

Improving Climate Resilience in Public Private Partnerships in Jamaica

Webinar series 1 - June 4th, 2020



We supported Jamaica conducting a diagnostic, identifying best practices, and developing tools and policy recommendations

1. The Jamaica Diagnosis



How PPP Policy and framework incorporates climate resiliency goals?

Policy Recommendations



2. Emerging Best Practices

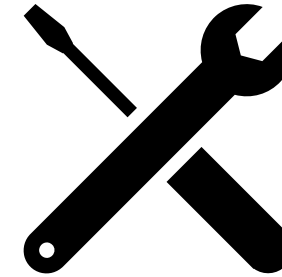


What are the emerging best practices that Jamaica could adopt?

Toolkit



3. Tools



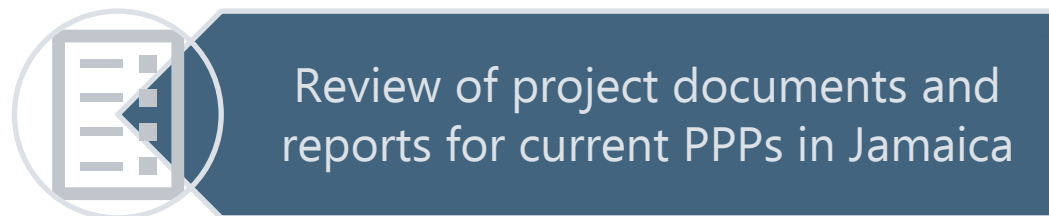
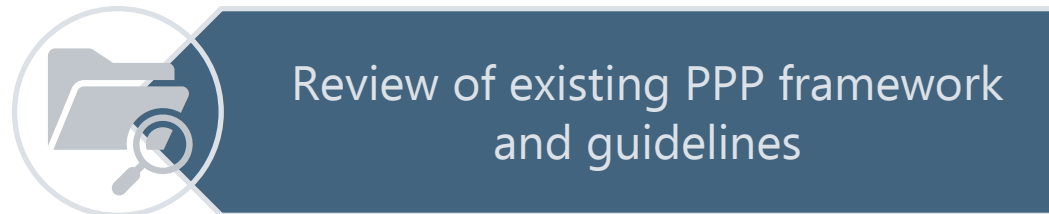
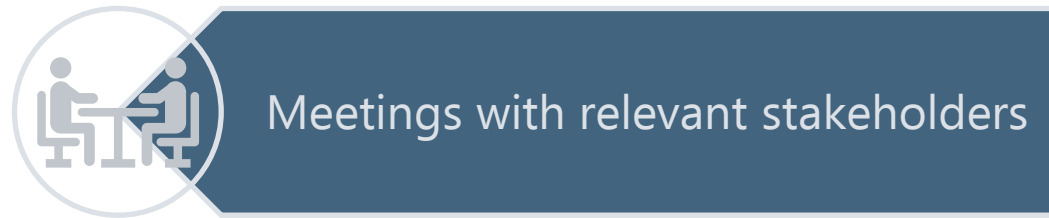
Develop tools and guidance to help decision makers

The diagnostic focused on looking at Jamaica's PPP framework, processes, existing project documents

The Jamaica Diagnosis



Approach



These included:

1. Caymanas Special Economic Zone
2. Kingston Container Terminal
3. Milk River Mineral Bath and Fountain Hotel
4. Norman Manley International Airport
5. Highway 2000

We identified (some) emerging practices across the PPP lifecycle

Best Practices



...from
around the



Approach



Interviews with
relevant
stakeholders



Desk research of the
literature

These included:

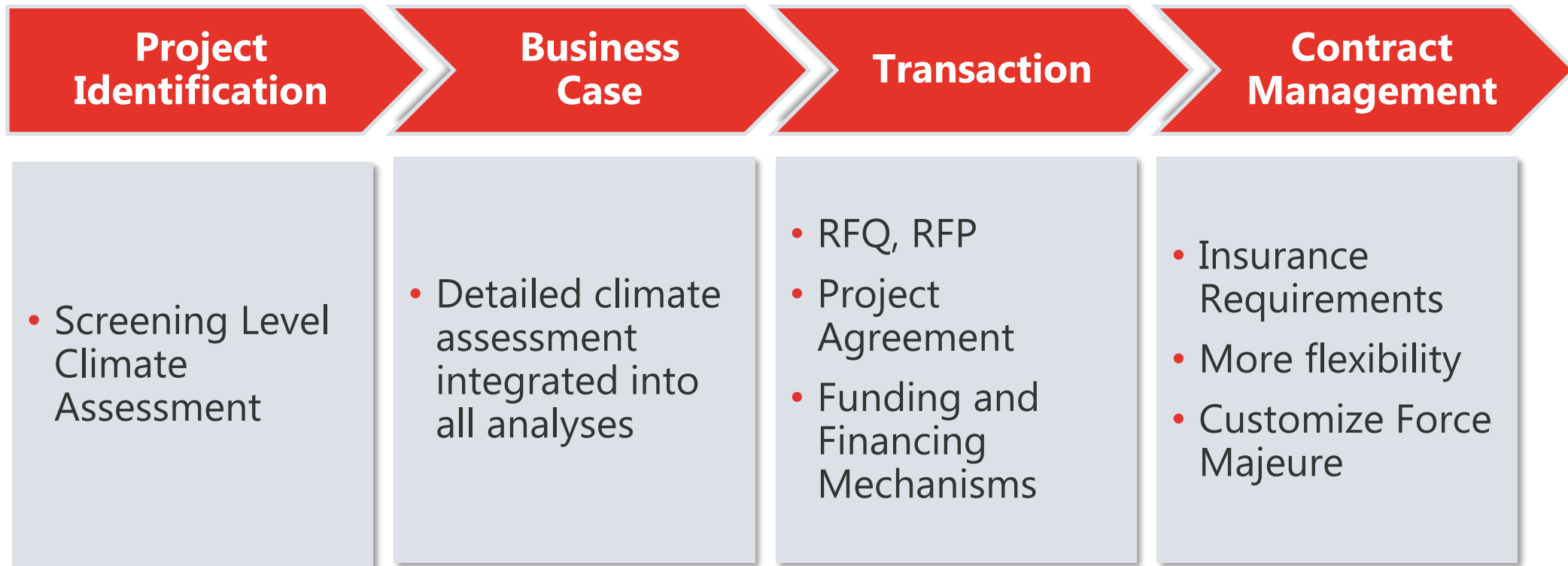
1. Chile case studies at the project & policy level
2. Japan climate resilience implementation at the project level
3. Canada case study at the project level
4. Climate resilience tools

Our diagnosis: well-developed PPP framework, but climate risk considerations not yet integrated



- Well-structured PPP policy framework
- Advanced PPP practice
- Climate risk assessment and resiliency not yet integrated in PPP policy and practice

Jamaica PPP process mirrors that of best practices compare to other jurisdictions



Our three main policy recommendations cover all phases in the project lifecycle



1. Assess climate risks for every (PPP) project, distinguishing between screening-level analysis and detailed level analysis



2. Include resilience requirements in transaction phase – e.g, through RFP, output specifications – and evaluate and score bidders



3. Reexamine Force Majeure definition to exclude regular climate events, and include an uninsurability clause in PPP agreement

PROJECT PHASE



PROJECT IDENTIFICATION
& BUSINESS CASE



TRANSACTION



CONTRACT
MANAGEMENT

1: Assessing Climate Risk for every (PPP) project



DIAGNOSIS OF JAMAICA



Phase	Climate Risk/Climate Vulnerability	
PROJECT IDENTIFICATION	<i>Policy</i>	<ul style="list-style-type: none"> Not explicitly mentioned in PPP evaluation criteria; nor do projects being submitted through the PIMSec process have to discuss climate risks.
	<i>Practice</i>	<ul style="list-style-type: none"> When climate risk is considered material, it may be considered in the screening process, though no guideline
BUSINESS CASE	<i>Policy</i>	<ul style="list-style-type: none"> No guidance on how to incorporate CRA into project development or business case
	<i>Practice</i>	<ul style="list-style-type: none"> Assumed climate risk covered in EIA, and not fully/always featured in feasibility studies e.g.: Caymanas Special Economic Zone FS identifies risks, but not mitigation plans

1: Assessing Climate Risk for every (PPP) project



EMERGING PRACTICES



- Climate risk assessment (CRA) similar at project identification and business case stages
- National or regional climate models can lead to better understanding of the hazards
- Qualitative assessment is always important, quantitative not always useful or possible due to data constraints
- Myriad of resources to help facilitate preparation of CRA– e.g. IDB, C-Coral. Risk assessment focused on i/hazards and ii/vulnerability to hazards

1: Assessing Climate Risk for every (PPP) project



POLICY RECOMMENDATIONS

- Develop high-level CRA for all projects, determining profile of low, med, high risk
- In BC stage, for projects with med to high risk profile, develop detailed CRA
- Include CRA in other BC stage assessments – e.g. Socio-economic analysis, feasibility analysis, and business case, Value for money assessment, EIA
- Develop Climate Risk Mitigation Strategy

PROJECT PHASE



2: Climate resilient requirements during procurement



DIAGNOSIS OF JAMAICA



Phase		Climate Risk/Climate Vulnerability
Transaction Stage	<i>Policy</i>	<ul style="list-style-type: none"> No use of standard PPP documents (e.g. for RFQ, RFP or the PPP agreements) and no guidelines for transaction stage activities (e.g. bidders' consultation, bid preparation, evaluation criteria, award) → so climate risks NOT explicitly considered in policy documents/guidelines governing transaction phase
	<i>Practice</i>	<ul style="list-style-type: none"> Sometimes mentioned in procurement documentation, though not enforced, e.g.: <ul style="list-style-type: none"> Kingston Container Terminal, mentions risks though no requirements on proposers Norman Manley International Airport – no mention of risks, despite climate risks flagged at BC stage

2: Climate resilient requirements during procurement



EMERGING PRACTICES



TWO MAIN APPROACHES

1

Mandatory climate risk technical minimum requirements through specifications

2

Incentivize climate risk management through evaluation criteria

WHEN TO USE

- When/to extent specifications can be prescribed
- When creative climate risk management proposals expected
- When proposals can be evaluated on 'best value'



- Both minimum requirements and climate risk management plans need to be enforced

2: Climate resilient requirements during procurement



POLICY RECOMMENDATIONS

1. Include climate risk considerations in:

RFQ

Include climate risk mitigation in definition of technical capacity

Technical Provisions

To extent possible in minimum technical requirements

RFP

Include climate resilience in evaluation criteria

Project Agreement

Include obligation to develop disaster response plan
Enforce minimum requirements through payment mechanism

2. Consider climate resilient funding and financing mechanisms

3: Customize Force Majeure & include uninsurability



DIAGNOSIS OF JAMAICA



Phase	Climate Risk/Climate Vulnerability	
CONTRACT MANAGE- MENT	<i>Policy</i>	<ul style="list-style-type: none"> No explicit mention of climate risk, vulnerability, or resiliency at the policy level
	<i>Practice</i>	<ul style="list-style-type: none"> Room to incorporate climate resilience components On FM, some projects refer briefly to extreme weather events: <ul style="list-style-type: none"> The Kingston Container Terminal Concession (KCTC) Agreement includes “earthquakes or any other natural disasters”, but does not mention climate risks related to the project area On required insurance and uninsurability, some projects include cause related to extreme weather events <ul style="list-style-type: none"> The KCTC and Highway 2000 agreements require some insurance to cover for force majeure, it does not mention uninsurability

3: Customize Force Majeure & include uninsurability



EMERGING PRACTICES



FORCE MAJEURE

- Two general approaches:
 - Open-ended catch-all definition;
 - Exhaustive list of specific events or circumstances.
- Specify events which are specifically excluded, or which only qualify if they occur to a sufficient degree
 - E.g: earthquakes are common in Chile and are therefore excluded from the definition of Force Majeure

UNINSURABILITY

- When insured risk becomes uninsurable, the authority will:
 - not take its uninsurability as breach of contract;
 - reduce the risk to a private contractor by reducing the value of the unitary charge.
- Uninsurability is also defined as significant premium increase

3: Custom Force Majeure & include uninsurability



POLICY RECOMMENDATIONS



Include insurance requirements in project agreement
Consider alternative risk transfer mechanisms like catbonds for large transactions



Consider simplified change regime for future change associated with climate change



Customize force majeure definition based on climate risk assessment



Anticipate uninsurability of climate risks – in contract and in ex-ante evaluation of insurance availability

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