



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# CITY OF CAPE TOWN GREEN BOND FRAMEWORK

2017/05/29

**Version 2.3**

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## 1. Introduction

The vision of the City of Cape Town (CCT) is threefold:

- To be an opportunity city that creates an enabling environment for economic growth and job creation, and to provide help to those who need it most.
- To deliver quality services to all residents.
- To serve the citizens of Cape Town as a well-governed and corruption-free administration.

In pursuit of this vision, the City's mission is as follows:

- To contribute actively to the development of its environmental, human and social capital.
- To offer high-quality services to all who live in, do business in or visit Cape Town as tourists.
- To be known for its efficient, effective and caring government.

To achieve its vision, the City of Cape Town is building on the strategic focus areas it has identified as the pillars of a successful and thriving city. The City of Cape Town's Integrated Development Plan (IDP) provides a strategic framework within which the City aims to deliver on the City's five pillars – To make Cape Town an opportunity city, a safe city, caring city, an inclusive city, and a well-run city. These are the five key strategic focus areas that inform all of the City's plans and policies.

Through the five-year IDP, the City is able to:

- develop and articulate a clear vision;
- identify its key development priorities;
- formulate appropriate strategies;
- develop the appropriate organisational structure and systems; and
- align resources with development priorities.

With a growing population and an increasing divide between advantaged and disadvantaged groups, the City faces the challenge of promoting development whilst managing the redistribution of resources to redress current inequities. To address the growing needs of a largely impoverished population and to ensure the health of communities, the City needs to become economically competitive, both locally and globally. While working towards these goals, it is imperative that the City recognises and effectively manages its unique economic asset, the environment whilst also ensuring social and human rights are upheld. The central component to achieving this strategy is adopting and applying the fundamental principles and approaches of sustainable development. An overview of these considerations in relation to water and sanitation projects is provided in associated document (Social and human rights and broader environmental considerations.doc).

In 2001, Cape Town became the first city in Africa to approve and adopt a comprehensive city-wide environmental policy: the Integrated Metropolitan Environmental Policy (IMEP). A revised version, the Environmental Strategy for the City of Cape Town, along with an Implementation Framework was developed in 2016. In addition, a draft City of Cape Town Climate Change Policy was developed in 2016. The Green Bond programmes or projects will contribute to the City's overall initiatives as outlined in these documents

## **2. Framework Overview**

This Green Bond Framework sets out how the City proposes to raise Green Bond Finance and select programmes/projects/assets to which proceeds will be allocated. It compliments and should be read in conjunction with The Green Bond Reporting Framework.

In order to ensure credibility of the City's Green Bond, the administration, issuance, allocation and reporting of the bond and its proceeds will adhere to the internationally recognised Climate Bonds Standard version 2.1 (for more details please visit: [www.climatebonds.net/standards/standard\\_download](http://www.climatebonds.net/standards/standard_download))

## **3. Raising and listing the Green Bond**

The Green Bond will be raised as part of the City's R7 billion Domestic Medium Term Note Programme (DMTN), and will be listed on the Johannesburg Stock Exchange (JSE).

The City will employ the services of a suitably qualified intermediary in order to market the bond and register it with the JSE.

## **4. Purpose of Green Bond**

It is the City of Cape Town's intention that the proceeds of this bond will be used to support projects which deliver a 'green' outcome through helping the City to adapt to, or mitigate climate change going into the future.

## **5. Use of Proceeds**

To ensure continued compliance and to maintain the certification of the bond, the proceeds will be allocated in accordance with the Climate Bonds Standard version 2.1.

Thus, the proceeds from the issuance of the City of Cape Town's Green Bond will be applied to eligible programmes, projects and/or assets in the eligible sectors, as deemed by the taxonomy developed by the Climate Bonds Initiative (CBI).

Given that the CBI is still in the process of developing some of their criteria within this taxonomy, the City of Cape Town's Green Bond will likely include some projects and/or assets for which criteria have not been published. Thus, where the assessment criteria have been published by the CBI, the eligibility of projects and/or assets will be assessed against these prior to the proceeds being allocated. Should assessment criteria only be in draft, the projects will be assessed against these draft criteria for the purpose of pre-issuance certification. At the point of post issuance certification, the projects and/or assets will be assessed against published criteria only. No projects will be identified and

aligned to the bond pre- or post-issuance, for which no criteria (draft or published exist).

In the first instance of issuance, the City will seek pre-issuance assurance from a Certified Climate Bonds Initiative Assurance Provider that the framework and initially identified programmes/projects/assets qualify to be certified by the Climate Bonds Initiative.

Post issuance assurance will immediately after the registration of the bond in order to ensure compliance with certification requirements.

Any re-allocation of proceeds will be done after ensuring that the programme, project/asset to which the proceeds are being allocated is compliant with the requirements of the relevant Climate Bonds Certification Criteria.

## **6. Management and Tracking of the Proceeds of Issuance**

All Financial Management will be compliant with the South African Municipal Financial Management Act (MFMA) 2003 (Act No. 56 of 2003) and amendments, and Project Management procedures will be in-line with Municipal Systems Act 2000 (Act 32 of 2000), and amendments.

The City of Cape Town will track the Use of Proceeds of its Green Bond(s) via its Systems, Applications and Products (SAP) Enterprise Resource Planning (ERP) System. Reports can be extracted from SAP which will contain the following information for each project:

- Budgeted Amount
- Actual Amount Disbursed
- Work Breakdown Structure (WBS) Element
- WBS Description
- Assertion of Funding Source (Green Bond Proceeds)

Whilst it is the City's intention that all proceeds are allocated to eligible programmes/ projects /assets as soon as possible after the bond is raised so as to ensure that the proceeds are effectively deployed, the City will maintain an amount in approved Cash or Cash Equivalents which will be equal to at least the remaining unallocated proceeds in terms of the City of Cape Town's Investment Policy until all proceeds are allocated.

## **7. Reporting on Use of Proceeds**

The associated "Green Bond Reporting Framework" indicates how the proceeds will be tracked and reported on to ensure ongoing disclosure and compliance with the Climate Bond Certification requirements.

## 8. Assurance

The City of Cape Town Green Bond Framework and initial list of programmes, projects or assets will be reviewed and certified by Climate Bonds Initiative for the Inaugural Green Bond Issue.

This will be published on the City of Cape Town website at <http://www.capetown.gov.za/en/treasury/Pages/default.aspx>

## 9. Programme/Project/Asset Identification Procedures

As indicated, all proceeds of the bond issuance will either be allocated to programmes, projects or assets that will be compliant with the Climate Bonds Initiative's Certification Criteria.

In order to identify appropriate programmes/projects/assets, the City has applied its own filtering criteria as follows:

- i) Identification of significant (>ZAR 1,000,000 Capital Expenditure (CAPEX) capital projects delivered, or in the process of being delivered between Financial Year (FY)2010/11 and FY2018/19 with budget allocated to them.
- ii) Assessment of current source of finance (budgeted and/or allocated) to determine ease and cost implications of possible re-financing (for instance, refinancing any grant-funded projects will not be considered).
- iii) Alignment of remaining programmes/ projects /assets to existing Climate Bond Certification Criteria.
- iv) Alignment with the City's CCT Environmental Strategy (2016), Implementation Framework (2016) and Draft Climate Change Policy (2016) implementation
- v) Ease of access to evidence for assessment of project/asset against Climate Bond Certification Criteria.

The resultant list of programmes/ projects /assets and their current budgets are listed in associated spreadsheet (Green Bond Projects for List.xls).

In order to manage the risk of holding unallocated proceeds from the bond issuance, the value of the bond issuance will be less than the total budget of these projects, the balance of funding for these projects will be met through existing funding sources. This list will be maintained on an annual basis and programmes, projects/assets will be reported on as per the details in the City of Cape Town Green Bond Reporting Framework.