ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE ADDRESSED TO THE FINANCIAL SECRETARY AND THE FOLLOWING REFERENCE NUMBER QUOTED:-

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MINISTRY OF FINANCE & THE PUBLIC SERVICE
30 NATIONAL HEROES CIRCLE
P.O. BOX 512
KINGSTON
JAMAICA

December 29, 2023

CIRCULAR NO. 34

Cabinet Secretary
Permanent Secretaries
Heads of Departments
Chief Executive Officers

Re: Climate Risk Assessments Incorporated into the Appraisal of Public Investment Projects

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Cabinet Secretary, Permanent Secretaries, Heads of Departments and Chief Executive Officers are hereby advised that the Cabinet, by Decision dated 18 December 2023, approved a methodology for the conduct of climate risk assessments of all public investment projects (PIPs), during the pre-investment appraisal phase of the Public Investment Management System (PIMS).

This Circular serves to incorporate the climate risk assessment (CRA) methodology into the GOJ PIMS Guidelines as an enhancement to the public investment project pre-investment appraisal process, that is carried out by the Public Investment Management Committee (PIMC) and managed by the Public Investment Appraisal Branch (PIAB).

The methodology necessitates that public investment projects undertake progressively more sophisticated assessments of their climate risk as they progress through the public investment management (PIM) process. Projects with higher climate risk levels will require more analysis.

At the Project Concept Stage, all projects will undertake a "Climate Risk Questionnaire" and a "Climate Risk Screening", irrespective of their climate risk profile.

At the Project Proposal Stage, if the Project Concept Stage screening determines that a project is medium to high risk for one or multiple hazards, then the project will need to undergo a "Post-Climate Risk Screening Filter", which will determine whether a project undertakes a more detailed "Climate Risk Assessment" *or* whether the project can undertake the "Simplified Climate Risk Management Approach."

The Main Steps of the CRA Methodology are summarised as follows:

Step 1 – Climate Risk Questionnaire

Project proponents will complete a simple questionnaire focused on assessing the risk related to the potential impacts of climate change. This step seeks to diagnose the project's hazard risk preliminarily and qualitatively. This will apply to all projects and will be undertaken by entities within the Specified Public Sector.

Step 2 – Climate Risk Screening

The goal of this step is to conduct a high-level screening to determine whether the project has medium to high risks for certain hazards. If yes, project proponents will need to undertake additional risk analysis during the Project Proposal Stage. This will apply to all projects and will be led by the Public Investment Appraisal Branch in consultation with project focal points within entities which have submitted concepts for the consideration of the PIMC.

Step 3 – Post Climate Risk Screening Filter - Project Investment Cost Filter

This step filters the projects identified in Step 2 with medium to high risks by investment costs so that not all projects identified as having medium to high risks to hazards in Step 2 need to proceed to undertake a full CRA. Only the largest projects by investment cost are required to undertake a full CRA. All others undertake the more qualitative simplified risk management approach. Projects with investment costs of three (3) billion Jamaica dollars or greater, proceed to full Climate Risk Assessment (Step 4b) in Project Proposal Stage. Projects with investment costs of less than three (3) billion Jamaica dollars, proceed to a Simplified Risk Management Approach (Step 4a) in Project Proposal Stage.

Step 4a – Simplified Climate Risk Management Approach

This step seeks to guide project proponents in developing a risk management approach to minimize the impact of identified climate risks on the project, based on the information from Step 2 – Climate Risk Screening. This will apply to those projects that flag as having a 'medium' to 'high' risk in the Step 2 screening but are filtered in Step 3 for the Simplified Climate Risk Management Approach. This will be undertaken by entities within the Specified Public Sector which have submitted concepts for the consideration of the PIMC.

Step 4b – Climate Risk Assessment

In the Climate Risk Assessment step, the physical climate risk is estimated for each system element of the project. The risk arises from each climate-related hazard that may affect the performance and durability of the project. The assessment has to be conducted for the current situation and subsequently for different future scenarios based on the expected lifespan of the projects. This applies to those projects that flag as having a 'medium' to 'high' risk in the Step 2 screening and are filtered in Step 3 for the CRA. This will be undertaken by entities within the Specified Public Sector that have submitted concepts for the consideration of the PIMC.

Step 5: Integration of Adaptation Measures into Appraisal Analyses

Step 5 provides guidance on how to integrate the findings of the CRA into the feasibility analysis. It is a supplemental methodology and aligns with existing appraisal requirements for Public Investment Projects seeking admission to the Public Sector Investment Programme.

See **Appendix 1** for a summary of the c*limate risk assessments required at various stages during the Public Investment Management lifecycle.*

The expected benefits of the Climate Risk Assessment Methodology are as follows:

1) The revised methodology will enable improved management of fiscal risks associated with climatic conditions that could jeopardise attainment of returns to public investments.

2) Utilization of this more robust tool facilitates identification of location and sector relevant climatic hazards which could impact public investments during the process of their creation (during project execution) as well as during their operationalisation (post-project execution).

3) By identifying these risks during the pre-investment planning stage of the PIMS, more optimal decisions can be made on projects' feasibility and appropriate strategies can be devised to address known risks prior to their manifestation. In so doing, the GoJ is better able to manage public investments efficiently and effectively in keeping with best practice.

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Darlene Morrison, CD
Financial Secretary

Climate Risk Assessments Required at various stages during the PIM Lifecyle

PIM Phase	Type of Climate Risk Assessment	Application
Project Concept	Step 1 – Climate Risk Questionnaire Project proponents will complete a simple questionnaire focused on assessing the risk related to the potential impact of climate change. This step seeks to diagnose the project's hazard risk preliminarily and qualitatively.	All projects
	Step 2 – Climate Risk Screening The goal of this step is to conduct a high-level screening to determine whether the project has medium to high risks for certain hazards. If yes, project proponents will need to undertake additional risk analysis during the Project Proposal Stage.	All projects
	Step 3 – Post Climate Risk Screening Filter – Project Investment Cost Filter This step screens projects, identified to have medium to high risks, based on size, so that not all such projects need to proceed to developing a Climate Risk Assessment (CRA). Only projects with investment costs ≥ 3 billion Jamaica dollars will proceed to undertake a full CRA whereas projects below this threshold will apply a simplified risk management approach.	Those projects that flag as having a 'medium' to 'high' risk in the Step 2 screening.
Project Proposal	Step 4a – Simplified Climate Risk Management Approach This step seeks to guide project proponents in developing a risk management approach to minimize the impact of identified climate risks on the project, based on the information from Step 2 – Climate Risk Screening.	Those projects that flag as having a 'medium' to 'high' risk in the Step 2 screening but that were filtered in Step 3 for the Simplified Climate Risk Management Approach.
	Step 4b – Climate Risk Assessment In the Climate Risk Assessment, the physical climate risk is estimated for each system element of the project. The risk arises from each climate-related hazard that may affect the performance and durability of the project. The assessment has to be conducted for the current situation and subsequently for different future scenarios based on the expected lifespan of the project.	Those projects that flag as having a 'medium' to 'high' risk in the Step 2 screening and that were filtered in Step 3 for the CRA.

Climate Risk Assessments Required at various stages during the PIM Lifecyle

	Step 5: Integration of Adaptation Measures into Appraisal Analyses Guidance on how to integrate the findings of the CRA into the cost benefit analysis and financial feasibility analysis.	Supplemental methodology and step for those projects undertaking the CRA.