



Developing a Framework to Help Align Climate Finance Flows with Jamaica's Climate Resilience Needs

Country: Jamaica

Program: Canada-CARICOM Expert Deployment Mechanism (CCEDM) Partner: Planning Institute Of Jamaica (PIOJ)

Publication date: April 2024

Key Themes: Climate Finance, Climate Change Mitigation and Adaptation, Multilateral Cooperation

Context

According to the International Monetary Fund (IMF), the Caribbean is the region most vulnerable to climate-related natural disasters. Estimated adaptation investment needs total more than US\$100 billion, equal to about one third of the Caribbean’s annual economic output,¹ however, the current level of climate finance flows to the region pales in comparison to its needs.

Jamaica, with a population of 2.8 million and poverty rate of 16.5 percent, is, like many Caribbean countries, vulnerable to the impacts of climate change due to its geographic location in the hurricane belt, small size, and its strong reliance on tourism, agriculture, and mining for almost 80% of its economic revenues.

Climate risks such as increased heat and drought, rising sea levels, and increased violent storms affect Jamaica. The country is already experiencing more frequent and intense hurricanes and rainstorms that damage lives, homes, livelihoods, infrastructure, and crops. It’s predicted these will increase. Conversely, climate change will lead to more frequent and prolonged droughts, adversely impacting agriculture and water supplies. Sea-level rise and erosion pose a hazard to Jamaica’s coastal areas, damaging infrastructure and impacting tourism. Finally, climate change is forecast to increase the incidence of vector-borne diseases that can significantly impact citizens’ health.



¹ [Caribbean Climate Crisis Demands Urgent Action by Governments and Investors \(imf.org\)](https://www.imf.org/)

Context (continued)

For Jamaica, one important step towards accessing the type of financing needed to cope with the effects of climate change and meet its national and international mitigation and adaptation commitments is the development of an International Climate Finance Strategic Framework (ICFSF). Through the Canada-CARICOM Expert Deployment Mechanism (CCEDM), Sebastien Hamel and Michael Wodzicki from the Canadian consulting firm Nexus Cooperation Inc. (Nexus) began in December 2022 to accompany the Planning Institute of Jamaica (PIOJ) in developing an ICFSF. The PIOJ/Nexus team worked in collaboration with the Climate Change Division (CCD) of the Ministry of Economic Growth and Job Creation, as well as several Ministries, Departments and Agencies (MDAs) of the Government of Jamaica through much of 2023.

The Planning Institute of Jamaica saw a need to clearly link the country's national climate priorities and commitments with available resources, said Christian DaSilva, former Head of Cooperation at the Canadian High Commission in Kingston, Jamaica. It felt that doing so would highlight capacity gaps as well as financing gaps and help identify where future resources should be invested.

"Climate change is a very serious thing for countries like Jamaica. Its future, like that of other small island developing states, is closely tied to its capacity to adapt to the impacts of climate change," said Sebastien Hamel from Nexus.

After ten months of research and development, in late 2023, the PIOJ's Director General, Dr. Wayne Henry, issued the ICFSF covering the period 2024-2027 as a practical guide for both the Government of Jamaica and its funding partners to efficiently channel external resources towards addressing Jamaica's climate change challenges.

A Jamaican Owned and Led Climate Action Financing Plan

Established in 1984 as an agency under the Ministry of Finance and Public Service, the PIOJ plays a lead role within Jamaica's government, working across Ministries, Departments and Agencies (MDAs) on the initiation and coordination of policies, plans and programs for the country's sustainable development. It's also responsible for coordinating external support from Jamaica's international development partners (IDPs), such as Global Affairs Canada.

The PIOJ-Nexus team quickly set up in December 2022, with guidance from a Technical Group, comprised of representatives from the PIOJ, the CCD, the Jamaica Social Investment Fund (JSIF) and the Ministry of Finance. A larger Advisory Committee, consisting of the Technical Group members as well as key MDAs involved in climate change issues, and key international development partners, was also formed to oversee the process of developing the International Climate Finance Strategic Framework.

Jamaica's climate change initiatives are financed by various international financial institutions and donors. The PIOJ/Nexus team's goal was to develop a finance framework that focused on official development assistance (ODA) grant support, distinguishing it from climate financing mechanisms reliant on loans. As its economy grows, and Jamaica attains higher per capita income status, its access to grants and concessional development finance will decline, making the average cost of borrowing more expensive. Thus, said Hamel, it is important to ensure that current ODA grant funding is focussed where it can provide the optimal benefit. He added that, in the end, many of the conclusions cited in the Framework are relevant to all climate finance for the country.

Key first steps for the team, were to take stock of Jamaica's climate change goals and assess how they were laid out in the country's policy framework and cascading down to actions.

Engaged for many years in the global response to the climate crisis, Jamaica has a solid policy base outlining the government's agenda for climate change mitigation and adaptation. This climate change agenda is described across numerous official policy and strategy documents, the main ones being Vision 2030 Jamaica National Development Plan; the Climate Change Policy Framework; the Updated Nationally Determined Contribution (NDC); the National Adaptation Communication of 2022, and other sector specific strategies and plans.

PIOJ and Nexus next engaged with relevant MDAs, notably the Climate Change Division of the Ministry of Economic Growth and Job Creation, which coordinates the development and implementation of climate action in Jamaica and with the various Ministries, Departments and Agencies involved in climate change-related programs.

Their task was identifying and cataloguing seventy-eight climate-related programs and projects recently or currently supported by IDPs. The PIOJ already had internal tracking systems monitoring all projects, but this information needed to be validated with the Ministries and cross referenced to Jamaica's climate change action areas.

A Jamaican Owned and Led Climate Action Financing Plan (continued)

These programs and projects fell under three action areas: Mitigation, Adaptation/Disaster Risk Reduction (DRR) and institutional finance. From this process, they were able to discern that IDPs have invested about twice as much in adaptation initiatives (~\$US238 million) compared to mitigation initiatives (~\$US110 million) over the last decade.

IDPs are important external supporters of Jamaica's climate change commitments. This support occurs across numerous sectors and with different ministries, departments, and agencies of government, civil society, the private sector and academia.

Next, using an analytical framework, they mapped these IDP climate projects against Jamaica's main climate change commitments, attempting to discern which gaps emerged in how the Government of Jamaica (GoJ) is meeting its mitigation and adaptation/DRR commitments. Using a similar analytical approach, they sought to uncover what gaps exist in Jamaica's institutional capacity amongst the various government agencies with specific roles and responsibilities for climate action in Jamaica.

Finally, to address these gaps, they identified seven (7) strategic priority areas and an indicative list of priority projects for IDPs to support Jamaica's climate commitments over the next three years (2024–2027).

Priority Areas for International Development Partner Climate Change Support (ICFSF 2024-2027)

Mitigation Priorities

1. Provide technical assistance to support the implementation of recently adopted mitigation policies and strategies, particularly for the Water, Transportation, and Energy sectors.
2. Provide technical assistance and/or grant funding to facilitate mobilization of concessional climate financing for significant capital projects for GHG emissions reduction, particularly for the Water, Transportation, and Energy sectors.
3. Provide technical assistance to support the engagement of the private sector in the design and execution of projects for mitigation and GHG emissions reduction.

Adaptation and Disaster Risk Reduction (DRR) Priorities

1. Provide technical assistance to support the implementation of recently adopted policies and strategies with a focus on adaptation.
2. Provide technical assistance and/or grant funding to facilitate mobilization of concessional climate financing for significant infrastructure/capital projects aimed at adaptation, particularly in the Tourism, Agriculture, Water, Energy, and Coastal and Marine Resources sectors.

Institutional Framework Priorities

1. Provide technical assistance for the completion of critical policy pieces in Jamaica's climate policy framework and supportive legislative and regulations to ensure compliance.
2. Provide technical assistance and/or grant funding to support the institutional capacity of central agencies responsible for the GoJ's climate agenda and GoJ's climate coordination mechanisms.

Because the implementation of the ICFSF requires coordinated efforts within the Government of Jamaica and with IDPs as well as the establishment of a robust monitoring system, the PIOJ/ Nexus team set out a list of seven recommended actions to support the implementation of the ICFSF.

“The ICFSF serves as a practical guide for both the Government of Jamaica (GoJ) and our International Development Partners (IDPs) to efficiently channel external resources towards addressing our country’s climate change challenges. By outlining Jamaica’s climate commitments, identifying gaps in implementation, and providing clear directions, we hope this ICFSF can assist IDPs in more strategically aligning their projects, budgets, and programming to support Jamaica’s efforts in mitigating and adapting to the effects of climate change.”

Dr. Wayne Henry, Director General of the Planning Institute in a letter introducing the completed framework.

There is a consensus, amongst the MDAs and IDPs, that the ICFSF is important and critically needed in Jamaica. Now that the ICFSF is released, “not only is there now a Climate Change Finance Framework that everyone here is referencing”, said DaSilva, “but the PIOJ and other MDAs own it.” He credits the collegial approach taken by Nexus to the assignment with fostering this local ownership. “Through the inclusive approach used in its development, all the stakeholders were able to see their vision in the final framework document”, he added.

It is PIOJ’s role to be front and centre, working with CCD and others on national climate change policy and programming coordination, explained Sebastien Hamel, what the consultancy team did was reinforce this role by ensuring PIOJ remained in the “drivers’ seat” whilst supporting PIOJ’s capacity to manage the Framework development process.

Going Forward -- Developing a National Climate Finance Strategy

Jamaica's government (GoJ) sees the new Framework as serving a dual role: it outlines the GoJ's climate commitments and identifies the gaps in their implementation in order to strategically direct financial resources from Jamaica's International Development Partners (IDPs) towards filling those gaps. It also serves as a building block towards the development of Jamaica's full National Climate Change Finance Strategy to promote low-carbon development and climate resilience.

It's anticipated that, among other things, this broader document will cover other sources of climate action finance, such as climate change grants, loans and investment opportunities, including partnerships with the private sector. It will also lay out a plan of action outlining the steps and tactics to be taken to mobilize external financing to meet Jamaica's climate change objectives, including climate financing requirements for key sector priorities such as water and energy. An overall strategy covering different sources of climate finance, would need to engage the Ministry of Finance and Public Service more deeply, of course, since they would need to look closely at Jamaica's fiscal space to accommodate debt elements.

Jamaica is no stranger to broader sources of climate finance, such as that provided by multilateral funds. The country has been involved in the climate finance space for over a decade, taking several innovative steps such as using support from the Green Climate Fund's Readiness Program to develop the Caribbean Green Bond listed on the Jamaica Stock exchange in 2022. Also, in 2021 Jamaica was the first government in the Caribbean and the first of any small island state to independently sponsor a catastrophe bond to mitigate the adverse fiscal impact of hurricanes.

WHAT IS CLIMATE FINANCE?

Climate finance refers to local, national, or transnational financing - drawn from public, private and alternative sources - that seeks to support mitigation and adaptation action on climate change.

Examples of climate finance include:

- Grants provided by multilateral funds (UNFCCC Global Environment Facility (GEF), the Special Climate Change Fund (SCCF), the Green Climate Fund (GFC), and the Adaptation Fund (AF);
- Market-based and concessional loans from financial institutions including the Caribbean Development Bank (CDB), the InterAmerican Development Bank (IDB), the World Bank (WB), the International Monetary Fund (IMF);
- Sovereign green bonds issued by national governments;
- Resources mobilized through carbon trading and carbon taxes.

Bilateral development partners like Global Affairs Canada (GAC), also provide financing to different MDAs, private companies, and non-profit actors (ex. civil society organizations, foundations) to deliver on climate change objectives.



Acknowledgements

Catalyste+ would like to thank Gwen Walmsley for leading the creation of this Case Study.

We want to especially thank NEXUS Cooperation Inc., the PIOJ and the Climate Change Division of the Ministry of Economic Growth and Job Creation for their insightful collaboration.



Catalyste+ gratefully acknowledges financial contributions from Global Affairs Canada and Indigenous Services Canada.