Climate Risk Screening and Management Tool

For use in project design

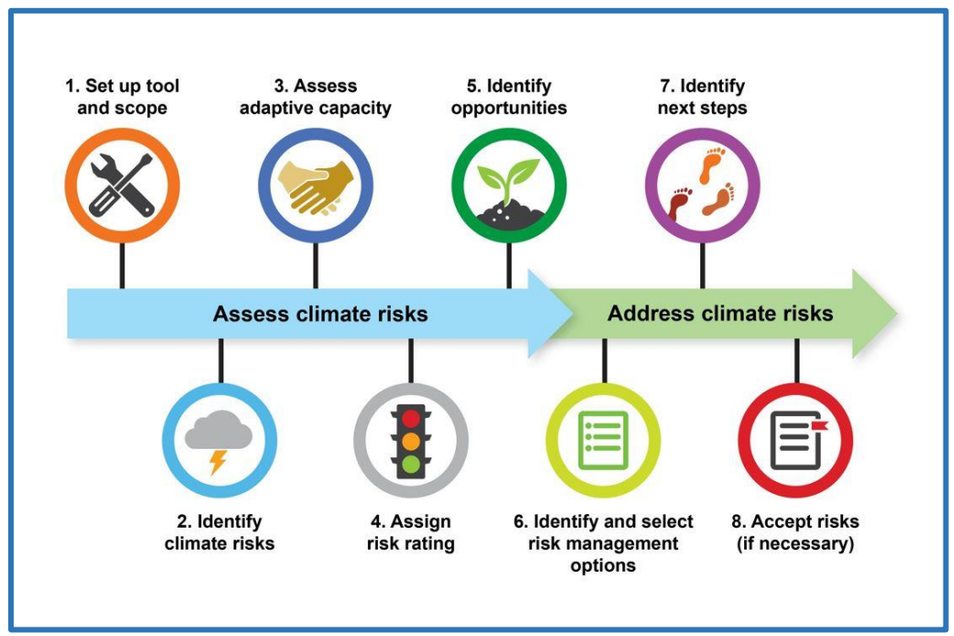
Purpose: This tool guides USAID project planners and support staff through the process of assessing and addressing climate-related risks. This process will help to ensure effectiveness and sustainability of project objectives in the face of climate variability and change. The output of this tool provides information for the table required in *Climate Risk Management for USAID Projects and Activities: A Mandatory Reference for ADS Chapter 201*.

Structure: The tool guides you through the steps shown to the right. For additional information, you will find purple pop-ups with definitions and yellow pop-ups with examples throughout the tool.

Additional Resources: This tool should be used in conjunction with climate information, such as these country-specific climate risk profiles, which describe climate stressors and the major types of risks that climate change poses to each country. Additional resources can be found in the annexes of this tool and on Climatelinks.

Climate change impacts different groups differently: All analysis using this tool should reflect a commitment to social inclusion that considers the different societal roles, needs, constraints, and opportunities of individuals and groups based on their identities, including gender, age, sexual orientation, disability status, linguistic status, and ethnicity – particularly marginalized populations.

Turn the page to get started!



PART A: ASSESS CLIMATE RISKS

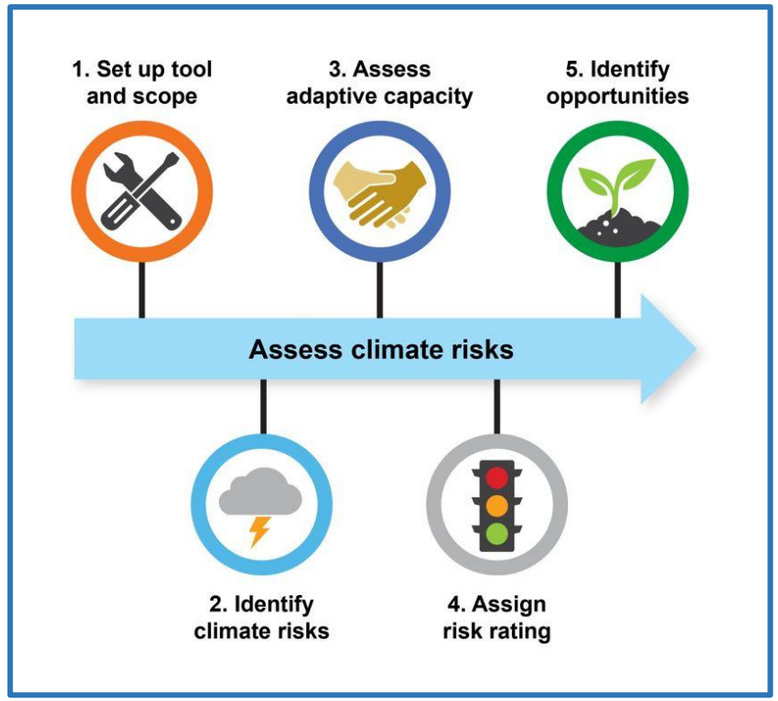
Part A of the tool helps you assess climate risks and should be used early in the project design process – before the project's theory of change and implementation plan are finalized. Click here to see a diagram summarizing the complete climate risk screening and management process for project design. For more details, see the Mandatory Reference.

How you use the tool depends on what previous climate risk screening has been conducted:

If this project falls under a Regional or Country Development Cooperation Strategy (R/CDCS) that was screened for climate risks (i.e., the R/CDCS was produced *after* October 2015), review the R/CDCS Climate Change Annex for the identified climate risks, actions to address the climate risks, opportunities, and next steps.

- *If the Development Objective (DO), Intermediate Result (IR), or Sub-IR pertaining to this project was rated **low climate risk** at the strategy level,* no further assessment is required in project design.
- *If the related DO, IR, or Sub-IR was rated **moderate or high climate risk** at the strategy level,* climate risk management is required. Using this tool is one option for assessing and addressing climate risks. See the Mandatory Reference for more details on when to conduct climate risk management and what type of assessment you may want to conduct.

If the project does *not* fall under a screened R/CDCS, climate risk screening and management is required for project design. This tool walks you through that climate risk screening and management process.



1. SET UP TOOL

1.1 Identify What to Screen

Enter each defined or anticipated project element (e.g., purpose/sub-purpose, areas of focus, or activities/mechanisms) in column 1.1 of the Output Matrix (pg. 12). These are the elements you will be screening. An excel version of the Output Matrix can be used to record your results.

1.2 Identify Timeframes

For each project element, determine the relevant timeframe for this assessment, i.e., the period of time over which you expect the project element to provide service or contribute to development. In most cases, this is longer than the project timeframe. Also, consider the longevity of decisions stakeholders may make as a result of the investments. See examples.

Record the appropriate timeframe for each project element in column 1.2 of the Output Matrix (pg. 12)**.**

1.3 Identify Geographies

For each project element, identify and record the geographies to screen in column 1.3 of the Output Matrix (pg. 12). You may choose to analyze the project's geographic scope as a single country or region. See examples.

2. IDENTIFY CLIMATE RISKS

Next, identify the risks that climate change poses to each project element. See the definition of climate risks.

To begin, **download and review the climate risk profile(s) on Climatelinks** for the country(ies) or region(s) in which the project will be carried out. The climate risk profile describes climate stressors and the major types of risks that climate change poses to each country or region. You may complement the climate risk profile with your own knowledge of the geographies you have identified. This will be especially important if the profile does not provide information specific to the selected geographies. Other sources of climate information may be available and helpful, e.g., the World Bank's Climate Change Knowledge Portal. Consult with your operating unit's Climate Integration Lead (CIL) to identify additional information, if needed.

For global projects, you will not be able to review all of the relevant climate information. Instead, you will need to consider the types of climate risks that might be expected to affect the project you are developing.

Consider climate risks within the timeframes identified. Take note of uncertainty and consider the full range of future climate scenarios.

Review the following questions for each project element and **document the climate risks in column 2 of the Output Matrix** (pg. 12)**.**

- How has the project element been impacted by climate change in the past few decades? This may include risks from gradual climate change (e.g., sea level rise) and climate variability or weather-related disasters (e.g., droughts, floods, extreme storms). How severe were those impacts? Were any populations disproportionately impacted?
- Given projections of future climate change, how might the project element be affected? This may include changes in climate variability. How severe might those impacts be?
- How might climate and non-climate stressors interact to exacerbate climate risks? See example.

Remember to articulate climate risks in terms of their impacts on programming due to the expected climate stressor, e.g., *reduced crop productivity due to higher temperatures*.

Optional: Sector-specific examples of climate risks are available in the annexes listed below, which can be found on Climatelinks. It may be helpful to consult multiple sector examples for multi-sectoral project elements. Note, if new construction or rehabilitation is anticipated, consulting the Infrastructure, Construction, and Energy Annex is **highly recommended**.

- Agriculture
- Disaster Readiness
- Economic Growth (excluding Agriculture, Infrastructure, and Environment)
- Education, Social Services, and Marginalized Populations
- Environment and Biodiversity
- Governance and Peace and Security
- Health
- Infrastructure, Construction, and Energy
- Water Supply and Sanitation

3. ASSESS ADAPTIVE CAPACITY

Next, consider the extent to which there is the capacity to prepare for and undertake actions to address climate risks, including demonstrated capacity to respond to climate impacts in the past few decades. Consider the adaptive capacity of all relevant project stakeholders potentially affected by climate change, as well as others that can contribute to adaptive capacity (e.g., civil society organizations, government agencies).

Review the following questions in order to describe adaptive capacity in each of the following areas. **Record your responses in column 3 of the Output Matrix** (pg. 12).

- Information Capacity: What is the capacity of relevant stakeholders to collect and use information related to climate risks in this sector/geography?
- Social and Institutional Capacity: What institutions and social networks exist and what is their capacity to support this sector/geography in preparing for and responding to climate impacts?
- Human Capacity: What resources, including technical and other know-how, exist amongst individuals and organizations to support this sector/geography in preparing for and responding to climate impacts?
- Financial Capacity: What types of financial resources might support this sector/geography in preparing for and responding to climate impacts?

Optional: Sector-specific questions that can help you further explore adaptive capacity are available in the annexes listed below, which can be found on Climatelinks.

- Agriculture
- Disaster Readiness
- Economic Growth (excluding Agriculture, Infrastructure, and Environment)
- Education, Social Services, and Marginalized Populations
- Environment and Biodiversity
- Governance and Peace and Security
- Health
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4. ASSIGN CLIMATE RISK RATING

Based on your characterization of climate risks and adaptive capacity, assign a qualitative risk rating for each climate risk: low, moderate, or high. The level of risk increases both as the severity of negative impact increases and as the probability of negative impact increases (see Table 1).

Table 1: Risk ratings (see examples of low, moderate, and high risk)

	PROBABILITY OF NEGATIVE IMPACT (increases from left to right)		
SEVERITY OF NEGATIVE IMPACT (increases from top to bottom)	Low probability Low impact **LOW RISK**	Moderate probability Low impact **LOW RISK**	High probability Low impact **LOW RISK**
	Low probability Moderate impact **LOW RISK**	Moderate probability Moderate impact **MODERATE RISK**	High probability Moderate impact **MODERATE RISK**
	Low probability High impact **MODERATE RISK**	Moderate probability High impact **HIGH RISK**	High probability High impact **HIGH RISK**

Record climate risk ratings for each climate risk in column 4 of the Output Matrix (pg. 12).

5. IDENTIFY OPPORTUNITIES

Consider the following questions for each project element to identify opportunities for the project, as well as for broader development objectives.

- What opportunities are there to achieve multiple development objectives or realize co-benefits by addressing climate risks? What opportunities are there to incorporate resilience into other development activities? Are there relevant non-climate policies that can contribute to climate risk management? See examples.
- What "windows of opportunity" may exist due to recently adopted policies or changing attitudes? Can political will (e.g., recently adopted policies, changing attitudes, new leadership, or other developments) be leveraged to address identified climate risks and/or enhance either the project element's direct outcomes or broader development objectives? See examples.
- How may changes in climate create new opportunities to advance development? See example.
- Are there opportunities to reduce greenhouse gas (GHG) emissions associated with the project element? See examples.
- What are the tradeoffs of pursuing these opportunities? (Not all opportunities will be worth pursuing.) See examples.

Note that opportunities can exist irrespective of the climate risk rating.

Record the opportunities that you have identified in your responses in column 5 of the Output Matrix (pg. 12)**.**

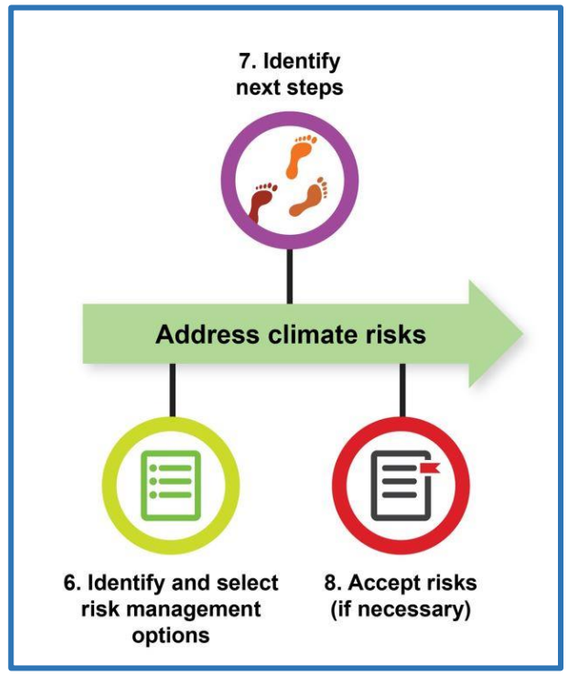
Optional: Sector-specific examples of opportunities are available in the annexes listed below, which can be found on Climatelinks.

- Agriculture
- Disaster Readiness
- Economic Growth (excluding Agriculture, Infrastructure, and Environment)
- Education, Social Services, and Marginalized Populations
- Environment and Biodiversity
- Governance and Peace and Security
- Health
- Infrastructure, Construction, and Energy
- Water Supply and Sanitation

Congratulations! *You have completed the first part of this tool. The initial brainstorming of climate risk management options in* **Part B** *can be done now or you can wait until you are beginning to design your project.*

PART B: ADDRESS CLIMATE RISKS

Part B of the tool helps you address the climate risks you have identified. This should be done as you develop the project's theory of change and implementation plan. For more details, see the Mandatory Reference. You will start by identifying possible climate risk management options. Then you will decide which options you will use to address the climate risks, identify next steps, and note any climate risks that you decide to accept.



6. IDENTIFY AND SELECT CLIMATE RISK MANAGEMENT OPTIONS

This step will depend on the climate risk rating:

- Low climate risk: No additional action to address the climate risks is required. However, design teams are encouraged to engage in climate risk management whenever new information indicates that climate risks and/or opportunities should be reconsidered.
- Moderate to high climate risk: These climate risks must be addressed based on the design team's technical judgment and integrated into the theory of change, as appropriate. Consideration of tradeoffs and how USAID can best promote resilient development should inform the design team's decision. In some cases, the design team may decide to accept one or more climate risks (i.e., those risks will not be addressed explicitly by risk management options during project or activity design and implementation); see Step 8.

6.1 Identify Climate Risk Management Options

Brainstorm options for addressing the moderate and high climate risks. **Record your ideas for climate risk management in column 6.1 of the Output Matrix** (pg. 12). While you may not incorporate all of these options, having a record of your ideas may prove useful in the future. You will select options to pursue in the next sub-step.

Optional: Sector-specific examples of climate risk management options are available in the annexes listed below, which can be found on Climatelinks.

- Agriculture
- Disaster Readiness
- Economic Growth (excluding Agriculture, Infrastructure, and Environment)
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6.2 Describe How Climate Risks Are Addressed in Project Design

Next, select from column 6.1 the options that you will include in project design and implementation. **Record how climate risks are addressed in column 6.2 of the Output Matrix** (pg. 12). **Note in the Output Matrix the relevant page number of the Project Appraisal Document (PAD).** Some criteria to consider are:

- *Effectiveness*. To what extent will the options reduce the climate risk(s) to the project, or increase the ability to cope with the potential impacts?
- *Affordability*. How much will it cost upfront? How much will it cost to operate and maintain the investment? Will there be non-monetary resource demands, e.g., requirements for ongoing support by trained professionals?
- *Feasibility.* Are there barriers to implementation? For example, is there political or stakeholder opposition to the options? Conversely, are there factors that will facilitate implementation of the options? Is there sufficient institutional and human capacity to support implementation?
- *Flexibility.* How effective will the options be in the face of uncertain future conditions, including climate conditions, environmental conditions, socioeconomic conditions, political conditions, etc.? Will a change of course be possible if new information warrants it? Note: options that will be successful under a variety of scenarios and "no regrets" approaches are particularly important in cases of high uncertainty.
- *Co-benefits.* Will the options support other development objectives?
- *Tradeoffs.* Are the downsides and the potential for unintended consequences relatively minor?

7. IDENTIFY NEXT STEPS

For each project element, identify next steps for addressing climate risks and opportunities in activity design. **Document these next steps in column 7 of the Output Matrix** (pg. 12)**.** This is the set of actions to be taken *after* you have finished designing the project. Next steps may include further analysis to be conducted prior to activity design or incorporation of risk management options that are too detailed to include in the project.

8. ACCEPT CLIMATE RISKS

In some cases, the benefits of USAID projects outweigh the potential negative consequences of climate risks. Or, the cost of all available measures to reduce a climate risk may exceed the expected benefit of the project. In those cases**,** you may accept the climate risk(s). **Document the accepted climate risk(s) and explain why you accepted the risk(s) in column 8 of the Output Matrix** (pg. 12). See example. 💬

Note, every moderate or high risk needs to either be addressed in project design (Step 6.2), have next steps identified (Step 7), or be accepted (Step 8).

Congratulations! *You have completed this tool.*

PROJECT CRM TOOL OUTPUT MATRIX: CLIMATE RISKS, OPPORTUNITIES, AND ACTIONS

An excel version of the Output Matrix can be used to record your results.

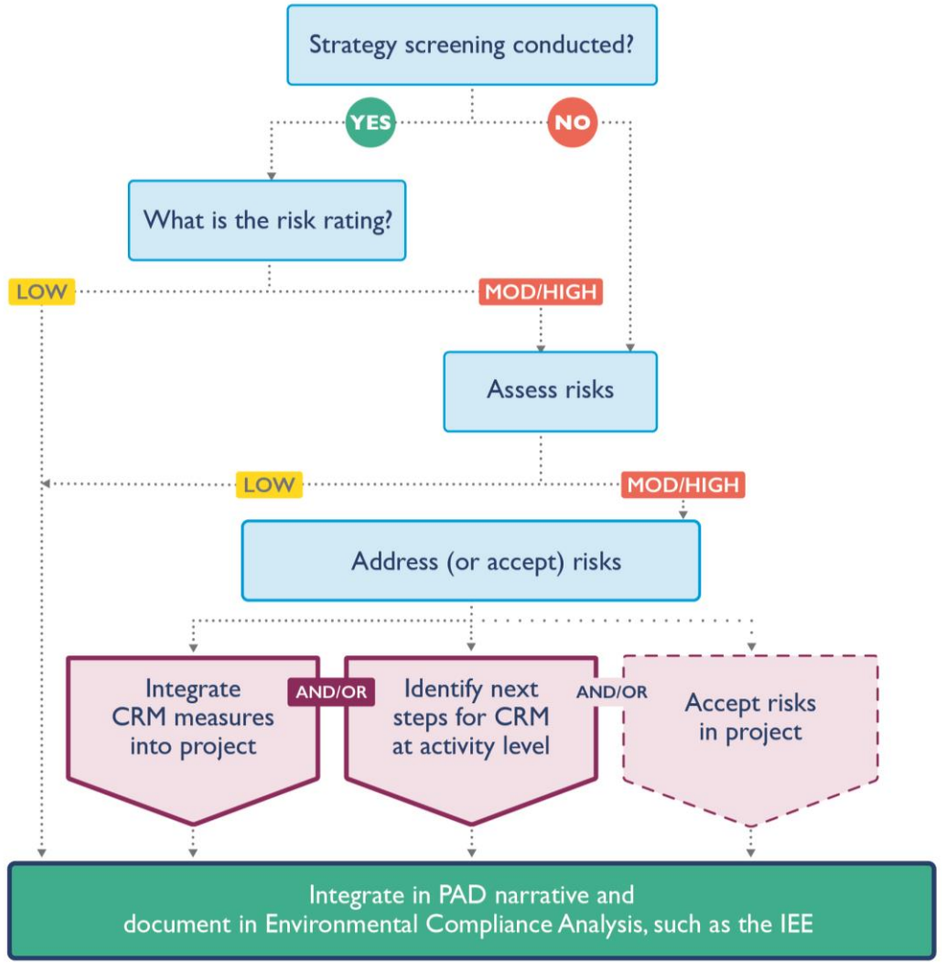
1.1: Defined or Anticipated Project Elements*	1.2: Time-frame	1.3: Geo-graphy	2: Climate Risks*	3: Adaptive Capacity	4: Climate Risk Rating*	5: Opportunities*	6.1: Climate Risk Management Options	6.2: How Climate Risks Are Addressed in the Project*	7: Next Steps for Activity Design/ Implementation*	8: Accepted Climate Risks*
[List defined or anticipated project elements]# Example: Improving livestock productivity.	[List time-frame] Example: 0-15 years	[List geog. scope] Example: Rural	[Enter description of climate risks] Example: Heat stress due to increasing extreme temperatures. Mortality from increasingly frequent/severe drought.	[Enter description of Information Capacity, Social and Institutional Capacity, Human Capacity, and Financial Capacity] Example: Farmers have low access to insurance and many do not have alternate sources of income.	[Enter rating for each risk: High, Moderate, or Low] Example: High	[Enter description] Example: Drought early warning systems. Conflict prevention with Democracy and Governance programs as water becomes scarcer. Leverage the government's increasing focus on climate change adaptation and agricultural extension.	[Enter management options for each climate risk] Example: Agricultural extension. Target support to more heat tolerant sheep/goats rather than cattle.	[Enter selected management options for each climate risk, if relevant] Example: Target support to more heat tolerant sheep/goats rather than cattle.	[Enter next steps for addressing risks in activity design/implementation, if relevant] Example: Analyze temperature projections in specific rural regions within the country in relation to heat tolerance of local sheep/goats (PAD, p. X).	[Enter if the risk is accepted and why, if relevant. This is required if 6.2 and 7 do not address this climate risk] Example: None.
Next step: Timeframe	Next step: Geog.	Next step: Climate Risks	Next step: Adaptive Capacity	Next step: Risk Rating	Next step: Opps.	Next step: Risk Mgmt. Options	Next step: Selected Options	Next step: Next Steps	Next step: Accepted Risks	Finished!

* = A required element, according to the Mandatory Reference

\# Project elements may include Purpose / Sub-purpose, Areas of Focus, or Activities / Mechanisms, etc.

Note, every moderate or high risk needs to either be addressed in project design (6.2), have next steps identified (7), or be accepted (8). These columns are not required for low risks.

CLIMATE RISK SCREENING AND MANAGEMENT IN PROJECT DESIGN



This diagram summarizes the process of climate risk screening and management for project design as described in the Mandatory Reference. Project planners and support staff should begin by drawing on strategy-level climate risk screening and management results (e.g., documented in a CDCS), if available. The next step is to assess climate risks at a level of detail sufficient to develop approaches to adequately address moderate and high climate risks. The subsequent steps involve identifying climate risk management options; identifying next steps; accepting climate risks, if necessary; and documenting the results.