



FEDERAL GOVERNMENT OF NIGERIA
GREEN BOND PROGRAM REPORT
FISCAL YEAR 2017/18

Background

In the fiscal year 2017 (FY17), the Federal Government of Nigeria (FGN) issued its first Sovereign Green Bond to the amount of N10.69Billion (\$29m).

As part of the Green Bond process the FGN had set up a number of administrative structures to facilitate the issuance of the first tranche. It set up a Green Bond Advisory Group (GBAG) made up of public and private sector institutions to provide high level oversight to the Green Bond process. This advisory group also includes Development Partners, Capital Market Operators, Relevant Regulators and MDAs. The Group meets every quarter to discuss progress of the issuance process.

The Federal Ministry of Environment (FMEnv) had earlier issued the Green Bond Guidelines based on the International Capital Market Association (ICMA) Green Bond Principles to guide the selection of projects for issuance of the Bond. Through the long established Inter-ministerial Committee on Climate Change (ICCC) qualifying projects with climate credentials were identified in the 2017 budget.

To further interrogate the projects green credentials, the Green Bond Program Technical Advisory Team (GBPTAT) was set up under the World Bank funding support to the Green Bond process. The team made up of sector specialists and theme specialists reviewed the selected projects in line with the technical, financial, climate, economic and social benefits. The team also ensured that the projects were included in the 2017 appropriation act which is the basis that makes them eligible for funding by Federal Government resources in line with guidelines of a sovereign green bond transaction process. A total number of three projects across six MDAs were thus funded from the proceeds of the first issuance.

Consistent with the Green Bond principles, a second opinion was sought. Two institutions provided them; Moodys (through its Green Bond Assessment) and DNVGL (in applying the Climate Bonds Standards). The review process involved consultations with the sector and theme specialists in the Program Technical Advisory Team. Moodys provided an assessment of GB1 (Excellent), while DNGVL provided a verification opinion that resulted in CBI issuing a certification to the Green Bond indicating it meets the Climate Bonds Standard.

The Federal Ministry of Environment (FMEnv) and the Federal Ministry of Finance (FMF), through the Debt Management Office (DMO), agreed for inclusion of the Green Bond in the 2017 borrowing plan. The Capital Market Operator's component of the GBAG engaged in weekly dialogues that facilitated the preparation of a prospectus, Frequently Asked Questions (FAQs), and Terms & Conditions for the issuance of the Bond. An Investors Roadshow was held in December of 2017 and the Bond was issued for the FG.

Table 1: Distribution by Investors

Distribution by Investor	
Banks/HNIs/Trustees	10.96%
Fund Managers	1.63%
Others	13.66%
Pension Funds	73.75%

Table 2: FG Green Bond in FY17

Volume	N10.69Billion
Number of Projects	3
Tenor of Bond	5year

Green Bond Eligible Projects: Evaluation and Selection

Eligible Projects were identified from the FG Appropriation. Selected projects met the Green Bond Principles definitions of Climate related activities. Only projects in the 2017 budget signed by the President were eligible for funding.

Project Themes

Renewable Energy

Investments in equipment, systems and services which enable the productive use of energy from renewable resources such as wind, hydro, solar and geothermal production. The projects selected under the Renewable Energy (RE) theme are the Renewable Energy Micro-Utility (REMU) and Energizing Education Program (EEP).

Sustainable Forestry

Investments in initiatives that benefit sustainable agriculture, fishery, aquaculture, forestry and climate smart farm inputs such as biological crop protection or drip-irrigation. The project implemented under this theme is the National Afforestation Program.

Management of Proceeds

Consistent with the Green Bond guidelines, project proceeds were warehoused in a Green Bond account. Sub accounts were created for each of the implementing MDAs linked to the main account. Oversight responsibility of the account was placed with the Federal Ministry of Environment (Department of Climate Change), the Federal Ministry of Finance (DMO and the Office of the Accountant General of the Federation (OAGF). Consistent with the administrative rules setting up the account, the proceeds were warehoused and allowed to roll over consequent to the approval for extension of the utilization of the N6.087 Billion Green Bond Proceeds till January 2019.

Use of Proceeds

Projects funded from the proceeds of the bond provided clear and quantifiable environmental benefits. They also possess linkages with key targets in the Nationally Determined Contributions (NDCs) which reflect Nigeria's commitment to the Conference of Parties of the United Nations Framework Convention on Climate Change

1. Energizing Education Programme

- A Rural Electrification Programme that was implemented in phases by the Rural Electrification Agency, developing off grid independent Power Plant-type projects for the generation and provision of adequate power supply to 37 Federal Universities and 7 Teaching Hospitals across the country.
- The Phase 1 Solar Project Sites funded under the 2017 Green Bond is located in 7 seven universities across the country with a cumulative of 12.5MW capacity.
- The project is developed to strengthen the electricity distribution within the selected universities.
- Over 4580 jobs was created from the construction, operation and maintenance of the power plants.

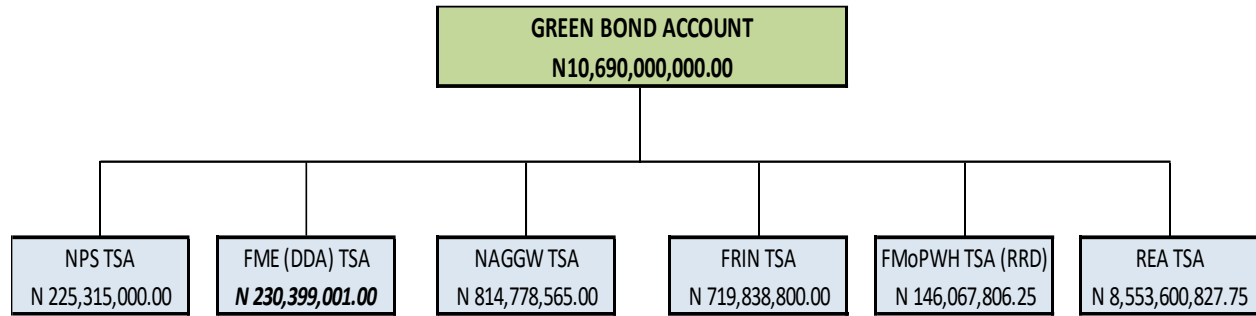
2. Renewable Energy Micro Utility Programme

- The Renewable Energy Micro Utility (REMU) project was implemented by the Federal Ministry of Power, Works and Housing. The implementation of REMU is to showcase the technical feasibility and commercially off grid connected mini-grids and test the application of mini-grid regulation approved by Nigeria Electricity Regulatory Commission (NERC) as well as contribute to achieving Nigeria's climate change mitigation measures on its National Determined Contribution (NDC) in accordance with the objectives of the Paris Agreement and SDGs goal No 7.
- The 60KW Torankawa grid connected mini-grid was implemented with the proceeds of the 2017 issuance.
- 15 direct jobs were created from the programme via the installation, maintenance and replacement of solar panels.
- The construction of the project under the 2017 Green Bond has been completed, commissioned and is supplying reliable power supply to 85 household and 14 small businesses covering 1,750 people.

3. National Afforestation Programme

- The Afforestation programme was implemented by 4 MDAS (Forestry Research Institute of Nigeria, National Agency of Great Green Wall, National Park Service and the Drought & Desertification Amelioration Department of the Federal Ministry of Environment).
- This programme increased forest coverage through the plantation of seedlings to cover 841 hectares of land. Forest/economic trees such as Neem, Khaya, Acacia Senegal, Prosopis, Eucalyptus, Jatropha, Guava, Cashew, Moringa, Mango, Citrus, limon, Citrus sinensis, and Pawpaw seedlings were inclusive
- The programme is helping in the reduction of net emissions and working towards achieving the objectives of Nigeria's Nationally Determined Contributions (NDC) while also supporting the livelihoods of rural communities.

Table 3: FY17 Green Bond Fund Allocation



Reporting

Consistent with the Green Bond guidelines, progress reports are expected to be prepared on the status of the projects. Supervision missions are conducted to verify the status of the projects and provide background input to the progress report. Regular Monitoring & Evaluation Visits are conducted to projects sites during and post implementation.

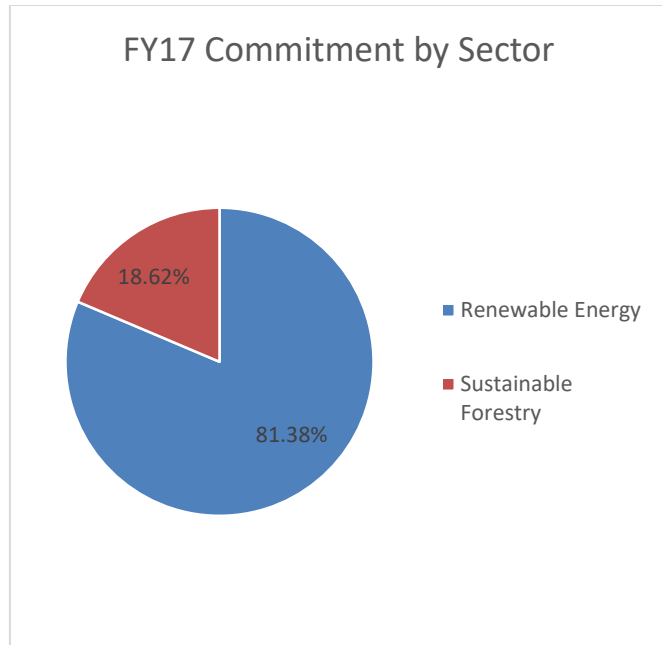
The supervision teams are made up of representatives of the relevant stakeholders of the green bond process including the Debt Management Office, Office of the Accountant General of the Federation, Department of Climate Change and the Pension Fund Administrators being the major investors in the Green Bond.

Table 4: FY17 Project Commitments and Disbursements

Project Themes	MDA-Project	Commitment =N= (m)	% of Total	Disbursements =N= (m)	% Disbursed
Renewable Energy	RRD – REMU	146.07	1.37%	146.07	100%
	REA – EEP	8,553.60	80.01%	8,553.60	100%
Sustainable Forestry	DDA - Afforestation	230.40	2.16%	230.40	100%
	GGW - Afforestation	814.78	7.62%	814.78	100%
	FRIN - Afforestation	719.84	6.73%	719.84	100%
	NPS - Afforestation	225.32	2.11%	225.32	100%
Total		10,690.00	100.00%	10,690.00	100%

Table 4: FY17 Commitment by Sector

Project Themes	Commitment =N= (m)
Renewable Energy	81.38%
Sustainable Forestry	18.62%



Impact Reporting

The table below provides an update on the status of implementation and supervision visits for the various projects funded by the Green Bond proceeds for FY17.

Supervision Visits

Table 5: Supervision and Implementation Status

Project Themes	MDA-Project	Implementation	Supervision
Renewable Energy	RRD-REMU	Completed and Commissioned	Completed
	REA- EEP	WIP	Phase I completed
Sustainable Forestry	DDA- Afforestation	Completed	Completed
	GGW- Afforestation	Completed	Completed
	FRIN- Afforestation	Completed	Completed
	NPS- Afforestation	Completed	Completed

Table 6: Emissions Component for GB1 in Co2 Tons per annum

Sector	Key Performance Indicator	Capacity	Emission reduced or avoided per annum (tCO₂)
Power (Solar Hybrids)	Newly installed renewable energy Renewable energy generation	12.5 MW	29,969
Afforestation		841.6 Ha	3,535
Total			33,504

The expected emission reduction for the afforestation project was 12,870 to 3535 tCO₂ per annum with a total hectares of 2,245Ha. However, post implementation had a capacity of 841.6Ha which led to a drop in the emissions calculations.