

A risk management approach to decision making in the Caribbean

Key Messages

- The IP seeks to guide the identification and prioritisation of actions by regional and national stakeholders under each strategic element and goal area of the Regional Framework through the use of risk management approaches to decision making.
- The Regional Framework is founded upon the principle of using risk management processes and tools to aid decision making.
- A risk management process is required that will allow the complexities and uncertainties of climate change to be navigated and tailored to the specific needs of the Caribbean.
- Building resilience and adaptation planning has a political dimension, it's not just a technical response.
- Addressing climate change without addressing the existing underlying sustainable development and growth challenges faced by member states will not deliver resilience. Building low carbon climate resilience within the context of the wider sustainable development objective has to become an integral feature of all policy setting and decision making.
- A new risk management approach to decision making will be trialled with pilot projects in up to 5 countries to develop national co-ordinating mechanisms with an emphasis on working with finance ministries.

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CARICOM countries have considerable cause for concern as the threats posed by a changing climate to their development prospects are severe. Building climate resilient, low carbon economies requires a transformational change by governments, regional organisations, NGOs, the private sector and civil society supported by financial and technical assistance from developing country partners.

In 2009, CARICOM Heads of Government publically recognized this challenge through the Liliendaal Declaration. They then asked the Caribbean Community Climate Change Centre (CCCCC) to prepare a Regional Framework for Achieving Development Resilient to Climate Change (the "Regional Framework"). The Framework provides a roadmap for action over the period 2009 to 2015 and builds on other initiatives pursued by the CCCCC. The Regional Framework acknowledges the role risk management must play in future decision making.

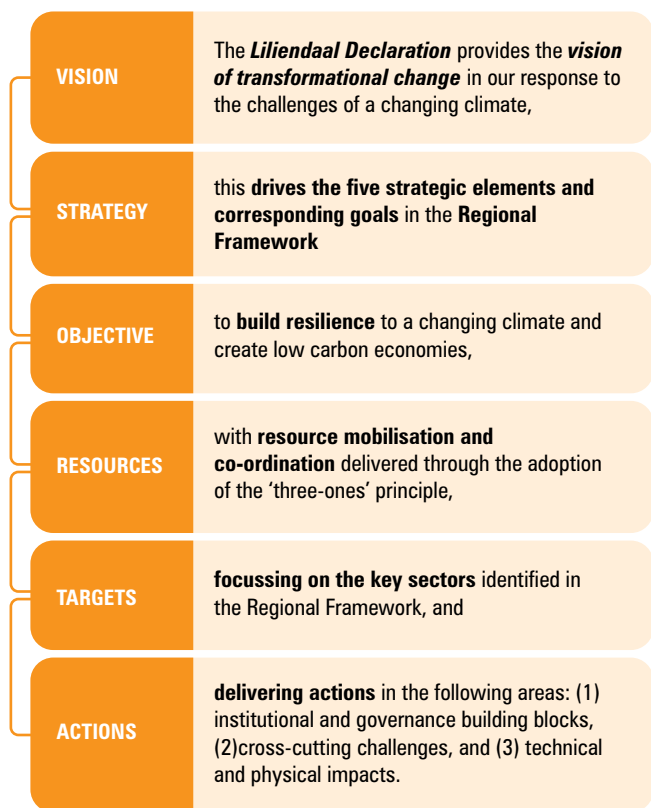
The Heads of Government also asked the CCCCC to prepare an Implementation Plan (IP)¹ to take forward and deliver the strategic elements and goals identified in the Regional Framework. The 'Implementation Plan for the Regional Framework for Achieving Development Resilient to Climate Change' was developed by the CCCCC, with support from CDKN and DFID. It was prepared following an extensive programme of in-country discussions with politicians, government officials, regional agencies, NGOs, the private sector, donors and development banks. An overview of the IP is provided in figure 1.

The IP acknowledges that a transformational change in mind set, institutional arrangements, operating systems, collaborative approaches and integrated planning mechanisms are essential to deliver the strategic elements and goals of the Regional Framework. The IP seeks to guide the identification and prioritisation of actions by regional and national stakeholders under each strategic element and goal area of the Regional Framework through the use of risk management approaches to decision making.

The CARICOM Heads of Government approved the IP in March 2012.

¹ Further information about the IP can be found in the CDKN Knowledge Brief 'Delivering transformational change: A plan to achieve development resilient to climate change in the Caribbean' and on the CCCCC web site <http://caribbeanclimate.bz/>

Figure 1: IP high level overview



The role of risk management processes

In a region already characterised by high variability in the current climate, a changing climate represents an additional stress for society, economic sectors and natural environments. This changing risk profile (which also varies between each of the CARICOM member states) will have an effect on the outcome of a wide range of decisions affecting individual, societal and economic well-being. In order to plan effectively for the future, decision makers must assess and be aware of these changing risks.

As our understanding of climate change improves it is becoming possible to gain an increasing confidence about some of the expected changes, for example, with regard to increasing temperatures. However, our knowledge of the climate system is not perfect, resulting in uncertainty around the precise extent of future climate change. Furthermore, we cannot know how future emissions of greenhouse gases will change. Uncertainty also stems from our incomplete understanding of the impacts of future climate on society, the environment, and economies and the existing vulnerabilities faced in each of the CARICOM member states.

Despite these uncertainties and regardless of the effectiveness of emissions reductions efforts worldwide, Caribbean governments must continue to make decisions

Definitions

Risk. A characteristic of a system or decision where the probabilities that certain states or outcomes have occurred or may occur are known. Risk is a combination of the chance or probability of an event occurring, and the impact or consequence associated with that event. In most cases probabilistic assessments of climate risk will not be possible given the uncertainties.

Risk assessment. The process by which hazards and consequences are identified, characterised as to their probability and magnitude, and their significance assessed. Risk assessment usually relates to a particular system which may be individual, population, infrastructure, building or environmental asset etc. The process involves identifying hazards that could have an impact, understanding vulnerabilities, assessing the likelihoods and severities of impacts, and assessing the significance of the risk.

Risk analysis. The process by which risk assessment is used to develop risk management options to reduce, mitigate or compensate for the risk.

Risk management. Any action or portfolio of actions that aim to reduce the probability and magnitude of unwanted consequences (or vice versa), or manage the consequences of realised risks.

Climate change risk assessments are used to determine how climate change could affect outcomes in a sector, and to evaluate the effectiveness of decisions regarding existing or new policies, programmes and projects. The risks associated with climate should be evaluated in comparison to other, non-climate dependent risk factors. The objective of these assessments is to help decision makers identify where adaptation to climate may be required, the adaptation options that could best accommodate the expected impacts of climate change, and the uncertainty associated with those impacts. Decisions made on this basis should lead to a better outcome in social, economic and environmental terms and can be considered as contributing to sustainable development.

to plan for the future. The Regional Framework is founded upon the principle of using risk management processes and tools to aid decision making. The IP notes that decision making based entirely on subjective value judgments given the challenges and uncertainties we face, may compromise resilience building.

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Risk management processes can be used to manage our responses to aspects of climate variability and climate change that create or increase a risk to the security and sustainability of the Caribbean region, its member states, citizens, infrastructure, economies and environment. Risk management can assist in the selection of optimal or the most cost effective strategies for reducing vulnerability, using a systematic and transparent decision making process. Policies or initiatives that aim to reduce this vulnerability can be designed to complement and support the goals of poverty reduction, sustainable development, disaster preparedness and environmental protection.

Risk management and decision making in the Caribbean

Climate risk management explicitly recognises the altered risk profiles that climate change presents, allowing decision makers to manage likely climate impacts, and exploit potential opportunities.

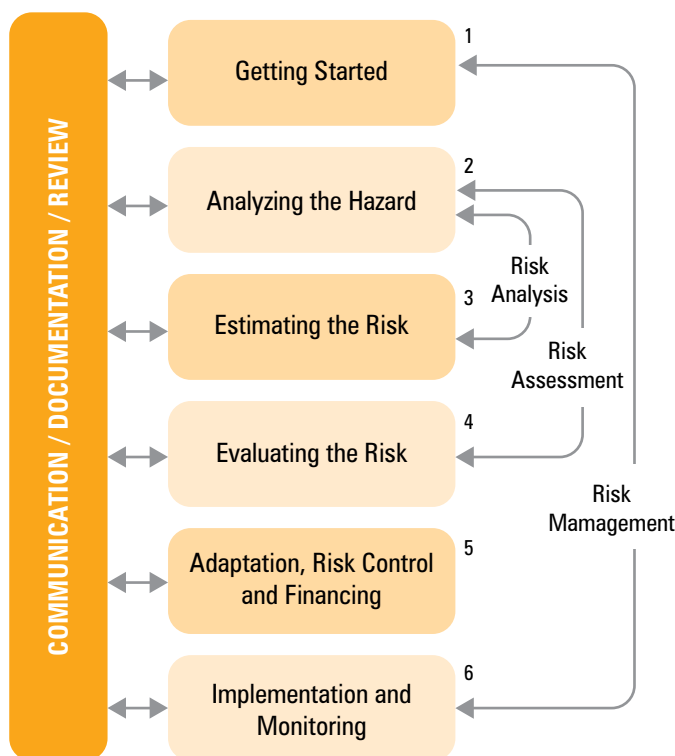
The Caribbean has its own risk management framework developed in 2003² which recognises the challenges of decision making in the face of climate change uncertainty. These guidelines were developed to assist CARICOM country risk management practitioners in the decision making process for the selection and implementation of feasible options for adaptation to climate change. The methodology employed in these guidelines is based on the Canadian National Standard (CAN/CSA-Q850- 97): Risk Management: Guideline for Decision makers, and follows the key steps of this standard. Figure 2 provides an overview of the steps in the Caribbean risk management guidelines.

The adoption of the guidelines and their usage across the Caribbean has been disappointing. The IP notes that this is in part due to funding constraints for training users and limited promotion of the guidelines.

A number of issues were identified, during the preparation of the IP, regarding the processes used to make decisions on appropriate adaptation actions in the Caribbean, including for example:

- Climate hazards, vulnerabilities, impacts and risks are not based on common methodologies and data sets. Information from one project (even within the same sector) cannot always be used in another project if different methodologies are employed. It is extremely difficult to build on previous work (including relevant work undertaken in other countries).

Figure 2: Steps in the Risk Management Process (Caribbean Community Secretariat, 2003).



- Relative comparisons of risks between sectors, geographical areas, communities, and natural resource systems become extremely difficult to provide given the differing assessment methodologies. This has consequences for the prioritisation of activities. In the absence of reliable and comparable risk assessments undertaken with comparable methodologies, decision makers are forced to make subjective judgments.
- Expertise in the use of methodologies is fragmented and becomes a unique rather than a generic skill across and within sectors. The expertise often sits with an external consultant, NGO or research organisation and is not institutionalised across the Caribbean. Technical resource capacity within organisations varies considerably as noted in the IP.
- There are widespread differences in the typology and lexicon used in methodologies to describe key terms (such as risk, vulnerability and impact). This leads to confusion and misunderstanding.
- It is not always apparent which methodology has been used.

² Caribbean Risk Management Guidelines for Climate Change Adaptation Decision Making' (CARICOM Secretariat, 2003)

- Data sets compiled as part of the project work funded by development partners, Caribbean governments, quasi-government bodies and NGOs are not widely available and cannot be accessed.

Furthermore, efforts to understand the scope and nature of climate change have increased considerably since the publication of the Caribbean Risk Management Guidelines. In that time, the climate risk management agenda has become more prominent, and the development of adaptation methodologies and guidance has increased rapidly. The IP recommends that a risk management process is required that will allow the complexities and uncertainties of climate change to be navigated and tailored to the specific needs of the Caribbean.

Embedding risk management in decision making

The IP recognises that **decision making has a political dimension** and seeks to develop a culture of risk assessment and management that in addition to existing climate variability and climate change also provides guidance on decisions driven by other environmental, social and economic challenges. It would be naïve to assume that all decisions are and can be taken using an objective, rational process and with a clear evidence base – this applies to those driven by a climate change or in response to any other challenges. Developing a culture of risk management was seen by the IP as a key component of delivering transformation with the added benefits of improving decision making in wider development areas.

The IP identifies a number of priority challenges and actions. They, together with those actions which could be started in the next 2 years if funding or other capacity constraints can be overcome (early-start actions), provide the immediate focus for delivering the transformational change envisaged by the Liliendaal Declaration.

The priority challenges identified by the IP and approved by the 15 CARICOM Heads of Government, relative to risk management are:

- **Develop and implement a risk management approach to decision making across the Caribbean.**
- Develop sector specific adaptation policies at the national level.
- Develop the ‘three ones’ principle to embed a co-ordinated approach to climate change security across governments (see side box).
- Pilot projects in up to 5 countries to develop national co-ordinating mechanisms with an emphasis on working with finance ministries. The IP recommended that the

‘Three ones’ principle

The transformational changes required by the Liliendaal Declaration and necessary to deliver the strategic elements and goals in the Regional Framework also require corresponding changes in the process of policy setting and decision making in all organisations. Implementation through the specific actions identified in IP, and through wider regional and national sustainable development and growth strategies, policies and actions requires a process which can:

- Effectively mobilise limited resources.
- Ensure alignment with those wider sustainable development and growth objectives.
- Deliver inclusive policies and decisions that ensure climate resilience and low carbon is built in, rather than added on as an afterthought.
- Co-ordinate and manage delivery.
- Monitor, evaluate, review and improve.

Member states, regional organisations and CARICOM are already over tasked and under resourced. Delivering transformational change requires an approach that recognises these constraints.

An approach that has been used with great success in the Caribbean and provides a model for mobilising limited resources, policy setting and decision making, and monitoring is the ‘three ones’ principle. This was used in the Joint United Nations Programme of HIV/ Aids (UNAIDS) in the Pan Caribbean Partnership (PANCAP) (see side bar). It is based on the principle of establishing a sustainable resource mobilisation plan on the basis of:

- One co-ordinating mechanism to manage the process (the IPP recommends that there is a Caribbean regional co-ordinating mechanism and separate national co-ordinating mechanisms in each country).
- One plan that provides the framework for co-ordinated action by all partners. (‘One Plan’ means one agreed set of shared and common goals and objectives which can be contained within various individual documents).
- One monitoring and evaluation framework to measure progress, transparency and value for money. (Each country to define its own targets, defined by risk assessments and national priorities, and M&E measures).

Member states, regional organisations and CARICOM are already over tasked and under resourced. Delivering transformational change requires an approach that recognises these constraints. The ‘three ones’ principle works with the organisations that are already in place utilising existing resources, more effectively.

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initial entry points for the pilot projects should be in coastal zone management, disaster risk reduction, and national strategic and budgetary planning.

- Actions to de-risk the Caribbean to improve the opportunities for private sector investment.
- Review existing CARICOM regional policies, regional organisation policies and National policies and identify specific actions to deliver convergence with the Regional Framework and IP.

A key feature of the risk management process to be developed by the CCCCC is an acknowledgement that building a low carbon climate resilient economy is an integral element of the wider sustainable development agenda. Addressing climate change without addressing the existing underlying sustainable development and growth challenges faced by member states will not deliver resilience. Building low carbon climate resilience within the context of the wider sustainable development objective has to become an integral feature of all policy setting and decision making. The risk management process will be required to assess the risks of a changing climate within the context of these wider sustainable development challenges.

Specific recommendations

The IP makes a number of specific recommendations on risk management:

- The CARICOM Climate Risk Management Guidelines should be reviewed to take into account the latest developments in climate risk management techniques.
- The process should be capable of both the assessment and management of risks and uncertainties, and be based on standard decision making and broadly applicable risk principles. Users must be encouraged to consider their climate risks alongside their non-climate risks, thereby enabling climate risks to be 'mainstreamed' within existing challenges.
- To ensure that risk management becomes an integral part of the planning and policy framework in up to 5 pilot countries³, the CCCCC will work closely with the Ministries of Planning and Finance in each of the pilot countries when developing the revised risk management process. This has the advantage of ensuring that the process becomes embedded within the national planning process and becomes a tool which can be used in other areas of national planning.
- An on-line version should be developed with full guidance and links to other tools and techniques.
- A standard 'stress-test' process and guidance based on the revised risk management process should be developed by the CCCCC to enable decision makers; for example in Ministries of Finance to undertake their own check on the ability of a programme or project submitted for budget approval to deliver objectives throughout its planned life taking into account a changing climate. The 'stress-test' result should be disclosed and made available to other stakeholders and the wider public.
- All organisations (including development partners) operating at regional and national levels should 'stress-test' policies and decisions against the potential impacts of a changing climate.
- The revised risk management process must be supported by a comprehensive training programme for decision makers across all stakeholders. The training programme must be repeatable on request and adapted to reflect stakeholder needs (including the private sector).

Actions are now underway to meet these recommendations.

³ A decision on the countries taking part in the pilot project has not yet been taken.

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About CDKN

The Climate and Development Knowledge Network (CDKN) aims to help decision-makers in developing countries design and deliver climate compatible development. We do this by providing demand-led research and technical assistance, and channelling the best available knowledge on climate change and development to support policy processes at the country level.

About 5C's

The Caribbean Community Climate Change Centre coordinates the Caribbean region's response to climate change. Officially opened in August 2005, the Centre is the key node for information on climate change issues and on the region's response to managing and adapting to climate change in the Caribbean.



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