domestic Product (GDP) which is the total income earned through the production of goods and services in an economic territory during an accounting period.

Source: World Bank, World Development Indicators

Inflation, two-year average

This measures the increase in prices of all items covered by the consumer price index (CPI), Period average, percent change.

Source: IMF WEO Database

Export product diversification index

Indices measuring the concentration and diversification of exports and imports by product group. The product concentration index shows to which degree exports and imports of individual economies or of groups of economies are concentrated on a few products rather than being distributed in a more homogeneous manner among several products. The diversification index indicates to what extent the structure of exports or imports by product of a given economy or group of economies differs from the world pattern.

Source: World Bank

Trade Diversification Index of export concentration

The diversification index signals whether the structure of exports by product of a given country or group of countries differ from the structure of product of the world. Diversification index is computed by measuring absolute deviation of the country share from world structure. A diversification index that ranges from 0 to 1 reveals the extent of the differences between the structure of trade of the country or country group and the world average. The index value closer to 1 indicates a bigger difference from the world average. It is constructed as the inverse of a Herfindahl index, using disaggregated exports at 4 digits (following the STIC3).

Source: UNCTAD Statistical Office

Pillar 2: Risk Expectations and Behavioural Change

Climate Change a Threat to Country in Next 20 Years

Percent responding that climate change is a "very serious threat" to the following survey question: Do you think that climate change is a very serious threat, a somewhat serious threat, or not a threat at all to the people in this country in the next 20 years?

Source: Lloyd's Register Foundation, World Risk Poll

Worried Severe Weather Events Could Cause Serious Harm

Percent of respondents answering that they are "very worried" severe weather events could cause serious harm.

Source: Lloyd's Register Foundation, World Risk Poll

Plan for Future Disaster Known by All Household Members Over 10 Years Old

Percent answering "yes" to the question: is there a plan for future disaster known by all household members over 10 years old?

Source: Lloyd's Register Foundation, World Risk Poll

Nonlife insurance premium volume to GDP (%)

Ratio of nonlife insurance premium volume to GDP. Premium volume is the insurer's direct premiums earned (if Property/Casualty) or received (if Life/Health) during the previous calendar year. Premium data is taken from various issues of Sigma reports (Swiss Re). Data on GDP in US dollars is from the electronic version of the World Development Indicators.

Source: World Bank

Pillar 3: Financial Market Strength

Domestic credit to the private sector (% of GDP)

Domestic credit to private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises. The financial corporations include monetary authorities and deposit money banks, as well as other financial corporations where data is available (including corporations that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other financial corporations are finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies. This indicator is expressed as a percentage of Gross Domestic Product (GDP) which is the total income earned through the production of goods and services in an economic territory during an accounting period.

Source: World Bank, World Development Indicators

Green Bond issuance, USD billions

This measures the cumulative issuance of green bonds over the period 2018-2024 in USD billions. Green bonds and sustainability-linked bonds are fixed-income securities designed specifically to support climate and environmental projects. Green Bonds are fixed income instruments where the proceeds will be exclusively directed to finance or re-finance, in part or in full, new and/or existing green projects. Note: The data for Estonia and Romania is overstated in the database and was corrected based on data from the World Bank and other sources. Bulgaria's data was added based on recent private green bond issuance.

Source: IMF Macroeconomic Climate Indicators Dashboard

Quality of Regulations for Financial Services

This measure, a pillar from the Business Ready database, assesses the effectiveness of regulation pertaining to commercial lending, secured transactions, and e-payments, covering the de jure features of regulatory frameworks.

Source: Business Ready 2024, World Bank

Pillar 4: Entrepreneurship, innovation and technological diffusion

Material productivity

Material productivity is the amount of economic output or value added generated per unit of materials consumed. Economic output is based on GDP and materials consumed is the total amount of material directly used in an economy which is calculated as domestic material consumption (DMC). This indicator is measured in thousand US dollars per tonne, constant prices using 2010 base year and Purchasing Power Parities (PPPs) converted. Non-energy material productivity is the amount of economic output or value added generated per unit of materials consumed excluding energy production. Economic output is based on GDP and materials consumed is the total amount of material directly used in an economy which is calculated as domestic material consumption (DMC). This indicator is measured US dollars per kilogram, constant prices using 2015 base year.

Source: OECD

Tertiary graduates by field (STEM and other relevant)

Tertiary graduates by field refers to the distribution of individuals who have successfully completed tertiary education programs, classified by field of study. Fields of study are typically categorised according to international classification systems such as the ISCED Fields of Education and Training. Of multiple courses measured, the authors selected only graduates from the following fields of study: (F05) Natural sciences, mathematics and statistics; (F07) Engineering, manufacturing and construction; and (F05T07) Science, technology, engineering and mathematics. The indicator is expressed as the share of graduates in each field over the total number of tertiary graduates.

Source: OECD and authors' calculations

Market Competition

This measures good practices related to the enforcement of competition policy, intellectual property rights and innovation policy, and regulations that focus on improving competition and innovation in markets where the government is a purchaser of services or goods.

Source: Business Ready 2024, World Bank

Quality of Regulations for Business Entry

This variable assesses the quality of regulations for business entry, covering de jure features of a regulatory framework that are necessary for the adoption of good practices for business start-ups.

Source: Business Ready 2024, World Bank

Operational Efficiency of Business Entry

These variable measures the time and cost required to register new domestic and foreign firms.

Source: Business Ready 2024, World Bank

Pillar 5: Quality and robustness of infrastructure

Trade and Transport Infrastructure Quality

The component "Quality of trade- and transport-related infrastructure" includes results from the survey question "Evaluate the quality of trade- and transport related infrastructure (e.g. ports, railroads, roads, information technology) in country [x]." Scores range from 1 to 5, with a higher score representing better performance. Data are from the Logistics Performance Index surveys conducted by the World Bank in partnership with academic and international institutions and private companies and individuals engaged in international logistics.

Source: Logistics Performance Index, World Bank

Environmental permits for construction

This measures the quality of regulations pertaining to environmental permitting, covering de jure features of a regulatory framework that are necessary for immovable property lease, property ownership, urban planning, and environmental licenses.

Source: Business Ready 2024, World Bank

Building, Zoning and Land Use Regulations

This covers the quality of regulations pertaining to building and land use covering de jure features of a regulatory framework that are necessary for immovable property lease, property ownership, urban planning, and environmental licenses.

Source: Business Ready 2024, World Bank

Building, Zoning and Land Use Transparency

This measures the transparency of information in the provision of property transfer, building, and environmental permitting.

Source: Business Ready 2024, World Bank

Environmental Sustainability of Water Utilities

Assesses the extent to which regulation ensures sustainable provision on of water utilities.

Source: Business Ready 2024, World Bank

Pillar 6: Governance Efficiency and Integrity

Trust in Government

Trust in government is the share of people who report having confidence in the national government. The data shown reflect the share of respondents answering "yes" (the other response categories being "no", and "don't know") to the survey question: "In this country, do you have confidence in... national government? Due to small sample sizes, country averages for horizontal inequalities (by age, gender and education) are pooled between 2010-18 to improve the accuracy of the estimates. The sample is ex ante designed to be nationally representative of the population aged 15 and over. This indicator is measured as a percentage of all survey respondents.

Source: OECD

Corruption Perceptions Index

The Corruption Perceptions Index (CPI) aggregates data from a number of different sources that provide perceptions among businesspeople and country experts of the level of corruption in the public sector.

Source: Transparency International

Government Stakeholder Engagement

Government stakeholder engagement measures whether countries have adopted stakeholder engagement practices and require them to be consulted when developing new regulations. Data comes from responses to the OECD's Indicators of Regulatory Policy and Governance questionnaire, which asks government officials about four aspects of stakeholder engagement (systematic adoption of stakeholder engagement requirements, consultation methodology, transparency, oversight and quality control). For both primary laws and subordinate regulations, a composite indicator with a maximum score of four (maximum score of one for each aspect) is computed—the indicator reported here is the simple average of the primary laws and subordinate regulations composite indicators.

Source: Future Well Being How's Life data, OECD

Pillar 7: Social Cohesion

Population covered by at least one social protection benefit

Share of population covered by at least one social protection benefit (in percent), latest year.

Source: ILO Stat

Public unemployment spending as a percent of GDP

Public unemployment spending is the government's expenditure on cash benefits for people to compensate for unemployment. Expenditure includes redundancy payments from public funds, as well as the payment of pensions to beneficiaries before they reach the standard pensionable age, if these payments are made because the beneficiaries are out of work or for other labour market policy reasons. This indicator is measured as a percentage of GDP.

Source: OECD

Neighbors Care About You and Your Wellbeing

Percent of respondents answering "a lot" or "somewhat" when asked if neighbours care about you and your wellbeing.

Source: Lloyd's Register Foundation, World Risk Poll

Appendix 4

Aggregation Methodology of the Preliminary Adaptation Economy Index

The computation of the preliminary Adaptation Economy Index (AEI) is based on successive aggregations of scores, from the indicator level (the most disaggregated level) to the overall AEI score (the highest level). At every aggregation level, each aggregated measure is computed by taking the average (i.e. arithmetic mean) of the scores of its components. The overall AEI score is the average of the nine pillars. For individual indicators, prior to aggregation raw values are transformed into a progress score ranging from 1 to 7, with 7 being the ideal state. In the list below, weights are rounded to one decimal place, but full precision is used in the computation.

Pillar 1: Economic Resilience	**14.3%**
• Gross domestic savings (% GDP), 2024 or most recent year (World Bank)	25%
• Inflation, two-year average (IMF WEO Database)	25%
• Export product diversification index (World Bank)	25%
• Trade Diversification Index of export concentration (UNCTAD)	25%
Pillar 2: Risk Expectations and Behavioural Change	**14.3%**
• Climate Change a Threat to Country in Next 20 Years (Lloyd's Register Foundation, World Risk Poll)	25%
• Worried Severe Weather Events Could Cause Serious Harm (Lloyd's Register Foundation, World Risk Poll)	25%
• Plan for Future Disaster Known by All Household Members Over 10 Years Old (Lloyd's Register Foundation, World Risk Poll)	25%
• Nonlife insurance premium volume to GDP (%) (World Bank)	25%
Pillar 3: Financial Market Strength	**14.3%**
• Domestic credit to the private sector (% of GDP) (World Bank WDI)	33.3%
• Green Bond issuance (IMF Macroeconomic Climate Indicators Dashboard)	33.3%
• Quality of Regulations for Financial Services (Business Ready 2024, World Bank)	33.3%
Pillar 4: Entrepreneurship, innovation and technological diffusion	**14.3%**
• Material productivity, economic value added generated per unit of materials consumed (OECD)	20%
• Tertiary graduates by field (STEM and other relevant) (OECD)	20%
• Market Competition (Business Ready 2024, World Bank)	20%
• Quality of Regulations for Business Entry (Business Ready 2024, World Bank)	20%
• Operational Efficiency of Business Entry (Business Ready 2024, World Bank)	20%
Pillar 5: Quality and robustness of infrastructure	**14.3%**
• Infrastructure Quality (Logistics Performance Index, World Bank)	20%
• Environmental permits for construction (Business Ready 2024, World Bank)	20%
• Building, Zoning and Land Use Regulations (Business Ready 2024, World Bank)	20%
• Building, Zoning and Land Use Transparency (Business Ready 2024, World Bank)	20%
• Environmental Sustainability of Water Utilities (Business Ready 2024, World Bank)	20%
Pillar 6: Governance Efficiency and Integrity	**14.3%**
• Trust in Government (OECD)	33.3%
• Corruption Perceptions Index (Transparency International)	33.3%
• Government Stakeholder Engagement (Future Well Being How's Life data, OECD)	33.3%
Pillar 7: Social Cohesion	**14.3%**
• Population covered by at least one social protection benefit (ILO Stat)	33.3%
• Public unemployment spending as a percent of GDP (OECD)	33.3%
• Neighbors Care About You and Your Wellbeing (Lloyd's Register Foundation, World Risk Poll)	33.3%

To make the aggregation possible, the indicators are converted to a 1-to-7 scale. We apply a min-max transformation, which preserves the order of, and the relative distance between, country scores. Formally, we have:

$$6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 1$$

The sample minimum and sample maximum are, respectively, the lowest and highest country scores in the larger sample of economies from which the data is originally derived. In some instances, adjustments were made to account for extreme outliers. In the case of inflation, for which a higher value indicates a worse outcome, the transformation formula takes the following form, thus ensuring that 1 and 7 still correspond to the worst and best possible outcomes, respectively:

$$-6 \times \left(\frac{\text{country score} - \text{sample minimum}}{\text{sample maximum} - \text{sample minimum}} \right) + 7$$

References

NatureFinance. *Time to Plan for a World Beyond 1.5C.* (2023). Retrieved from https://www.naturefinance.net/resources-tools/future-beyond-1-5-degrees/

University of Notre Dame Global Adaptation Initiative (ND-GAIN). (n.d.). *ND-GAIN Country Index.* Retrieved June 29, 2025, from https://gain.nd.edu/our-work/country-index/

Morphosis. *The Rise of the Adaptation Economy: Investing in Adaptation and Resilience in a World Beyond 1.5C*. Geneva: Morphosis Solutions SA, 2025.

Morphosis. *Transformative Adaptation: A Whole Economy Approach*. Geneva: Morphosis, 2025.

The Paulson Institute in Partnership with Basilinna. From Plans to Markets: China's Experiment in Building an Adaptation Economy. Washington: The Paulson Institute and Basilinna, 2025.

Vendramini, A. & Breviglieri, G. *Climate Change Adaptation Financing: From Tracked Flows to Untapped Potential*. The Center for Sustainability Studies at Fundação Getulio Vargas (FGVces). (2025a).

Vendramini, A. & Breviglieri, G. *Fragmented Perspectives, Fragmented Finance: A Case Study on Brazil's Adaptation Challenge*. The Center for Sustainability Studies at Fundação Getulio Vargas (FGVces). (2025b).

Zadek, Simon. *Planning for a Future Beyond 1.5C*. Project Syndicate. (2023, November). Retrieved from https://www.project-syndicate.org/commentary/unrealistic-global-warming-targethinders-climate-action-by-simon-zadek-2023-11

Endnotes

[1]https://news.un.org/en/story/2025/11/1166433#

[2]https://www.morphosis.solutions/adaptation-economy

[3]https://gain.nd.edu/about/

[4]The general government debt data used for this comparison is for 2024 and is sourced from the IMF's World Economic Outlook.