

TradeMark East Africa Climate Change Strategy 2018 - 23



River Nile in Uganda

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1. Background

TradeMark East Africa's (TMEA) mission is to promote regional trade, economic integration and competitiveness in East Africa. The region faces significant long-term risks from climate change (CC) because the economies are highly dependent on climate sensitive sectors such as agriculture.

This proposed Climate Change Strategy complements TMEA's Corporate Strategy 2018-2023 by building climate resilient trade and economies, improving environmental management and reducing Greenhouse Gas (GHG) emissions within core TMEA sectors in the EAC region.

1.1. Global climate change framework

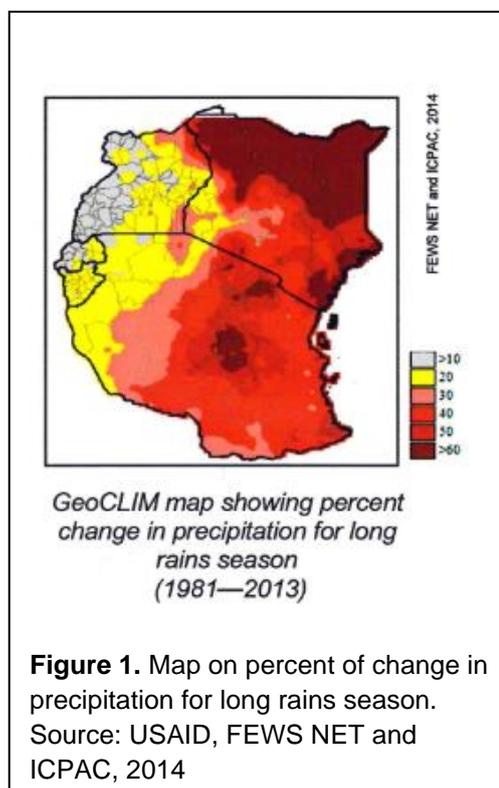
Escalating climate change related threats and continued increase of GHG contents in the atmosphere give evidence that the globally planned actions may be inadequate and too late to reverse the trend. Poor people are more vulnerable to climate change impacts and therefore more disadvantaged by climate than the well off. Women commonly face higher risks and greater burdens from the impacts of climate change in situations of poverty, and many of the world's poor are women.

As a result of the Paris Agreement in 2015, 190 countries, including all the EAC countries, made commitments to reduce national greenhouse gas emissions and achieve specified adaptation outcomes through their national climate change strategies, the Nationally Determined Contributions (NDCs). However, the submitted NDCs are far from enough and more action is required. Although inadequate funding has become the major restriction, new opportunities in climate funding for developing countries have emerged public and private.

1.2 Climate change and East Africa

Continuing robust economic growth in Eastern Africa is essential to reduce poverty and build prosperity, but growth alone is insufficient. The benefits of growth also need to be equitably distributed, and the associated environmental and climate change challenges need to be recognised and minimised.

The key drivers of the EAC economies are primarily natural resource-based and are extremely susceptible to climate-related effects such as extreme weather events resulting in significant changes in vegetative cover, losses of livestock, agriculture and forestry. The situation is further aggravated by poor infrastructure, weak institutional mechanisms, and lack of financial resources. Climate change is likely to damage transport infrastructure, through heavy rainfalls, storms and higher temperatures and thereby disturb



supply and distribution chains, potentially raising the cost and change the pattern of trade in the region and internationally and weaken the competitiveness of the economies.

A major part of GHG emissions in East African countries come from agriculture and forestry sectors. Table 1 indicates the GHG emissions by country in EAC. Tanzania and Kenya have highest GHG emissions of the EAC countries followed by Uganda, Rwanda and Burundi. Emissions in Tanzania are higher than in other countries because of bigger land area and forest area, which are major source of emissions.

Country	Total GHG Emissions (MtCO ₂ e)	Population (millions)	tCO ₂ e per capita	tCO ₂ e/ million USD GDP
Burundi	7	10	0.73	4,608
Kenya	70	42	1.67	2,761
Rwanda	6	11	0.54	1,329
South Sudan	N/A	11		N/A
Tanzania	172	46	3.71	8,310
Uganda	49	36	1.34	3,251
Total	304	156		

Table 1: Greenhouse Gas Emissions Factsheet: East Africa. USAID.

Sources: 1 World Resources Institute Climate Analysis Indicators, 2015. 2. Million metric tons of carbon dioxide equivalent. 3. GHG emissions data for South Sudan are not available; there are generally inadequate emissions data for the country.

2. TMEA's comparative advantages in fighting climate change

While climate change poses great risks to TMEA's objectives to promote trade through infrastructure development and improved trade and business environment, it also brings major opportunities for TMEA to advise and support low carbon pathways and green growth nationally and regionally, and at community and corporate levels. On the other hand, increased trade will increase GHG emissions and cause environmental problems. However, through coordinated efforts of the countries impacts of the climate change, environmental problems can be better mitigated and reduced. TMEA has an excellent opportunity to support processes to change to low carbon green development pathway and further attract development and climate investment and finance from public, private and alternative sources.

Countries are preparing actions plans for implementation of the NDCs and meeting to the international challenges. Kenya as an example has decided to reduce emissions by 30% from the baseline (business as usual = no mitigation measures) and will prepare this year's National

Climate Change Action Plan (NCCAP) where emission potentials are assessed, and mitigation plans prioritised (Picture 2).

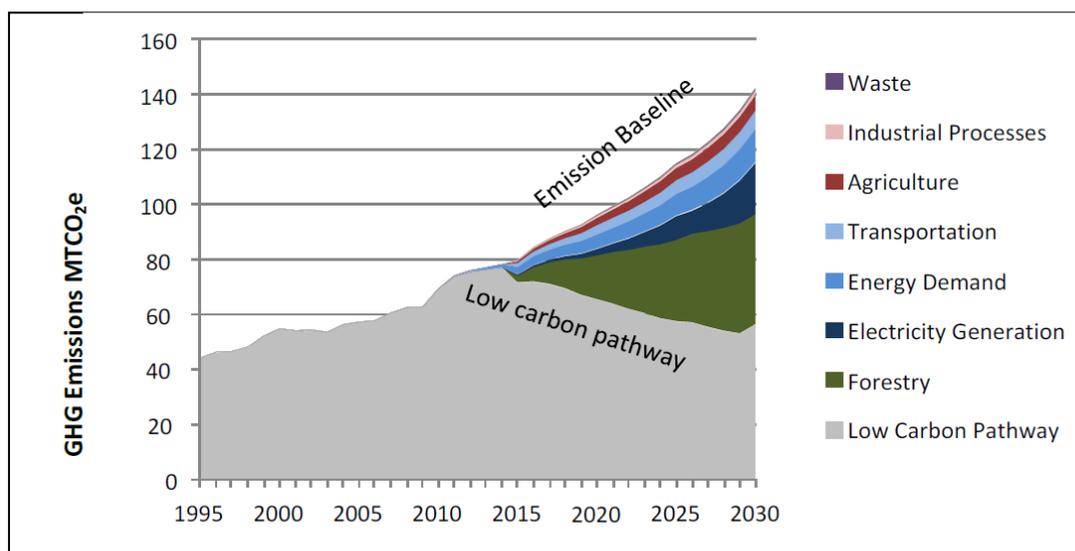


Figure 2: Kenya’s estimated GHG emissions and reduction potential until 2030 (targeted low-carbon pathway). Source: Kenya’s Second National Communication to the UNFCCC, 2015.

We have excellent opportunities to build through mainstreaming both improved climate resilience in the climate relevant projects and to measure, mitigate and report the impacts of GHG emissions. Moreover, TMEA can contribute to national and regional strategies for low carbon development and climate interventions, particularly in the transport and trade sectors.

TMEA’s integration in regional trade and policies, and deep understanding of the complexity of Eastern Africa’s trade environment is one of our key comparative advantages. Our organisation is agile, quick and responsive. We have successfully implemented projects which already have had significant environmental and climate change mitigation and adaptation benefits: The TMEA’s 2013 Strategic Climate Review reported that of the 234 projects that were under implementation, 42 (18%) were climate risk relevant. The Mombasa Port Resilient Infrastructure Programme (MRIP) is TMEA’s flagship climate programme, a model that we can utilise in other countries and other projects.

TMEA plays a catalytic role, using its convening power to form and facilitate partnerships that deliver transformative investment in East African trade. This institutional comparative advantage uniquely places TMEA to build and leverage the necessary partnerships at the regional, national and local levels, and with government, private sector and civil society to strengthen climate resilient trade and transport. TMEAs has also comparative advantage e.g. by linking highly climate change relevant agricultural projects to logistics chain and markets.

TMEA together with partners has gained significant efficiency improvements in trade logistics that have generally resulted in relative reduction of GHGs per tonnes km of cargo and improved climate change resilience. These activities include e.g. quicker and more effective electronic trade and tracking systems; reduced non-tariff barriers (NTBs); harmonized product standards; and streamlined cargo transit at ports and borders. Although trade environment has significantly improved (average trade costs has fallen from \$2.93/km in 2011 to \$1.8/km in 2016) they are still today above middle-income country norms of \$1/km. The same challenge is faced in reduction of GHG emissions e.g. at Mombasa port, emissions are 2.5 time more per transported ton of cargo/km compared to ports in developed countries.

3. Climate Risk management

Climate change can affect trade and private sector competitiveness in many ways and may introduce new barriers to trade or opportunities (e.g. drought, floods, improved access to climate-friendly goods and services). On the other hand, many opportunities may emerge for private companies from the changing environment in form of investing in energy efficiency when low-carbon green technologies have become economically profitable and new opportunities arise in vulnerable regions to help communities to build resilience. The business areas may be development of greener products, potential savings in production chain and in general enhanced corporate social responsibility.

Climate change poses substantial challenges to TMEAs strategic objectives. Climate change may bring a new set of weather patterns and extremes that are well beyond what governments and developed infrastructure in East Africa can deal with. This is coupled with the many non-climate constraints that undermine the adaptive capacity in the region.

On the other hand, TMEA's activities through increased trade have impacted the environment in a negative way from an environmental and climate change perspective. Expansion in trade raises critical questions i.e. will opening up of trade lead to more greenhouse gas emissions and environmental damage; are there opportunities for climate change mitigation and/or adaptation?

Effective climate risk assessment and management approach is integrated to TMEA's project planning and management cycle. It is pro-active so that the appropriate level of risk is attained in planning, investment decisions and in finally implementation of projects.

4. TMEA’s climate change approach

Shifting from a high-carbon to a low-carbon green economy will require significant investment by all sectors of society. Industries, business, land owners and households. Additionally, governments will invest in infrastructure to protect their nations against the long-term effects of climate change and channel new investment into a well-functioning, low-carbon economy.

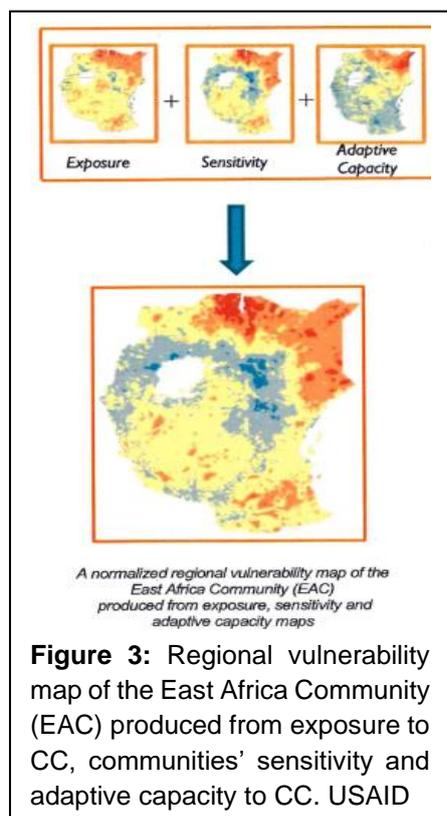


Figure 3: Regional vulnerability map of the East Africa Community (EAC) produced from exposure to CC, communities’ sensitivity and adaptive capacity to CC. USAID

Investing on climate change mitigation and adaptation projects may be costly, but they typically have co-benefits, such as less polluted air, cleaner water, improved soil and land management and safeguarding human health.

TMEA will support the partners through mainstreaming climate change and specific interventions into TMEAs outcomes: in reducing barriers to trade (Outcome 1) and to improving business competitiveness for trade (Outcome 2). We address climate change from the following three broad perspectives:

1. Impact of TMEA’s activities on environment and climate.
2. Impact of climate change on TMEA’s activities.
3. Climate change mitigation and adaptation efforts for supporting financing efforts for realisation of the TMEA’s strategic objectives

The climate change strategy will improve TMEA’s ability to identify interventions with not only climate related risks, but also climate change related opportunities and climate finance to support TMEA’s Corporate Strategy 2 implementation.

The climate change strategy is based on Strategic Climate Review (SCR) from 2015, which identified opportunities for climate mainstreaming to build green economy approaches into infrastructure, transportation and trade sector investments. These recommendations are still valid with the focus on low carbon approaches, sustainable inclusive trade, diversifying dependency on agriculture, increase energy security, and suggesting practical options for improving climate mitigation and resilience of TMEA’s investments.

Table 1: The key outcomes of TMEA’s Climate Change Strategy 2018 – 22.

Outcome	Climate change classification (Rio markers), funding %	Example projects

1. All potential projects climate change mainstreamed	Low or moderate impact (5 – 10%)	<ul style="list-style-type: none"> Regional Cross Border Trade (CBT) Integrated Border Management (IBM) Standards and SPS
	Significant climate change impact (10-90%)	<ul style="list-style-type: none"> Mombasa Port Programme Phase II Rail Logistics Programme Trade and Transport Observatory Programme Private sector & Climate Change
2. Climate change specific principal projects designed and implemented	Principal (100%)	<ul style="list-style-type: none"> Support for GHG inventories and strategy development in transport sector. Climate change specific information systems
3. Climate change capacity building and communication		<ul style="list-style-type: none"> General and targeted information sharing and capacity building

The strategy will aim at building capacity and substance of climate change approach in TMEA’s organisation, partners and projects. TMEA’s experts will provide on-the-job training, when staff in planning and implementation of interventions. Special attention will be paid at communicating on TMEA’s climate change objectives and activities. Staff will be encouraged to participate in climate change events and discussion in their own field of expertise.

4.1. Mainstreaming mitigation, adaptation and resilience

Outcome 1: Climate change mainstreamed in all relevant TMEA projects to increase sustainability and impact

Mainstreaming climate change into existing projects is TMEA’s major response for climate change mitigation and adaptation. International organisations and donors have shifted largely from climate change specific projects to support mainstreaming of climate change to traditional sector or individual projects. Only a few projects such as forestry or humanitarian relief projects are considered successful as principal (100%) climate change projects.

TMEA teams will screen all Strategy 2 projects to identify and prioritise climate change relevant projects and activities and to develop mitigation and adaptation opportunities. Most of the projects and their PARs have issues that are relevant to climate change and environment. It is not only TMEA's infrastructure projects, but even policy, regulation and standards development may have climate relevance.

TMEA's climate change approach puts special emphasis on gender, livelihoods of local communities and vulnerability related issues. Working with our wide network of partners, we will develop and implement, more efficient and environmentally friendly port infrastructure that saves energy and reduces emissions, while at the same time increasing trade flows; creation of green trade logistics hubs in secondary cities to serve value chains, better data on trade-related carbon emissions gathered through our improved information systems, better policies, regulations and standards, promotion of environmentally responsible and climate-friendly low carbon products and green value and transport chains.

Project specific measuring and reporting tools for GHG emissions and resilience improvements will be developed for most relevant projects such as transport sector and trade and ports. The results will be integrated to the National Carbon Reporting and more accurate information will help the countries to formulate their policies and improve decision making. This will assist TMEA in building an accurate and defensible story around TMEA's impact on national climate actions and fighting and adopting to climate change.

4.2. Designing Climate change specific projects

Outcome 2: Improved climate change resilience and reduced emissions from trade and freight transport sectors (highly significant climate change impact)

Besides mainstreaming, TMEA will design specific climate projects that have significant climate mitigation or resilience impact. The 2013 Review found that the changing climate poses a risk to the sustainability of many of TMEA's activities. At the same time, we are well placed to ensure that our activities not only build climate resilience but also mitigate further climate change. TMEA will take advantage of its capacity in building infrastructure and improving trade competitiveness, and close working relations with partners to develop new low carbon and climate resilient principal projects and apply climate finance.

TMEA's climate change infrastructure projects will focus on the Northern and Central Corridors (from Mombasa and Dar es Salaam ports to the Great Lakes), given their economic

importance as well as its role in East African regional integration. The following topics are identified in from TMEA's corporate strategy as key significant climate projects:

- Increased physical scale of transport infrastructure
- Improved modal choice and intermodal integration between maritime, road and rail
- Improved logistical performance at key nodes, including better suitability to private sector logistics needs
- Improved operational and regulatory governance
- Improved integration of ICT systems
- Private sector & climate programmes

Most of the above listed projects or initiatives have also other main objectives than climate change. They contribute largely to the economic development, employment and environment.

TMEA will aim at supporting the implementation of a green policy at Dar es Salaam Port, building on experiences from the Mombasa Port. Focus will turn further up the Central Corridor to the railhead on Lake Tanganyika at Kigoma Port, where we will support development of general cargo and container berths. We will also fund a program of critical infrastructure, safety and regulatory reforms on the lake to enable intermodal trade from Dar via Kigoma to Bujumbura, Kalundu Port and other riparian destinations, will require integration of climate change and environmental aspects.

The suggested process for the identification of emission reduction opportunities will be embedded in project appraisal reports (PARs), but as it is highly detailed it will be done separately and only for major projects where emissions impacts are expected to be significant. There are opportunities for reducing emissions, both at small scale and at large scale. The major impact will be at the ports and in a modal shift of freight from road to rail and improving fuel efficiency of trucks. Initial assessments have been made but there remain data gaps that, going forward, need to be investigated and climate change mainstreamed.

A study on climate change and transport will be prepared covering the Northern Corridor fuel efficiency measures for freight trucks and rail which will also point out mitigation opportunities for improving environmental conditions at and around transport routes and one stop border posts (OSBPs). It will support and facilitate collaboration with the Kenyan Ministry of Environment on establishing national GHG inventory system for transport sector and designing the transport strategy for climate change mitigation. The same methodology will be applied to individual transport sector projects' GHG inventories, which have significant GHG emissions. TMEA will not aim at producing complete GHG inventory of all its projects, because it would be too costly and complicated.

In corporate Outcome 2, Improved Business Competitiveness for Trade, TMEA will address increasingly environment and climate change issues in collaboration with private sector. The work will concentrate on advocacy and integration of climate targets into enterprises operation emphasising cost savings in applying green low carbon technologies and approaches.

4.3. Partnerships: Impact at policy level – impact at practical and local level

TMEA will contribute to the implementation of regional and national climate change policies and strategies and supporting countries in reporting to the United Nations Framework Convention on Climate Change (UNFCCC) and United Nation’s Sustainable Development Goal 13 (climate action) related to freight transport. Ministries of environment coordinate national climate strategies (NDCs) and development of national action plans.

We will build strong alliances and co-financing with like-minded stakeholders in programmes related to trade, ICT sector projects, climate funds, UN agencies, EIB, the World Bank Group and other IFIs.

TMEA has close collaboration with East African Community, which has paid much efforts on environment and natural resources including climate change and disaster risk reduction. We will collaborate with EAC in developing measures to collaborate increasingly with member countries to coordinate better climate change mitigation and adaptation actions. We will seek for coordinated measures on developing methods and tools for developing low carbon transport sector. The major initiatives for political level are a) supporting **the implementation of NDCs and national action plans** (Kenya, later other countries), b) support **transport/freight sector’s GHG inventories** thus contributing to the national reporting to UNFCCC and c) collaboration through **projects in developing low carbon green transport sector e.g. road-to-rail, trucks’ fuel efficiency and transport policy development.**

Other stakeholders would be the Northern and Central Corridor Transport Secretariats, MTCC (EU) and Ministries of environment and transport in the EAC. To be part of the official national GHG inventories in EAC countries is a good opportunity to contribute not only to TMEA’s GHG reporting, but to be stakeholder in building low-carbon transport sector and contributing with different projects such as the Mombasa – Nairobi standard gauge railway project. This will open the way for policy and strategy level work in the EAC countries and help them to modify more efficient and effective climate strategies especially for transport sector.

Modern information tools for decision making, planning and implementation of climate change mitigation and adaptation activities will be designed for project staff. There are such organisations that can provide ready tools and packages of information, such as USAID’s PREPARED Program which aims at mainstreaming climate-resilient development planning and program implementation into the EAC and its Partner States’ development agendas. TMEA will assess and link with most potential information systems with the intention to integrate

suitable and useful information into TMEA's existing platforms, such as the Transport Corridor Observatories' GIS systems and database. As a result, the impacts of TMEAs activities can be better targeted to vulnerable and most poor communities.

5. Implementation

Country teams with technical support from the regional office will have major responsibility of the planning an implementation of the climate change mainstreaming and developing of specific climate projects. Technical experts will be contracted for planning and studies. TMEA's staff/key members will be trained for planning and implementation of climate change mitigation, adaptation and resilience activities.

TMEA's Sustainable Inclusive Trade (SIT) team will provide training to all project staff and key stakeholders on relevant climate change issues and tools. This will promote an understanding and appreciation of climate change impact on TMEA's work. The climate change related expertise and work will be organised in coordination with TMEA's Sustainable Inclusive Trade (SIT) team together with mainstreaming of gender, environmental and social safeguards.

On-the-job training by SIT team will be on hand to provide support as and when needed during the Climate Risk Assessment, PAR processes and in implementation phases of the projects. This can be in the form of guiding to use climate change tools, ad hoc assistance in drawing up risks and options assessment, or just to review documents. Periodic review of climate projections will also be required to update the risk assessment and mitigation framework.

Mainstreaming of climate change into projects will not typically need additional funding, the activities can be implemented within existing budgets. In case there are clearly identified extra climate change activities, separate funding will be raised from various potential donors.

Climate change will be integrated to the TMEA's impact and outcome level indicators in the results framework reflecting targets in mainstreaming climate change and environment into TMEA's operations. The Green Climate Fund's, International Climate Fund's and TMEA's existing indicators with climate change scope have been used as the basis for the climate change indicators. Value for Money (VfM) including co-benefits of climate investment will be estimated at the project level to estimate economic risks.

To manage climate risk, the following tool for **climate risk assessment and development of resilience** will be applied to TMEA projects:

1. Assessment of **current expectation of climatic changes and the impacts of such changes** in East Africa, specific country and project.
2. Screening of TMEA's projects with the TMEA climate tools to select **high risk climate projects and develop mitigation and resilience options**.

3. Integrating the risk assessment and expected mitigation and resilience **results to project's (PAR and workplan) risk framework, budget, indicators.**

We will apply principles of Rio markers to track climate funding that support climate change mitigation and adaptation (0-100 significance levels).

TMEA includes **assessment of climate risks into the TORs for environmental impact assessments (EIA) and other environmental studies.** Climate risk mitigation plans will be required for all high climate risk projects to better account for projected environmental changes and to enhance climate resilience besides flagging out climate change mitigation and climate financing opportunities.

The proposed tools and approaches are designed to understand and act on the challenges, risks and opportunities posed by climate change for trade. Once they have been identified and prioritised, risks, opportunities and results will be mainstreamed in TMEA's projects and additionally if applicable, special climate change projects will be designed.

Depending on the available resources from the reorganized TMEA organisational structure, at least one junior expert will be recruited for climate change and environmental issues and adequate budget reserved for the strategy planning and implementation.

Monitoring and evaluation of progress in climate change mitigation and adaptation will be integrated into regular monitoring and evaluation of the projects.

Communication on TMEA's climate objectives and activities will be integrated in the TMEA's corporate communication plan. It will include training and awareness building of TMEA's and stakeholders' key staff dealing with planning and implementation of climate change related projects. Additionally, stakeholders and public will be informed about climate change activities and results by using different media channels.

6. Climate financing

Marketing efforts of climate change specific projects/initiatives will be targeted at regional and country level to bilateral donors, Green Climate Fund (GCF), the UK's International Climate Fund (ICF), EU, for Co-financing and partnering for implementation.

The climate strategy is serving the purpose for climate change mainstreaming the existing projects to increase interest of existing and new financiers and to find new funding sources. The strategy enables TMEA to anticipate and respond to climate change related changes in the programme environment and stakeholders' policies.

The collapse of carbon markets has reduced potential for funding of mitigation projects and finding market-based mechanisms for climate financing. Instead, there are more balanced approaches between mitigation and adaptation with broader climate financing emphasised.

TMEA will map by country potential on climate change or green growth funding. Synergies will be sought between other crosscutting themes, such as gender, and conflict, humanitarian projects, global, private and corporate foundations.

Climate finance is channelled through several ways, including multilateral climate funds, such as the various regional pooling, UNFCCC and non-UNFCCC financial mechanisms, that are dedicated to addressing climate change. The types of climate finance available vary from grants and concessional loans, to guarantees and private equity. Many developing countries have set up regional and national funds and channels, such as Rwanda's National Climate and Environment Fund (FONERWA) and Kenya's Climate Change Fund. However, they have not managed to collect significant amount of funding.

Over time Green Climate Fund (GCF) has been expected to become the main multilateral financing mechanism to support climate action in developing countries. As of February 2016, the GCF had raised USD 10.2 billion equivalent in pledges from 42 state governments to finance adaptation and mitigation projects in developing countries. However, the GCF has a lot of challenges in mobilising funding in the countries and there are great number of applications (e.g. some 50 in Kenya) submitted by different organisations waiting for funding decision. Available funding is only a few millions, which reduced attractiveness for big organisations. Transaction costs will be high, and applicants must be ready for long processes.

Climate change fundraising will be implemented as part of TMEA's overall fundraising plan. Engagement with funders will be planned through TMEA staff and will be frequent, and in accordance with the funding cycles of each investor. Donors and funders will be assessed and approached both at senior decision maker level and at technical level, both at their Headquarters and in East African offices.

TMEA's climate change fundraising from bilateral donors and multilateral climate change funds will focus on fundraising for gaps in our programme where we have projects already designed but unfunded or under-funded. However, they need review for climate change proofing to meet funding requirements. Especially with new funders, we will also remain open to designing new climate change projects that meet the needs of specific donors or international climate change initiatives. Fundraising for each country programme will be planned together with country teams to select the most potential funders. Regional fundraising will be implemented under the coordination of senior management.