

**The Federal Ministry of Environment of the Republic of Nigeria  
in partnership with the  
Federal Ministry of Finance, represented by the Debt Management Office**

**Green Bond Framework  
28 May 2017**

The Federal Ministry of Environment as  
national authorizing entity for the UNFCCC is  
responsible for the preparation and fair presentation  
of this Green Bond Framework as of  
28 May 2017

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## Background

The Nigeria Ministry of Environment is a governmental office serving the Federal Government in honoring its obligations under the United Nations Framework Convention on Climate Change (UNFCCC). The Ministry implements programs and projects that provide the enabling environment for the achievement of the emissions targets that have been outlined in the recently signed Paris agreement. The Ministry is in a collaboration with the Ministry of Finance.

The Nigeria Finance Minister has responsibilities pertaining to the public finance through the Debt Management Office and the administration and monitoring of state resources through the Office of the Accountant General of the Federation (OAGF). Furthermore the Ministry is responsible for developing the annual borrowing plan for the government and implements the state fiscal and financial policy.

In Nigeria, there is a central, national objective of increasing the share of energy from renewable energy sources (RES) used in gross final consumption and specifically in the energy, transport, heating and cooling sectors. Further to this, other targets include: ensuring an increased share of renewable energy sources are used in final energy consumption (up to at least 30% by 2030), building a sizable share of biofuels in the market for transport fuel by 2030 and protection of forests from excessive exploitation in order to obtain biomass and sustainable use of agricultural areas.

## Purpose

This Green Bond Framework has been developed to demonstrate how the Federal Ministry of Environment will periodically screen the sector strategies developed by the various Ministries Departments and Agencies for programs and projects with green credentials that will be funded by the Federal budget. These programs and projects will form the basis for issuance of green bonds to fund new projects or the refinancing of projects that have been identified to have climate credentials in alignment with its Green Bond Guidelines which are an adaptation of the *Green bond Principles (GBP), 2016*

**Assertions from the Ministry of Finance of the Republic of Nigeria, represented by the Debt Management Office (DMO) & the Office of the Accountant General of the Federation (OAGF).** The green bond will form part of the annual borrowing plan as long as there are programs and projects within individual MDAs sector strategies that meet the criteria specified in the Green Bond guidelines issued by the Federal Ministry of Environment. The Ministry of Finance will adopt the (A) Use of Proceeds and (B) Policies and Internal Control Procedures in respect of each of (i) project evaluation and selection (ii) management of proceeds and (iii) reporting as set out in this Framework.

## Framework Overview

The Federal Ministry of Environment of the Federal Republic of Nigeria with support from the Ministry of Finance, through the Debt Management Office (DMO) and the Office of the Accountant General of the Federation (OAGF) has developed a framework under which it plans to finance and/or re-finance Eligible Projects in the Federal Sector Strategies via a Federal Government of Nigeria issued Green Bond.

For details on what constitutes as Eligible Projects, see section 1. Use of Proceeds below.

In addition to defining eligibility criteria for the framework, The Federal Ministry of Environment of the Republic of Nigeria, supported by the Minister for Finance, has committed to disclose the relevant Eligible Sector, (and specific projects if possible), utilized for the respective green bond to be issued at the time of (or before) issuance, where project review and evaluation has been completed and the allocation of proceeds has been determined in advance of issuance.

### Use of Proceeds

With reference to the *Green Bond Principles* the proceeds of each Green Bond will be used exclusively for spending in the form of budget allocation / subsidies / projects for new financing or the re-financing of existing “Eligible Projects”.

"**Eligible Projects**" refer to funding from Federal Republic of Nigeria that in whole or in part, promote the transition to low-emission economy and climate resilient growth, including both climate mitigation and adaptation.

Eligible Project must fall into a least one of the following eligible sectors defined below:

### Mitigation

<b>Theme</b>	<b>Equivalent NDC Target</b>	<b>Project Type</b>
Energy Efficiency	2% per year energy efficiency (30% by 2030) Efficient gas generators	Investments in equipment, systems and services which result in more efficient use of energy
Resource Efficiency	Work towards ending gas flaring by 2030 Improve electricity grid	Investments to improve industry processes that enhance energy conversion
Renewable Energy	Work towards Off-grid solar PV of 13GW (13,000MW)	Investments in equipment, systems and services which enable renewable energy
Clean Technology	Transport shift - car to bus	Investments in manufacturing of components that support renewables

### Adaptation

<b>Theme</b>	<b>NDC Target</b>	<b>Project Type</b>
Sustainable Forest Management	Climate smart agriculture and reforestation	Investments in initiatives that benefit sustainable agriculture, fishery, aquaculture, forestry and climate smart farm inputs such as biological crop protection or drip-irrigation

### Project Evaluation and Selection

The Federal Ministry of Environment, through the Inter-Ministerial Committee on Climate Change (ICCC) will review sector strategies for MDAs that are represented on the ICCC for programs and projects that have climate credentials and are consistent with the expectations of the green bond guidelines. These programs and projects will be communicated to the Federal Ministry of Finance, through the Debt Management Office for inclusion in the projects that will be funded through a green bond.

The Federal Ministry of Finance will approve resources that are equivalent to the allocations to the eligible projects to be included in the borrowing plan. This matching of resources will occur as long as the identified projects are the annual budgets of the supervising MDAs and the budget when submitted by the President of the Federal Republic of Nigeria is approved as is by the National Assembly. These projects are established as eligible Use of Proceeds for the issuance of a Green Bond.

Use of Proceeds will be selected from the budget allocation / subsidies / projects flagged to Ministry of Finance represented by the Debt Management Office by the Ministry of Environment, represented by the Department of Climate Change, by the following considerations:

Alignment with identified Eligible Sectors (as defined in section 1 above)

- Investment horizon
- Alignment with the disclosed development plan at the time
- Provision of evidence of impact on the economy (e.g Economic Rate of Return, Jobs created, etc)
- Calculation of associated emissions reduction in GHG
- Availability of information to facilitate reporting
- Other ESG / external factors related to the agencies / organizations

Projects determined as eligible will then be eligible for Green Bond allocation.

To prevent double counting of eligible green projects, Federal Ministry of Finance, represented by the Debt Management Office and the Federal Ministry of Budget and National Planning (FMBNP) will issue green bonds supported by/allocated to Eligible Projects on an annual budget reconciliation basis.

For each green bond issued, The Federal Ministry of Finance, represented by the Debt Management Office, has assured DNV GL that the Green Bond allocation will not allow for listing of same budget allocation / subsidies / project twice, so reconciliation to the annual budget will prevent any such double counting in green bond allocation and therefore prevent funding of the same allocation twice. This will be confirmed in each annual report.

Proceeds from the issuance of the Bond will be credited to the Green Bond Proceeds Account at the CBN. Based on the confirmation of the approved amounts for the projects from the Budget Office, the DMO will advise the OAGF to open sub-accounts for each project and transfer the amounts approved to the respective sub-accounts.

The mechanism used by Ministry of Finance, represented by the Debt Management Office, is documented below for each Eligible Sector considered for funding by a Ministry of Finance, Nigeria Green Bond(s):

<b>Eligible Theme</b>	<b>Funding Mechanism</b>	<b>Government Agency(ies) involved in funding of the Eligible Theme</b>
Renewable Energy	Budget Allocation – including taxes and project savings from implementation	Ministry of Finance, Ministry of Power Works and Housing, Niger Delta Power Holding Company (NPHDC)
Afforestation	Budget Allocation – including subsidies, taxes and savings from community takeover of programs	Ministry of Finance –Ministry of Environment
Transportation	Budget Allocation – including taxes and project savings from improved operational activity of the service	Ministry of Finance – Ministry of the Federal Capital Territory (FCT)

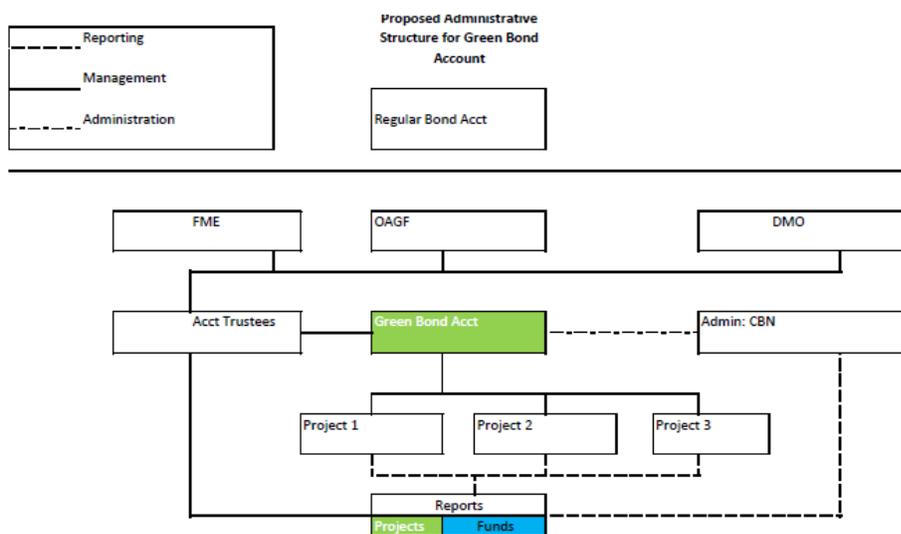
Management of Proceeds

All proceeds from the Ministry of Finance issued Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process linked to the issuer’s lending and investment operations for Green Projects. So long as the Green Bonds are outstanding, the balance of the tracked proceeds will be periodically adjusted to match allocations to eligible Green Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated proceeds.

The DMO will have custody of the Green Bond Proceeds Account and will authorize payments from the account. Upon the approval of the Budget, the specific amounts approved for the environmental projects to be financed will be confirmed by the FMEnv from the Budget Office and advised to the DMO and the OAGF. This will include details of the implementing MDA and the project code.

Through the REMITA Platform, sub-accounts under the Treasury Single Account would be opened for each project to be financed with the proceeds of the Green Bond. The project sub-accounts would be linked to the Green Bond Proceeds Account from where they would be funded

The Chart below illustrates the expected flow of resources:



Any balance of issuance proceeds not allocated to eligible Green Projects will be held in accordance with Ministry of Finance, represented by the Office of Accountant General of the Federations normal liquidity management policy – which comprises investments in cash, short term deposits and other short term liquidity instruments.

Any instance of misapplication or diversion of funds would result in a stop on further utilization of funds by the MDA until the issue is resolved. At the end of the fiscal year, any unutilized funds will be rolled over to the next year, as long as the project is still on-going.

Payment of principal and interest of the Notes will be made from general funds and will not be directly linked to the performance of the eligible Green Projects.

### Reporting

Implementing MDAs are to submit Quarterly implementation reports to the Climate Change Department of the FMEnv. The Climate Change Department is to ensure that the projects are implemented in line with the objective of achieving Nigeria’s Nationally Determined Contributions. FMEnv will provide summaries of the reports submitted by the implementing MDAs to the DMO and OAGF.

The Federal Ministry of Environment supported by the Ministry of Finance of the Republic of Nigeria, represented by the Debt Management office and the Office of the Accountant General of the Federation, will report bi-annually, initially within one year of the issuance and until full allocation, on amounts equal to the net proceeds of the Green Bond issued, to investors:

- (i) Aggregate amount allocated to the various Eligible Sectors
- (ii) Remaining balance of funds which have not yet been utilized
- (iii) Examples of Green Projects from each Eligible Sector(s) (subject to confidentiality disclosures)

Furthermore, Federal Ministry of Environment represented by the Climate Change Department, The Ministry of Finance, represented by the Debt Management Office and the Office of the Accountant General of the Federation, will confirm that the use of proceeds of the Green bond issuance conforms to this Green Bond Framework. The Central Bank of Nigeria will provide the periodic report on the account and the use of proceeds.

The Federal Ministry of Environment represented by its Climate Change Department, The Ministry of Finance, represented by the Debt Management Office and the Office of the Accountant General for the Federation, will report on the environmental and social (where relevant) impacts resulting from each Green Project allocated from the respective Green Bond.

Examples of relevant metrics could include:

<b>Eligible Theme</b>	<b>Economic Reporting Metrics</b>	<b>Environmental Reporting Metrics</b>
Renewable Energy	Jobs created Taxes Generated Savings incurred Locations of facilities	Total megawatt/gigawatt capacity of energy produced (MW/GW) Total GHG emissions avoided through the project (tCO2eq)
Afforestation	Jobs created Taxes Generated Savings incurred Locations of facilities	Areas of forest (square meters/acres/hectares) planted/preserved Biodiversity information –trees and species of plants planted Total GHG emissions avoided through the projects (tCO2eq)
Clean Transportation	Jobs created Taxes Generated Savings incurred Locations of facilities	Location and number of buses deployed Number of passengers transferred from cars to buses Total GHG emissions avoided through the project (tCO2eq)

The reporting will be made public via annual updated on the official Ministry of Environment website

### External Review

This Federal Government of Nigeria Green Bond Framework has been reviewed by DNV GL in the form of a Second Party Opinion.

The objective of the Second Party Opinion is to provide an independent assessment on the alignment of the Green Bond Framework with the GBP, and attest as to the positive impact of the respective Green Eligible Sectors.

This document should be publicly available on the websites of the FMEnv, FMF, DMO.

Signed by

Federal Ministry of Environment of the Republic of Nigeria, represented by the Climate Change Department

Signed by

Federal Ministry of Finance of the Republic of Nigeria, represented by the Debt Management Office