GACF

Guide to Accessing Climate Finance

2025

PACE
Partnership for Agile Governance and Climate Engagement

UK International Development
Partnership | Progress | Prosperity

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About PACE

The Partnership for Agile Governance and Climate Engagement (PACE) is a 48-month UK Foreign, Commonwealth and Development Office (FCDO) funded programme. It aims to support coalitions to influence the government to resolve Nigeria's climate and governance problems affecting the poorest and most vulnerable and hold them accountable for the country's climate change objectives.

It is managed by DAI Global UK in association with The Policy Practice, Women Environmental Programme, The International Centre for Energy, Environment and Development, Accountability Lab, Integrity, and Bridge that Gap Nigeria. The programme objectives will be achieved by increasing state government income from internally generated revenue; mainstreaming climate action in the centre of state government policy, planning and budgets; and strengthening election delivery and credibility. PACE will achieve this by working with multi-stakeholder coalitions at the federal and sub-national levels, including civil society organisations, the private sector, progressive state governments, and the Federal government, thinking and working politically and using applied political economy analysis, through a Whole of Society approach. PACE emerges from a rich legacy of over two decades of governance reform efforts in Nigeria, drawing on the successes and lessons learned from previous initiatives. These include the Partnership to Engage, Reform and Learn (PERL), the State Partnership for Accountability, Responsiveness and Capability (SPARC), the State Accountability and Voice Initiative (SAVI), and the State and Local Government Programme (SLGP). The programme is implemented in Kaduna, Kano, and Jigawa in north-western Nigeria, with targeted strategic engagement at the federal and regional levels but aims to influence change throughout all 36 states of Nigeria.

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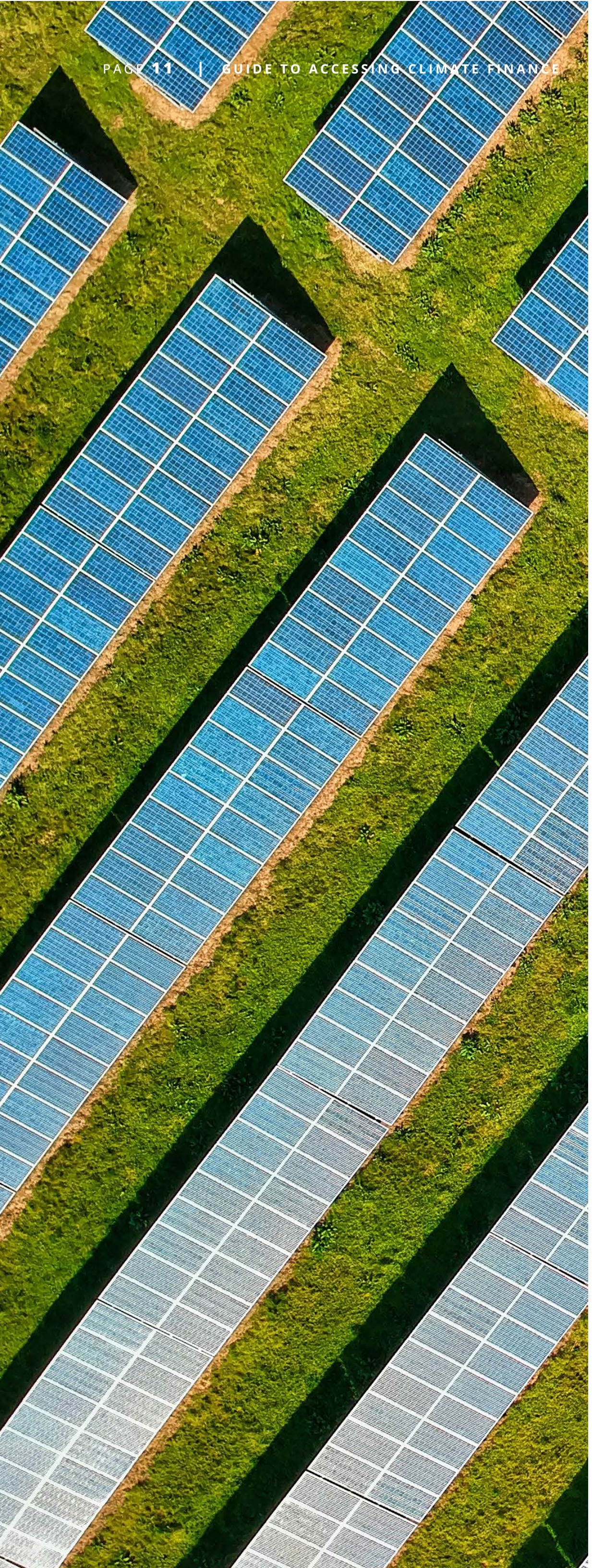
Acronyms and Definitions

Abbreviations	Full Meaning
AAUs	Assigned Amount Units
ACCF	Africa Climate Change Fund
ACMI	Africa Carbon Markets Initiative
ADB	Asian Development Bank
AFD	Agence Francaise de Development
AfDB	African Development Bank
AFS	Annual Financial Statement
AMA	Accreditation Master Agreement
ASAP	Adaptation for Smallholder Agriculture Programme
ASWAMA	Anambra State Waste Management Agency
AU	African Union
BCC	Budget Call Circular
BIRs	Budget Implementation Reports
BMZ	Federal Ministry of Economic Cooperation and Development (Germany)
CACF	Canada-African Development Bank Climate Fund
CAD	Canadian Dollar
CBD	Convention on Biological Diversity
CDF	Capital Development Fund
CDM	Clean Development Mechanism
CERs	Certified Emission Reductions
CF	Climate Finance
CFACR	Canada Fund for African Climate Resilience
CIDA	Canadian International Development Agency
CIF	Climate Investment Funds
COP	Conference of the Parties of the UNFCCC
CPI	Climate Policy Initiative
CSOs	Civil Society Organisations
CSR	Corporate Social Responsibility
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DARES	Distributed Access through Renewable Energy Scale-Up
DCIF	Danish Climate Investment Fund
DeMPA	Debt Management Performance Assessment
DFIs	Development Finance Institutions
DKK	Danish Krone
DLRs	Disbursement Linked Results
DMO	Debt Management Office
DRM	Domestic Revenue Mobilisation
DSA	Debt Sustainability Analysis
DSA-DMS	Debt Sustainability Analysis and Debt Management Strategy
EAUs	European Union Allowances
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EPSRA	Electric Power Sector Reform Act

ERUs	Emission Reduction Units
ESG	Environmental, Social, and Governance
ESS	Environmental and Social Safeguards
EU	European Union
€	Euro
ExCo	Executive Council
FAAC	Federation Account Allocation Committee
FCDO	Foreign, Commonwealth and Development Office
FCMB	First City Monument Bank
FIP	Forest Investment Program
FRLD	Fund for Responding to Loss and Damage
GBP	Green Bond Principles
GCF	Green Climate Fund
GCPF	Global Climate Partnership Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GOV	Governance
GPFS	General-Purpose Financial Statements
GIZ	Gesellschaft für Internationale Zusammenarbeit
HOPE	Human Capital Opportunities for Prosperity and Equity
HOPE-GOV	Human Capital Opportunities for Prosperity and Equity - Governance
ICAN	Institute of Chartered Accountants of Nigeria
ICF	International Climate Finance
ICMA	International Capital Market Association
IDA	International Development Association
IDB	Inter-American Development Bank
IDFC	International Development Finance Club
IEP	Integrated Energy Planning
IER	International Economic Relations Department (Ministry of Finance)
IFC	International Finance Corporation
IFU	Investment Fund for Developing Countries
IGR	Internally Generated Revenue
IPSAS	International Public Sector Accounting Standards
IRM	Initial Resource Mobilisation
JICA	Japan International Cooperation Agency
KfW	Bank aus Verantwortung
KKJ	Kano, Kaduna, and Jigawa
KPIs	Key Performance Indicators
LAWMA	Lagos Waste Management Authority
LDCs	Least Developed Countries
M&E	Monitoring, Evaluation, and Reporting
MAPS	Methodology for Assessing Procurement Systems
MCFs	Multilateral Climate Funds
MDAs	Ministries, Departments and Agencies
MDBs	Multilateral Development Bank
MEAs	Multilateral Environmental Agreements
MEL	Monitoring, Evaluation, and Learning
MOU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
MTRS	Medium-Term Revenue Strategy
MTSS	Medium-Term Sector Strategy
NAPs	National Action Plans

NCCC	National Council for Climate Change
NDA	National Designated Authority
NDF	Nordic Development Fund
NERC	Nigerian Electricity Regulatory Commission
NDC	Nationally Determined Contribution
NCOA	National Chart of Accounts
NGOs	Non-governmental Organisations
NICFI	Norway's International Climate and Forest Initiative
ODA	Official Development Assistance
OECD DAC	Organisation for Economic Co-operation and Development - Development Assistance Committee
PAC	Public Accounts Committee
PACE	Partnership for Agile Governance and Climate Engagement
PBU	Pædagogernes Pensionskasse/ Pædagogernes Pension
PEFA	Public Expenditure and Financial Accountability
PERL	Partnership to Engage, Reform and Learn
PFM	Public Financial Management
PFM-RAA	Public Financial Management Rapid Annual Assessment
PIMA	Public Investment Management Assessment
PLSI	Paradigm Leadership Support Initiative
PPCR	Pilot Program for Climate Resilience
PPP	Public-Private Partnership
RAA	Rapid Annual Assessment
REA	Rural Electrification Agency
REF	Rural Electricity Fund
SAVI	State Accountability and Voice Initiative
SCF	Subnational Climate Fund
SDGs	Sustainable Development Goals
SDP	State Development Plan
SEC	Securities and Exchange Commission
SEFA	Sustainable Energy Fund for Africa
SEforALL	Sustainable Energy for All
SHoA	State House of Assembly
SIDS	Small Island Developing States
SLGP	State and Local Government Programme
SMEs	Small and Medium-Sized Enterprises
SPARC	State Partnership for Accountability, Responsiveness and Capability
SPV	Special Purpose Vehicle
SREP	Scaling Up Renewable Energy Program
Stockholm POPs	Stockholm Convention on Persistent Organic Pollutants
TA	Technical Assistance
UAE	United Arab Emirates
UK	United Kingdom
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VfM	Value for Money
WASH	Water, Sanitation and Hygiene
WIM	Warsaw International Mechanism
WWF	World Wildlife Fund
WWF	World Wildlife Fund



Executive Summary

Nigeria is very vulnerable to climate change, with impacts affecting agriculture, water, and energy security – all deepening poverty and inequality. These translate to significant economic losses which will continue to be an issue, requiring urgent adaptation measures going forwards. As such, climate change poses a serious challenge to Nigeria's sustainable development, particularly at the subnational level, where climate vulnerability is compounded by limited institutional and financial capacity.

While tracked climate finance inflows rose to $2.5 billion in 2021/2022, this remains far below the $17.7 billion annual requirement (Climate Policy Initiative, 2025). Between 2015 and 2021, Nigeria received $4.93 billion for 828 projects with 52% of this targeting adaptation, 43% mitigation, and 6% crosscutting (Oxfam, 2023). The $10 billion COP27 package remains largely unsecured. Integrating climate finance with Nigeria's economic agenda is critical for achieving the SDGs and 2030 vision of shared prosperity.

$2.5B
tracked climate finance inflows 2021/2022

$17.7B
annual requirement

$4.93B
recieved by Nigeria for 828 projects

Key barriers to climate finance

High capital costs and debt constraints: $91.5 billion debt stock; $2.8 billion external debt servicing (APRI, 2024).

Policy & institutional gaps: Weak enforcement, inconsistent regulations, low project pipeline capacity (DG Trésor, 2023; Olaniwun Ajayi LP, 2024).

Limited private sector engagement: Despite global interest, investment uptake remains low (Climate Policy Initiative, 2025).

As a result, Nigeria's absorption rate from instruments like the Green Climate Fund is low, hindered by bureaucratic bottlenecks and a shortage of bankable projects. Accessing climate finance is crucial for supplementing traditional budgetary resources and financing the investments necessary for climate-resilient and inclusive economic development. At the same time, there is an increasing appetite to pursue diverse financing options, such as green bonds, climate grants, and public-private partnerships. PACE seeks to tackle these challenges by building public, private and community-based partnerships and this Guide to Accessing Climate Finance is intended to support these efforts.

This Guide is intended as a resource to help states and eco-friendly business to access climate finance. It serves as a practical tool to broadly assess the readiness of governments to secure climate funding and to guide them in taking the necessary steps to access specific climate finance instruments. It offers step-by-step strategies for developing fundable proposals, matching projects to financing sources, and compliance support.

The Guide identifies and provides background information on 33 climate finance sources available to governments, drawn from a total of 93 sources. These climate sources cover domestic sources (public sector and private sector), international (foreign) sources (multilateral and bilateral partners, and philanthropic organisations/climate foundations), and climate financial instruments. It also offers detailed guidance on accessing the 18 priority climate finance sources:

1. **Public sector recurrent revenue (i.e., federation accounts transfers and internally generated revenue).**

2. **Domestic private financing facilities as follows:**
   - Access Bank plc - Japan International Cooperation Agency (JICA);
   - Stanbic IBTI- FinDev Canada;
   - InfraCredit Climate Facility;
   - First City Monument Bank (FCMB) Renewable Energy;
   - Fidelity Bank Green Finance Programme;
   - Sterling One Foundation.

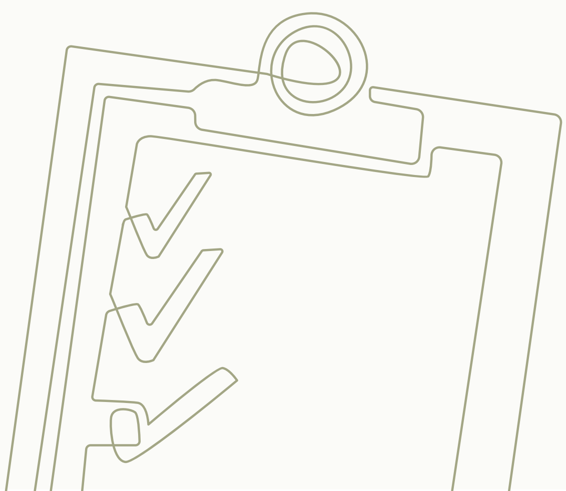
3. **International (multilateral and bilateral) sources as follows:**
   - Global Environment Facility (GEF) – Multilateral;
   - Green Climate Fund (GCF) – Multilateral;
   - Africa Climate Change Fund (ACCF) – Multilateral;
   - United Kingdom-International Climate Fund (UK-ICF) – Bilateral;
   - Agence Francaise de Development-Global Environment Facility (AFD-GCF) Credit and Tech Assistance Facility – Bilateral;
   - Danish Climate Inv Fund – Bilateral;
   - Canada-African Development Bank Climate Fund – Bilateral;
   - Nigeria-Germany Cooperation Global Energy Transition – Bilateral;
   - Norwegian Support for the Global Framework for Climate Service – Bilateral.

4. **Specific climate financing instruments as follows:**
   - Bond;
   - African Carbon Markets Initiative (ACMI).

Guidance on these 18 priority climate finance sources includes information on the eligibility criteria, application steps and requirements, and reporting obligations during the implementation of projects funded through the financing instrument. The Guide also identifies core policy, planning and PFM processes that states should look to adopt as prerequisites for pursuing financing from these sources.

Finally, the Guide includes a practical Climate Finance Readiness Assessment Checklist, a diagnostic tool designed to help state governments and eco-friendly businesses to systematically evaluate their level of preparedness to access climate finance. This checklist has been distilled from detailed analysis of the 18 climate finance sources

By using the checklist to identify existing gaps, state governments and eco-friendly businesses can outline reform actions to address the gaps before pursuing access to specific climate finance instruments.
It is intended that this Guide will be deployed through a collaborative process involving state governments and relevant institutional stakeholders, including Ministries of Environment, Finance, Budget, Planning, and state-level climate task teams, including relevant civil society networks.



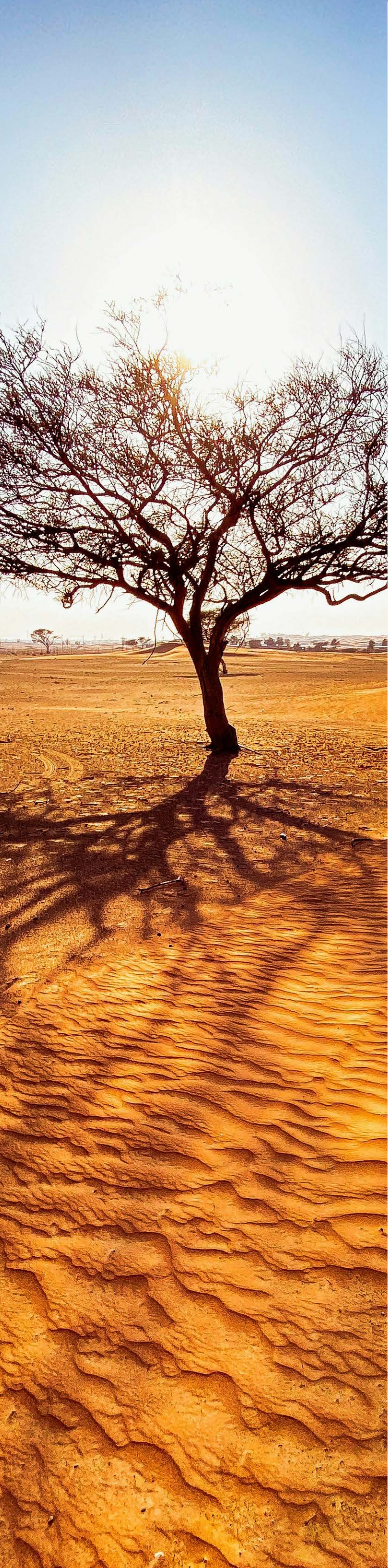
The deployment will support:

- **Baseline assessments of climate finance readiness of states and eco-friendly businesses;**
- **Policy dialogue and technical assistance planning tailored to specific institutional and financing gaps, including fiduciary considerations;**
- **Integrating climate finance into planning and budgeting processes through instruments such as State Development Plans (SDPs), Medium-Term Expenditure Frameworks (MTEFs), and Medium-Term Sector Strategies (MTSSs);**
- **Strengthening public investment processes in climate-vulnerable sectors such as agriculture, water, energy, transport, and waste; and**
- **Mobilising investment through improved regulatory clarity, access to incentives, and enhanced financing pathways.**

By equipping key stakeholders (state government and eco-friendly private sector businesses) with the tools and knowledge to unlock climate finance, this Guide positions subnational governments and eco-friendly businesses as key drivers of Nigeria's climate response -empowering them to protect livelihoods, build climate resilience, and foster inclusive growth and low-carbon development.

01 Introduction

Accessing climate finance is crucial for financing the investments necessary for climate-resilient and inclusive economic development.



1.1. Background and Rationale

Climate change poses serious challenges to Nigeria's sustainable development, particularly at the subnational level, where climate vulnerability is compounded by limited institutional and financial capacity. While states and local governments face the direct impacts of climate change, they remain poorly equipped to access and manage the resources needed for effective climate action. Despite the growth of international and domestic climate sources, state governments' access to climate finance remains constrained by weak public financial management systems, fragmented governance structures, and limited capacity to develop bankable climate-related projects and access existing climate finance.

Accessing climate finance is crucial for financing the investments necessary for climate-resilient and inclusive economic development. Many Nigerian states are unaware of the climate finance sources available to governments and eco-friendly private sector businesses in the states. Additionally, states have limited knowledge of the eligibility requirements, institutional arrangements, and technical capacities necessary to access available climate finance windows. In response, FCDO PACE has produced this 'Guide' to identify and provide background information on the primary climate finance sources available to states. It also serves as a practical tool for assessing states' capability, preparedness and readiness to access climate finance. It provides a checklist covering public investment management, fiduciary systems, climate governance, and human and institutional capacity, helping states to diagnose gaps, identify reforms, and position themselves to unlock and effectively utilise climate finance. This will help state governments to systematically understand the requirements for the most relevant sources of climate financing, identify gaps, diagnose challenges, and design targeted reform actions to strengthen their eligibility for climate funding. A similar diagnostic tool is provided for eco-friendly private sector businesses.

This initiative aligns with Nigeria's climate policy objectives, including the Climate Change Act, the National Development Plan (2021–2025), and the Nationally Determined Contribution (NDC) targets. Early findings from the PACE Inception Phase Climate and Environment Review show increasing political will in its partner states, Kano, Kaduna, and Jigawa (KKJ), to pursue diverse financing options, including green bonds, climate grants, and Public-Private Partnerships (PPPs). The three partner states have demonstrated openness to technical assistance, particularly in strengthening PFM systems and governance frameworks. This Guide is expected to be equally valuable to the other 33 states of Nigeria.

However, political economy risks, such as fiscal constraints, institutional weaknesses, and shifting political priorities, may hinder reform uptake unless interventions are context-specific and state-led. This Guide provides a framework for state governments to self-assess their capabilities and readiness for climate finance, identify binding constraints, and develop actionable reform plans.

By leveraging the growing political traction and supporting evidence-based engagement, it aims to catalyse institutional change and enhance state access to climate finance as a resilient, low-carbon development tool.

1.2. Objectives

Specific objectives of the Guide are as follows:

Identify the available sources of climate finance (both domestic and international) that state governments (including eco-friendly private sector businesses in states) can access;

Lay out the specific requirements and eligibility conditions for accessing these sources of finance;

Provide a Practical Guide in the form of checklists for assessing states' (including eco-friendly private sector businesses in states) capability to access climate finance;

Provide a tool for identifying and analysing key institutional, financial, and technical bottlenecks that constrain effective climate finance mobilisation at the state level.

This Guide will ultimately support Nigerian states in developing robust institutional and technical capacities to attract and utilise climate finance effectively - driving inclusive, climate-resilient development and contributing to the achievement of Nigeria's Nationally Determined Contributions (NDCs) and other climate goals.

1.3. Approach and Methodology for Developing the Guide

This Guide was developed through extensive desk and document review to identify and validate available climate finance sources relevant to the subnational governments of Nigeria. A foundational research approach was used to systematically collect, analyse, and synthesise information from secondary sources.

Climate Finance Sources were mapped into the following classifications:

01. Domestic Climate Finance Sources:

- Domestic Public Fund (including budget allocations for climate-related action, and climate-related funds).
- Domestic Private Fund

02. International Climate Finance Sources:

- Multilateral funds (Multilateral Climate Fund and Multilateral Development Banks).
- Bilateral programmes.
- Private/Philanthropic organisations and climate-related foundations

03. Climate Financial Instruments:

- Green Bonds.
- Carbon markets.
- Debt for Climate Swap.
- Payment for Environmental Services (PES).

93 finance sources have been identified, covering all the categories mentioned above.

These are presented holistically in Appendix 1 of the Priority Climate Finance Sources Detailed Guide. The 93 finance sources were subjected to a rigorous vetting and evaluation process through which 33 were identified as relevant for the African sub-Saharan region, particularly Nigeria. Background information on the 33 sources is presented in Section 2. Detailed guidance was reserved for 18 climate finance sources that were most relevant and readily accessible to state governments, with analysis and practical guidance provided to support state governments in accessing these funds.

The following criteria were used to select 33 finance sources for which background information is provided in Section 2, and to further narrow the finance sources to the 18 covered in the detailed guide:

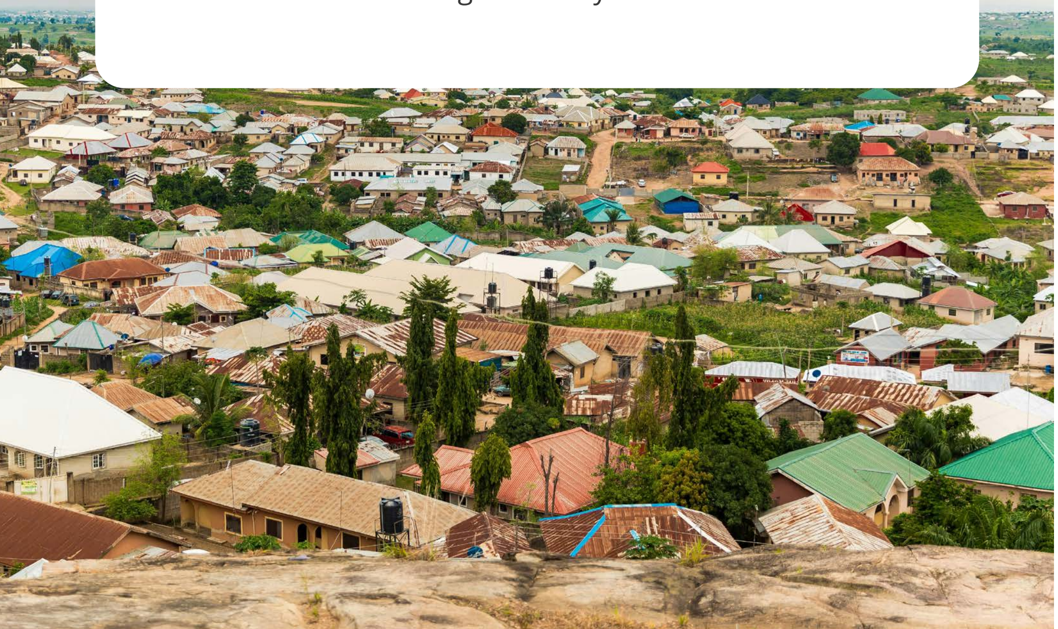
01. Existence and operational status of the fund.

02. Consider whether the fund can be accessed by a Nigerian entity, specifically a state government, or eco-friendly private sector businesses within Nigeria.

03. Evidence of the fund being accessed by the government of Nigeria or a neighbouring country's government, or an eco-friendly business.

04. Assess whether the thematic focus of the fund aligns with the sectors and the states' priorities.

05. The nature of the funding arrangement and instruments being offered by each fund.



1.4. Outline of the Guide

This Guide is made up of four separate elements:

i. **The Main Document (this document)**

ii. **A Detailed Guide for the 18 Priority Climate Finance Sources**

iii. **Guidance on how to perform a readiness assessment of state governments and eco-friendly private sector businesses (i.e., Checklist for Readiness Assessment and Reporting templates)**

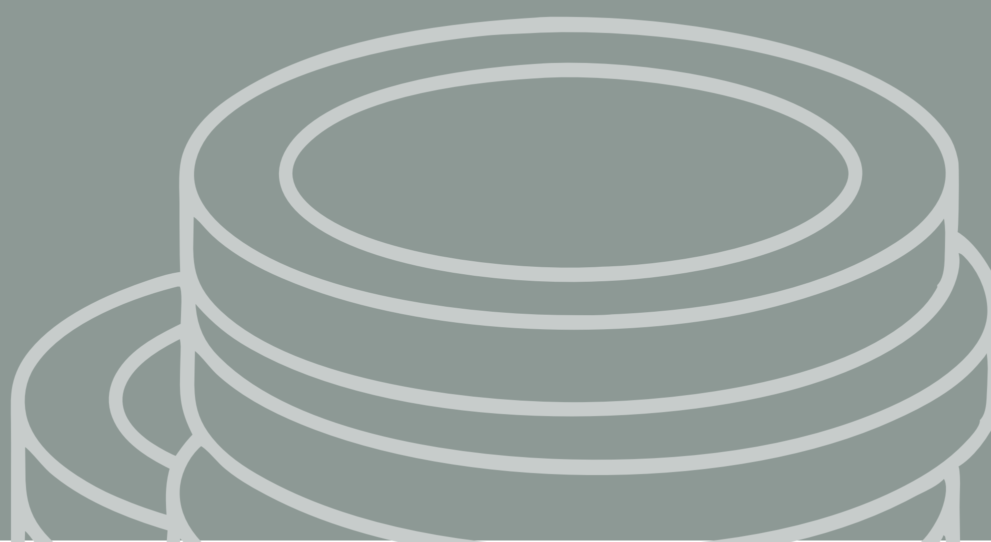
iv. **A Guide Glossary of Terms.**

The Main Document has 5 sections, which commence with this Background and Context section. Section 2 provides background information (i.e., the focus, size and other descriptive information) on 33 likely climate finance sources available to states. Section 3 provides a summary of the key requirements for accessing the 18 prioritised climate sources and other climate sources. More detailed guidance on the specific requirements for accessing any of the 18 prioritised climate finance sources, and the list of the identified 93 climate sources, is provided in a separate document – the Priority Climate Finance Sources Detailed Guide. Section 4 identifies key PFM systems and governance processes critical to adhering to sound climate finance management and outlines potential diagnostic assessments that states might consider in identifying gaps. Concluding statements are provided in Section 5.

02

Overview of Climate Finance

**Public finance sources dominated, contributing $1.78 billion,** primarily from multilateral development finance institutions ($ 1.19 billion), followed by contributions from the government, bilateral development finance institutions (DFIs), and national development finance institutions (DFIs).



2.1 Overview of Climate Finance Landscape

Nigeria's climate finance landscape is characterised by persistent funding shortfalls, marked by an over-reliance on debt-based public finance and limited participation from the private sector. In 2021/2022, the country attracted $2.5 billion in climate finance. Although this was a 32% increase from $1.9 billion in 2019/2020 (Climate Policy Initiative [CPI], 2023) it constitutes less than 1% of the National GDP and falls significantly short of Nigeria's estimated annual need, leaving a financing gap of $27.2 billion. Public finance sources dominated, contributing $1.78 billion, primarily from multilateral development finance institutions ($ 1.19 billion), followed by contributions from the government, bilateral development finance institutions (DFIs), and national development finance institutions (DFIs).

The private sector contributed $760 million, primarily driven by corporate investments totalling $496 million, with additional inputs from households, foundations, and other actors. While public finance continues to drive the climate agenda, growing participation of the private sector, especially in renewable energy, signals a promising, though still limited, shift toward more diversified climate finance in Nigeria.

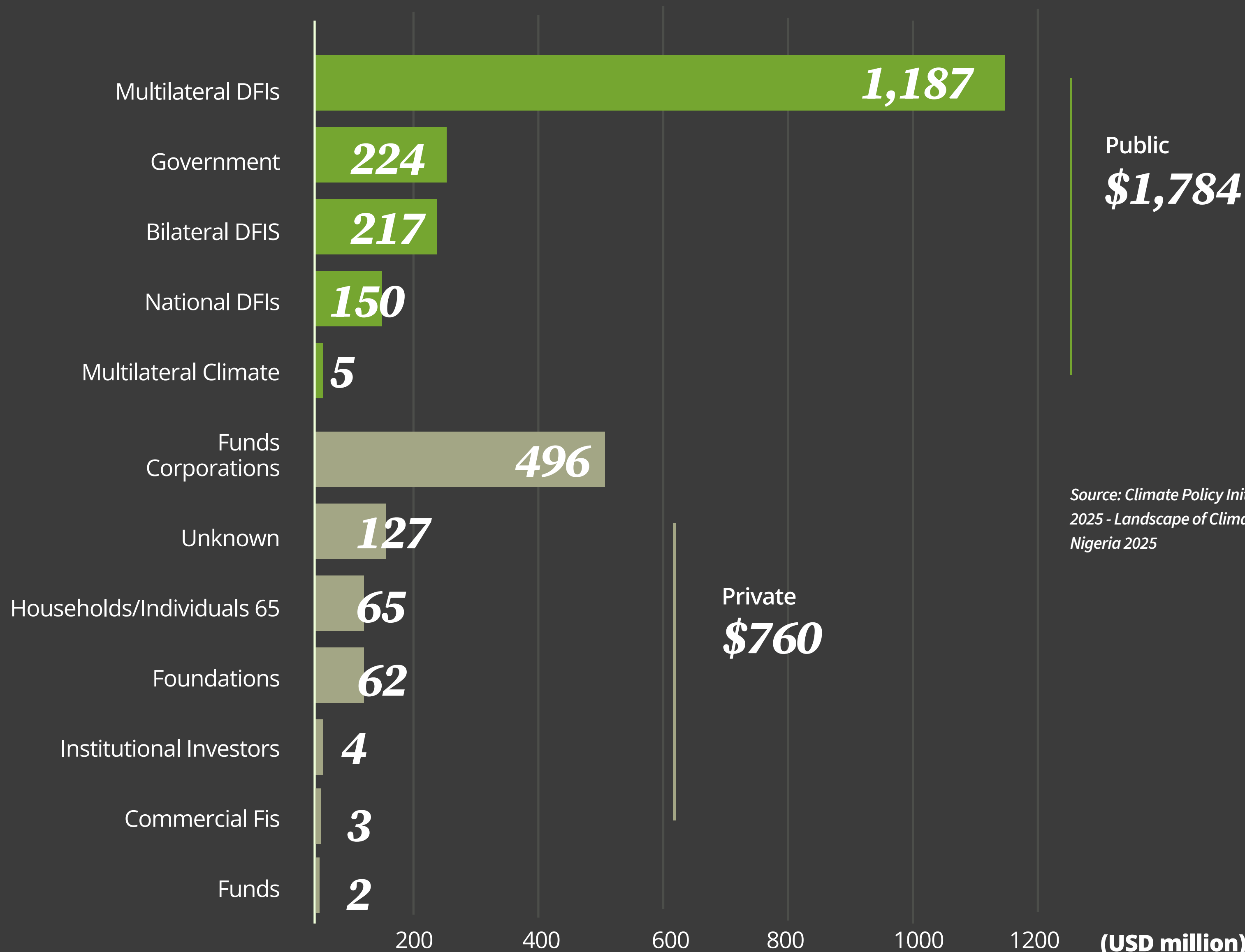
$2.5B
tracked climate finance inflows 2021/2022

<1%
of the National Gross Domestic Product (GDP)

$27.2B
Nigeria Estimated Annual Need

Background information on the 33 climate finance sources available to states (i.e., focus, size, and other descriptive details) is mapped into three main classifications: domestic public climate sources, international climate sources and climate financial instruments, as explained in Section 1.3.

Figure 1. Sources of climate finance in Nigeria (2021/22)



Source: Climate Policy Initiative (CPI), 2025 - Landscape of Climate Finance in Nigeria 2025

2.2 Domestic Climate Finance Sources

2.2.1. Domestic Public Finance

Nigeria's domestic public climate finance sources primarily include budgetary allocations and special-purpose funds to support climate adaptation and mitigation. Key sources include:

1. **Federation Account revenue and Internally Generated Revenue;**
2. **The National Climate Change Fund;**
3. **The Rural Electrification Fund;**
4. **The National Resources Development Fund;**
5. **The Ecological Fund.**

The funds from these sources are vital for implementing Nigeria's NDCs and achieving national climate and development goals in line with international commitments. Table 1 presents background information on these funds.

State Government Recurrent Revenue

01

Financing Source and Mechanism: State Financing Sources: State Government Share of Statutory Allocations, State Government Share of Value Added Tax (VAT), State Government Share of Other Federation Accounts Transfers, and State Internally Generated Revenue (IGR)
Financing Mechanism: Funding of Climate Change Action (recurrent and capital expenditures included in the annual budget)

Available Fund, Duration and Disbursed Amount to Date:
Annual Actual Recurrent Revenue of states – For example, 2023, N1.748 trillion of Federation account transfers and N2.268 trillion of Internally Generated Revenue.
Disbursed Amount to Date: No framework for ensuring that funds are deployed to climate change in states.

Who can access: Available to all states

Thematic Focus and Sectors: All thematic areas; All sectors

Alignment with international frameworks: Available for the attainment of the Paris Agreement, Sustainable Development Goals (SDGs), and NDCs

Web Link: Not Applicable

National Climate Change Fund (NCCF)

02

Date of Establishment: Established through the Nigeria Climate Change Act, 2021, but not yet operational

Financing Source and Mechanism:
Financing Sources:
- Sums appropriated by the National Assembly for the running of the Council.
- Subventions, grants and donations, and fees for services rendered or publications made by the Council.
- Funding from International Organisations and funds due to Nigeria for meeting its NDCs.
- Fines and charges from private and public entities for flouting their Climate Change mitigation and adaptation obligations.
- Carbon tax and emissions trading,
- Such other funds as the Council may prescribe from time to time.

Financing Mechanism: Funding of climate change actions

Available Fund, Duration and Disbursed Amount to Date:
Available Fund and Duration: NA
Disbursed Amount to Date: None
The operational manual for the fund has not yet been defined; therefore, the funding mechanism may vary depending on purpose and targets.

Who can access: National - Climate-focused ministries, departments and agencies (MDAs)/ Public and private entities in Nigeria.
Can also be accessed by sub-national governments

Thematic Focus and Sectors:
Thematic Focus: mitigation and adaptation; advocacy and information dissemination; and the impact of climate change on communities.
Thematic Sectors: Most climate change sectors.

Alignment with international frameworks: Paris Agreement, SDGs, NDCs

Web Link: Not Applicable

Rural Electrification Fund (REF)

Date of Establishment: Established by the Electric Power Sector Reform Act (EPSRA), 2005.

Financing Source and Mechanism:
Financing Sources:
- Operating surplus from the Nigerian Electricity Regulatory Commission (NERC) as provided in Section 53 of EPSRA.
- Any fines obtained by NERC for violation of the provisions of the EPSRA.
- Any donations, gifts, or loans made by international agencies, state governments, the Federal government, local communities, businesses, or any other entity.
- Contributions that may be made under Section 90, and interest, other benefits accrued to the REF.
- Monies appropriated by the National Assembly.
- Such a percentage of the annual turnover of the licensee as prescribed by NERC.

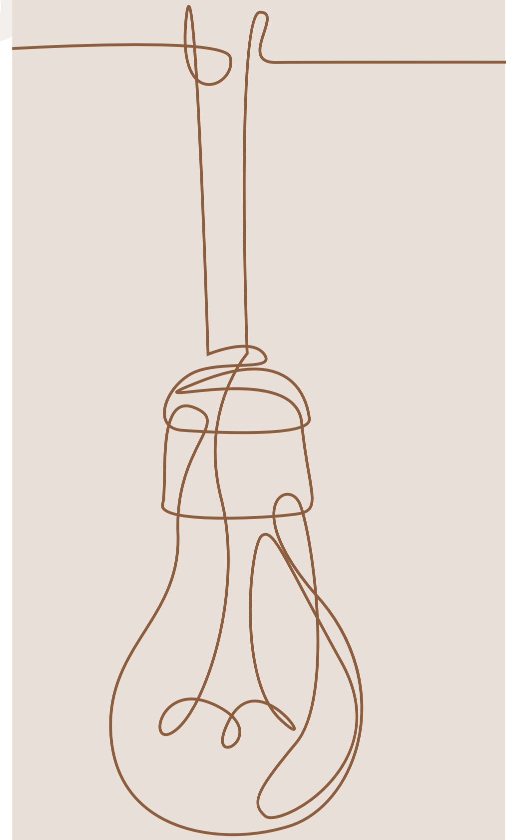
Financing Mechanism: Grants.

Available Fund, Duration and Disbursed Amount to Date:
Available Fund and Duration: Ongoing.
Disbursed Amount to Date: The total cumulative disbursement from the REF since its inception remains unclear. However, REA in 2024 secured $750 million from the World Bank (WB) for the Distributed Access through Renewable Energy Scale-up (DARES) project, aiming to electrify 17.5 million Nigerians. Also, in 2022, REA signed 267 agreements worth about $395 million under the Nigeria Electrification Project (NEP), funded by a $350 million WB loan and a $200 million loan from the African Development Bank (AfDB).
As noted, DARES and NEP are not part of the REF.

Who can access: Private Enterprises, Non-Governmental Organisation (NGOs), or Community, duly registered as a legal entity.

Thematic Focus and Sectors:
Thematic Focus: Renewable off-grid and on-grid rural electrification solutions (Clean Energy).
Thematic Sectors: Energy.

Web Link: Rural Electrification Fund.



Natural Resources Development Fund

04

Date of Establishment: Established in 2002 through the Federation Account Modification Order 2002

Financing Source and Mechanism
Financing Sources: 1.68% of the Federation Account
Financing Mechanism: Transfer through the Federation Account Allocation Committee (FAAC)

Available Fund, Duration and Disbursed Amount to Date
Available Fund and Duration: Ongoing
Disbursed Amount to Date: Approximately N130 billion was transferred to the fund in 2024. However, there have been concerns regarding the utilisation of the fund, as the fund has been used as a loan to finance budget deficits, national security, and electoral processes, deviating from the fund's original intent.

Who can access
Federal Ministries and Subnational Governments

Thematic Focus and Sectors
Thematic Focus: Financial resources to develop alternative revenue sources to oil and gas.
Thematic Sectors: Agriculture and Solid Minerals Development Sectors

Web Link: Natural Resources Development Fund

Ecological Fund

05

Date of Establishment: Established in 1981 through the Federation Account Act, 1981. With further modifications in Decree 36 of 1984 and 106 of 1992, as well as the allocation of the Federation Account modification order of 2002.

Financing Source and Mechanism
Financing Sources:

- 2% of the Federation Account: Dedicated to ecological and derivation purposes.
- 1% of the Derivation Allocation: Specifically allocated to address ecological issues in oil-producing areas.

Financing Mechanism: Transfers through FAAC

Available Fund, Duration and Disbursed Amount to Date
Available Fund and Duration: Ongoing
Disbursed Amount to Date: First Half of 2024 (January–June): states and local governments received a combined total of N44.9 billion in ecological funds. The Ecological Fund is one of the potential domestic public funding sources for the National Agency for the Great Green Wall's (NGGW's) projects in Nigeria.

Who can access
Federal and Subnational Governments.

Thematic Focus and Sectors
Thematic Focus: The Ecological Fund is utilised for various environmental interventions, including: Erosion control and flood management, Desertification and drought mitigation, Pollution control and environmental sanitation, Coastal and shoreline protection.
Thematic Sectors: Environment

Web Link: Ecological Fund

2.2.2. Domestic Private Climate Finance

Climate finance from domestic private sources in Nigeria is gradually expanding, driven by growing awareness of climate risks and opportunities. Banks and financial institutions are beginning to integrate climate considerations into their lending and investment portfolios. Private philanthropic organisations and foundations also support grassroots climate initiatives and community-based resilience projects. These contributions complement public climate finance and play a crucial role in bridging the climate financing gap and advancing Nigeria's low-carbon, climate-resilient development agenda.

Some of the primary sources are:

1. Access Bank Plc Climate Finance Facility;
2. Stanbic IBTC Sustainable Finance Partnership;
3. InfraCredit Climate Facility (InfraCredit CF);
4. First City Monument Bank - FCMB Renewable Energy Finance Facility;
5. Fidelity Bank Green Finance Programme;
6. Sterling One Foundation Climate and Economic Summit Group Programme;
7. Heirs Holdings Climate and Sustainable Infrastructure Fund;
8. Wema Bank Climate Finance Facility.

01

Access Bank Plc Climate Finance Facility via Japan International Cooperation Agency (JICA) Loan

Date of Establishment: 2023; Loan agreement signed to advance climate change measures.

Financing Source and Mechanism:
Financing Source: Japan International Cooperation Agency (JICA) + Access Bank private capital.
Financing Mechanism: Concessional loans and commercial loans.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $75 million loan; multi-year disbursement from 2023, ongoing.
Disbursed Amount to Date: Estimated $20 million deployed as of 2024.

Who can access:
National and sub-national entities, renewable energy, energy efficiency, and agriculture projects.

Thematic Focus and Sectors:
Thematic Focus: Renewable energy, energy efficiency, climate-smart agriculture.
Thematic Sectors: Renewable energy, energy efficiency, agriculture.

Alignment with international frameworks:
Supports Nigeria's NDC; SDG 7, SDG 13.

Web Link: Access Bank Climate Finance.

02

Stanbic IBTC Sustainable Finance Partnership with FinDev Canada

Date of Establishment: 2024

Financing Source and Mechanism:
Financing Source: FinDev Canada + Stanbic IBTC Bank.
Financing Mechanism: Blended finance, sustainability-linked loans, project financing.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: Estimated US$40 million; multi-year.
Disbursed Amount to Date: Estimated $5 million.

Who can access:
Women-led enterprises; national coverage.

Thematic Focus and Sectors:
Thematic Focus and Sectors: Agribusiness, health, education, housing, infrastructure.

Alignment with international frameworks:
SDGs 5, 7, 11, 13; Nigeria's NDC.

Web Link: Stanbic IBTC Sustainable Finance.

03

InfraCredit Climate Facility (InfraCredit CF)

Date of Establishment: 2016

Financing Source and Mechanism:
Financing Source: Private capital, donor grants, and Multilateral Development Banks (MDBs) support.
Financing Mechanism: Guarantees, credit enhancement, partial risk coverage.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: Approx. $200 million; ongoing.
Disbursed Amount to Date: Over $50 million in guarantees.

Who can access:
States, Special Purpose Vehicles (SPVs), Public-Private Partnership (PPP) developers

Thematic Focus and Sectors:
Thematic Focus: Renewable energy, resilient infrastructure.
Thematic Sectors: Energy, off-grid, infrastructure.

Alignment with international frameworks:
Nigeria's NDC; SDG 7

Web Link: InfraCredit Climate Facility

04

FCMB Renewable Energy Finance Facility

Date of Establishment: 2018

Financing Source and Mechanism:
Financing Source: Commercial funds, Development Finance Institutions (DFI) support, and capital markets.
Financing Mechanism: Small and medium-sized enterprises (SME) loan, guarantees, and co-financing.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $50 million; revolving based on repayment.
Disbursed Amount to Date: Approx. $15 million

Who can access:
Micro, Small and Medium Enterprises (MSMEs), cooperatives, and state-level energy developers

Thematic Focus and Sectors:
Thematic Focus: Renewable energy, off-grid
Thematic Sectors: Mini-grids, solar, and hybrid systems.

Alignment with international frameworks:
Nigeria's NDC; SDG 7

Web Link: FCMB Renewable Energy Finance Facility

05 Fidelity Bank Green Finance Program

Date of Establishment: 2017

Financing Source and Mechanism:
Financing Sources: Banking funds, green bonds, and DFIs.
Financing Mechanisms: Green SME loans, blended finance, Environmental, Social and Governance (ESG) financing.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $30 million; ongoing.
Disbursed Amount to Date: $10 million approx.

Who can access:
MSMEs in green sectors.

Thematic Focus and Sectors:
Thematic Focus: Renewable energy, climate-smart agriculture.
Thematic Sectors: Agriculture, energy, green infrastructure.

Alignment with international frameworks:
SDGs 7, 13; Nigeria's NDC.

06 Sterling One Foundation Climate and Environmental, Social, and Governance (ESG) Program

Date of Establishment: 2015

Financing Source and Mechanism:
Financing Sources: Corporate Social Responsibility (CSR) funds, philanthropy, and impact capital.
Financing Mechanism: Grants, catalytic capital, PPPs.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $5 million/year; multi-year.
Disbursed Amount to Date: Over $3 million.

Who can access:
NGOs, states, and community groups.

Thematic Focus and Sectors:
Thematic Focus: Water, sanitation and hygiene (WASH), food security, climate resilience.
Thematic Sectors: Water, agriculture, and education.

Alignment with international frameworks:
SDGs 2, 6, 13; Nigeria's NDC.

Web Link: Sterling One Foundation.

07

Heirs Holdings Climate and Sustainable Infrastructure Fund

Date of Establishment: 2020

Financing Source and Mechanism:
Financing Sources: Private equity + impact capital.
Financing Mechanism: Equity, green bonds, project finance.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $100 million; medium/long-term.
Disbursed Amount to Date: $40 million as of 2024.

Who can access:
Large-scale developers, Agri-climate ventures.

Thematic Focus and Sectors:
Thematic Focus: Infrastructure, Resilience, Energy.
Thematic Sectors: Transport, Energy, Agriculture.

Alignment with international frameworks:
Nigeria's NDC; SDGs 9, 13.

Web Link: Heirs Holdings.

08

Wema Bank Climate Finance Facility

Date of Establishment: 2021

Financing Source and Mechanism:
Financing Sources: Wema Bank capital, DFIs.
Financing Mechanism: Concessional loans, green loans.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds and Duration: $25 million; flexible terms.
Disbursed Amount to Date: Approx. $8 million.

Who can access:
MSMEs, Agri/energy enterprises.

Thematic Focus and Sectors:
Thematic Focus: Climate-smart agriculture, Renewable energy.
Thematic Sectors: Agriculture, Clean tech.

Alignment with international frameworks:
Nigeria's NDC; SDGs 7, 13.

Web Link: Wema Bank Climate Finance Facility.

2. 3. International Climate Sources

2.3.1 Multilateral Climate Finance

Multilateral Climate Funds (MCFs) are vital financial mechanisms established under the international climate change regime and legal frameworks, notably the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, as well as other multilateral bodies within the UN system, to support developing countries in addressing climate change (UNFCCC, 2015; World Bank, 2021). They provide concessional finance for adaptation and mitigation, primarily through grants, guarantees, and market-linked instruments (OECD, 2020). In Africa, MCFs have contributed approximately $2.5 billion to adaptation efforts to date, accounting for about 5% of tracked adaptation finance between 2017 and 2018 (Climate Funds Update, 2019).

Designed to mobilise and disburse resources from donors, governments and development finance institutions, MCFs play a catalytic role in attracting private investment into high-risk climate projects through instruments such as first-loss equity and repayment guarantees. They also support capacity building and technology transfer, which are particularly crucial for countries with limited fiscal and institutional resources.

Multilateral institutions govern the MCFs as trustees to ensure transparency, alignment with national climate priorities, and equitable access. Countries must meet fiduciary and institutional standards to qualify for funding, reinforcing the importance of robust governance and readiness in accessing climate finance. Also discussed under these subheadings are the Multilateral Development Banks (MDBs). The MDBs are important providers of climate finance. They are financial vehicles created by governments to support economic and social efforts, predominantly in developing countries. The MDBs' goals usually mirror the aid and collaboration regulations of their founding members.

The key MCFs reviewed here are:

1. Global Environment Facility (GEF);
2. Green Climate Fund (GCF);
3. Africa Climate Change Fund – AfDB;
4. Fund for Responding to Loss and Damage (FRLD);
5. Climate Investment Funds (CIF), including the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF);
6. Subnational Climate Fund (SCF);
7. Global Climate Partnership Fund (GCPF);
8. Adaptation for Smallholder Agriculture Programme (ASAP);
9. Climate Catalyst Fund.

Note that the MDB projects currently being implemented in the states are not listed above, as the states are already familiar with the financing mechanism, thematic themes, sectors, qualifying, and disbursement conditions.

Global Environment Facility (GEF)

01

Date of Establishment: Established in 1991; became the official financial mechanism for major environmental conventions in 1992.

Financing Source and Mechanism:
Financing Source: Contributions from 186 participating (donor) countries through periodic replenishments. Currently in its 8th Replenishment (GEF-8: 2022–2026).
Financing Mechanism: Official financial mechanism for five international environmental conventions: United Nations Framework Convention on Climate Change (UNFCCC), Convention on Biological Diversity (CBD), United Nations Convention to Combat Desertification (UNCCD), Stockholm POPs, and Minamata Conventions.

Available Fund, Duration and Disbursed Amount to Date:
Available Funds: $5.33 billion (2022–2026).
Disbursed Amount: Over $23 billion in grants and mobilised more than $129 billion in co-financing for more than 5,000 projects in 170+ countries (from 1991 to 2024).

Who can access: Developing countries and economies in transition that are party to the relevant multilateral environmental agreements (MEAs).

Thematic Focus and Sectors:
Biodiversity, Climate Change Mitigation and Adaptation, Land Degradation, International Waters, Chemicals and Waste, Sustainable Forest Management.
Thematic Sectors: Environment, Energy, Agriculture, Forestry, Water Resources, Urban Development.

Alignment with international frameworks: Aligned with the Paris Agreement, SDGs, Kunming-Montreal Global Biodiversity Framework, UNCCD Strategic Objectives, and more.

Web Link: Global Environment Facility.

Green Climate Fund (GCF)

02

Date of Establishment: Established in 2010 by the UNFCCC; operational since 2015

Financing Source and Mechanism
Contributions from developed country Parties to the UNFCCC, the private sector, foundations, and other sources

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Over $20 billion pledged as of 2023 (GCF-1: 2020–2023; GCF-2: 2024–2027 in progress)
Disbursed Amount: Over $13.5 billion disbursed, supporting more than 200 projects in over 120 countries (as of 2023) (including cofinancing, the total sum will be USD51.9b)

Who can access
Developing country Parties to the UNFCCC and the Paris Agreement.
Subnational entities are eligible upon receipt of a No-Objection from the Country's Designated National Authority (DNA). Projects need to be formulated based on the GCF's readiness framework.

Thematic Focus and Sectors
Thematic Focus: Mitigation and adaptation with a 50:50 allocation mandate. Prioritises climate-vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States, and African States.
Thematic Sectors: Energy, transport, buildings, forests, agriculture, water, health, and climate-resilient infrastructure

Alignment with international frameworks
Fully aligned with the Paris Agreement goals, UNFCCC, and supports NDCs, National Action Plans (NAPs), and the SDGs

Web Link: Green Climate Fund (GCF)

Africa Climate Change Fund – AfDB

03

Date of Establishment: 2014.

Financing Source and Mechanism
Financing Sources: Contributions from multiple bilateral donors, including Germany (BMZ), Italy, and the Government of Flanders (Belgium).
Financing Mechanism: Grant-based funding; provides technical assistance, project preparation support, and climate finance readiness grants.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: $38.6 million
Disbursed Amount to Date: Approximately USD 10 million disbursed as of 2024 (estimate; subject to verification on latest disbursement figures)

Who can access
African countries (AfDB regional member countries), regional organisations, NGOs, and the private sector

Thematic Focus and Sectors
Thematic Focus: Climate finance readiness, climate-smart project preparation, mainstreaming climate change into development planning, and capacity building.
Thematic Sectors: Multi-sectoral – including energy, agriculture, water, infrastructure, and cross-cutting governance and policy reforms.

Alignment with international frameworks
Paris Agreement, African Union Agenda 2063, AfDB's Climate Change Action Plan, and the SDGs

Web Link: Africa Climate Change Fund

Fund for Responding to Loss and Damage (FRLD)

04

Date of Establishment: December 2023 (formally operationalised at COP28, UAE)

Financing Source and Mechanism
Financing Sources: Voluntary contributions from developed countries, multilateral development banks, philanthropies, and other private and public sector actors.
Financing Mechanism: Grant-based finance (primarily); part of the UNFCCC financial mechanism, complementary to other climate finance instruments.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: As of March 26, 2025, total pledges amount to approximately USD 765 million, but USD 330.49 million is the total amount held in trust as of June 6th, 2025.
Disbursed Amount to Date: Disbursement not yet begun as of early 2025; governance and operational procedures still being finalised.

Who can access: Developing countries particularly vulnerable to the adverse effects of climate change.

Thematic Focus and Sectors
Thematic Focus: Addressing loss and damage associated with climate-related disasters and slow-onset events (e.g., sea-level rise, desertification).
Thematic Sectors: Cross-sectoral: includes Health, Agriculture, Housing, Infrastructure, coastal protection, and livelihoods affected by climate shocks.

Alignment with international frameworks: Aligned with the UNFCCC and Paris Agreement (Article 8 on Loss and Damage); complements the Warsaw International Mechanism for Loss and Damage (WIM).

Web Link: Fund for Responding to Loss and Damage

Climate Investment Funds (CIF), comprising the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF)

05

Date of Establishment: 2008

Financing Source and Mechanism
Financing Sources: Donor country contributions, capital market bonds (e.g., $500 million debut bond issued in 2025).
Financing Mechanism: Concessional finance via grants, loans, guarantees; managed by six multilateral development banks (World Bank, Asian Development Bank (ADB), AfDB, European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), International Finance Corporation (IFC)).

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Approximately $7.4 billion approved as of 2025; funds allocated project-by-project with no fixed duration.

Who can access: Developing countries, particularly middle- and low-income countries.

Thematic Focus and Sectors
Thematic Focus:
CTF: Low-carbon technology deployment. SCF: Pilot programs for climate mitigation and adaptation (Pilot Program for Climate Resilience (PPCR), Scaling Up Renewable Energy Program (SREP), Forest Investment Program (FIP)).

Thematic Sectors: Energy, Forestry, Agriculture, and Infrastructure.

Alignment with international frameworks: Supports Paris Agreement goals and NDCs.

Web Link: Climate Investment Funds

Subnational Climate Fund (SCF)

06

Date of Establishment: 2023

Financing Source and Mechanism
Financing Sources: Funded through contributions from multilateral development banks, bilateral donors, private sector investors, and philanthropy.
Financing Mechanism: Provides blended finance instruments, including grants, concessional loans, and guarantees to subnational entities.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Current fund size is approximately $150 million, with an initial funding window of 5 years.
Disbursed Amount to Date: Approximately $45 million disbursed as of June 2025.

Who can access: SEligible recipients include subnational governments in developing countries with demonstrated climate vulnerability.

Thematic Focus and Sectors
Thematic Focus: Climate adaptation and mitigation projects focused on resilience building, infrastructure, and low-carbon development.
Thematic Sectors: Energy, water resources, agriculture, urban development, and disaster risk management.

Alignment with international frameworks: Aligned with Paris Agreement goals, SDGs, and the Green Climate Fund's investment criteria.

Web Link: Subnational Climate Finance

07

Global Climate Partnership Fund (GCPF)

Date of Establishment: 2009

Financing Source and Mechanism
Financing Sources: Funded by a mix of public and private investors, including development banks, institutional investors, and DFIs.
Financing Mechanism: Provides debt and equity financing, primarily through local financial institutions to support climate investments.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Approximately EUR 765 million; investment duration typically 10 years.
Disbursed Amount to Date: Over EUR 600 million disbursed since inception till June 2025.

Who can access
Available to emerging and developing markets. Funding is provided either as direct investment in specific projects or made available to local financial institutions.

Thematic Focus and Sectors
Thematic Focus: Renewable energy, energy efficiency, and climate mitigation projects.
Thematic Sectors: Energy, industry, agriculture, and infrastructure sectors.

Alignment with international frameworks
Supports the Paris Agreement goals and contributes to the SDGs.

Web Link: Global Climate Partnership Fund

08

Adaptation for Smallholder Agriculture Programme (ASAP)

Date of Establishment: 2011

Financing Source and Mechanism
Financing Source: Multilateral donors, including contributions from governments and international climate sources.
Financing Mechanism: Grants and concessional financing disbursed via multilateral development banks (MDBs).

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Over $500 million committed since inception; ongoing funding with project durations varying by country and program.
Disbursed Amount to Date: Approximately $500 million disbursed since 2011.

Who can access
Smallholder farmers in developing countries vulnerable to climate change impacts.

Thematic Focus and Sectors
Thematic Focus: Climate adaptation in agriculture, focusing on resilience building, climate-smart agriculture, and sustainable land use.
Thematic Sectors: Agriculture, rural development.

Alignment with international frameworks
Supports the Paris Agreement and Sustainable Development Goals (especially SDG 2 – Zero Hunger, and SDG 13 – Climate Action).

Web Link: Adaptation for Smallholder Agricultural Programme

09

Climate Catalyst Fund

Date of Establishment: 2021

Financing Source and Mechanism
Financing Source: Contributions from philanthropic organisations, governments, and private sector partners.
Financing Mechanism: Blended finance combining grants, concessional loans, and technical assistance to mobilise private sector investment.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: Initial funding of approximately $50 million, designed as a multi-year fund with flexible duration.
Disbursed Amount to Date: Over $20 million disbursed to climate ventures as of 2024.

Who can access
Early-stage climate ventures and projects with high potential for scalability in developing countries.

Thematic Focus and Sectors
Thematic Focus: Supporting climate innovation, early-stage climate tech, and scaling of climate solutions.
Thematic Sectors: Renewable energy, energy efficiency, climate-smart agriculture, and sustainable transport.

Alignment with international frameworks
Aligns with Paris Agreement goals and the SDGs.

Source: Authors' compilation based on documents and online resources from various climate financing entities

2.3.2. Bilateral Climate Finance

Bilateral climate funds are financial resources that one country (or entity) provides directly to another to support climate change mitigation and adaptation efforts. These funds are often part of broader development assistance frameworks and are delivered through national development agencies or implementing entities such as the UK's Foreign, Commonwealth and Development Office (FCDO), Germany's Gesellschaft für Internationale Zusammenarbeit (GIZ), and Norway.

Bilateral cooperation agreements between Nigeria and several developed countries provide funding opportunities for climate change support focused on projects in multiple thematic areas and sectors. The funds (agreements) often focus on financial assistance, technical support, capacity building, policy support and collaborative projects, enhancing their effectiveness to address climate change impacts and promote sustainable development. Bilateral funds align recipient countries' climate goals with international commitments and foster long-term environmental sustainability. Examples include Nigeria-Germany Cooperation in Global Energy Transition, Norwegian Support for the Global Framework for Climate Services and the EU Climate Partnerships.

The key bilateral finance sources reviewed here are:

1. UK Gov - International Climate Finance
2. Agence Francaise de Development (AFD) – GCF facility accessed through the Bank of Industry
3. Canada Fund for African Climate Resilience
4. Danish Climate Investment Fund
5. Nigeria- Germany Cooperation in Global Energy Transition
6. Norwegian support for the Global Framework for Climate Service

UK Gov- International Climate Finance

Date of Establishment: 2011

Financing Source and Mechanism
Financing Sources: UK's Official Development Assistance (ODA) budget.
Financing Mechanism: Grants, Loans, Equity, Guarantees, Results-based finance.

Available Fund, Duration and Disbursed Amount to Date
Available Funds and Duration: £11.6 billion over five years from 2021/22 to 2025/26.
Disbursed Amount to Date: £8.79 billion from 2011–2024.

Who can access
Nigeria (by extension, state governments) are eligible to apply for the facility. Also accessible to private sector businesses focusing on climate and environment.

Thematic Focus and Sectors
Thematic Focus: Clean Energy and Green Growth, Adaptation and Resilience, Nature for Climate and People, Sustainable Cities and Transport, Crosscutting.
Thematic Sectors: Energy and Clean Tech, Forests and Land Use, Agriculture and Food Systems, Water and Resilient Infrastructure, Urban and Transport, Disaster Risk Reduction.

Alignment with international frameworks
UNFCCC, Paris Agreement (PA) Framework, SDGs, CBD, UNCCD, COP Global Declarations.

Web Link: UK–ICF

02

Agence Francaise de Development (AFD) – GCF facility accessed through the Bank of Industry.

Date of Establishment: Agence Francaise de Development (AFD) – GCF facility accessed through the Bank of Industry.
AFD was accredited by the GCF on 8 July 2015. Subsequently, AFD and GCF signed an Accreditation Master Agreement (AMA) on 11 November 2017, which became effective on 16 January 2018. AFD's initial accreditation term spanned from 16 January 2018 to 15 January 2023. A re-accreditation was approved on 12 July 2023, with the execution and effectiveness dates pending.

Financing Source and Mechanism
Financing Source: AFD collaborates with the Green Climate Fund (GCF) to finance climate change mitigation and adaptation projects in developing countries.
Financing Mechanisms: Blended Finance Structure, On-Lending Through Local Financial Institutions, Technical Assistance and Capacity Building, Environmental and Social Safeguards.
Available Fund, Duration and Disbursed Amount to Date

Available Fund, Duration and Disbursed Amount to Date
In 2018, the GCF approved a contribution of USD 280 million. The overall program amounts to more than USD 750 million, combining GCF funds with co-financing from AFD and other partners.
Programme duration: Initial Resource Mobilisation (IRM): 2015–2019. First Replenishment (GCF-1): 2020–2023. Second Replenishment (GCF-2): 2024–2027.
As of December 31, 2023, the Green Climate Fund (GCF) has disbursed approximately USD 4 billion across 110 projects, with USD 930.7 million disbursed in 2023 alone. The GCF has disbursed USD 206.7 million to date.

Who Can Access

- Nigerian government, both national and sub-national, can access this facility.
- Developing countries that have designated a National Designated Authority (NDA).
- Countries that align with AFD's strategic focus areas, such as climate change mitigation and adaptation, sustainable development, and poverty reduction.
- Subnational entities are eligible to apply, for example, under the Support for Sub-National PPP Projects in Nigeria Agreement with Infracredit.

Eligibility Criteria: Alignment with National Priorities, Institutional Capacity, Environmental and Social Standards, Financial Viability, Co-financing Opportunities. State governments are eligible to apply to this Fund.

Thematic Focus and Sectors
Thematic Focus: Climate Change Mitigation and Adaptation, Renewable Energy and Energy Efficiency, Sustainable Agriculture and Climate-Smart Practices, Water and Waste Management, Forestry and Natural Resource Management, Urban Development and Housing, Financial System Transformation.
Thematic Sectors: Energy, Agriculture and Food Security, Forestry and Land Use, Water and Sanitation, Transport and Urban Development, Financial Systems, Waste Management.

Alignment with International Frameworks
Paris Agreement (PA), SDGs, International Development Finance Club (IDFC).

Web Link: AFD-GCF Facility

Canada Fund for African Climate Resilience (CFACR)

03

Date of Establishment: Launched in 2012.
In 2021, the Government of Canada and the AfDB launched the Canada–African Development Bank Climate Fund (CACF).

Financing Source and Mechanism
Financing Sources: Canadian International Development Agency (CIDA).
The Canada-African Development Bank Climate Fund (CACF) is part of Canada's broader commitment to climate change.
Financing Mechanism: Grant-based funding.
For the CACF is a loan.

Available Fund, Duration and Disbursed Amount to Date
Launched with a total funding of CAD 23.2 million.
Provide CAD 5.3 billion between 2021 and 2026 to help developing countries transition to a low-carbon economy.
Disbursed Amount to Date: CFACR launched in 2012, Canada committed CAD 23.2 million to this initiative. As of the end of 2024, CACF has approved approximately USD 71 million out of its total USD 99 million allocation.
Notably, in November 2023, CACF approved USD 36.3 million.

Who Can Access
The department of Global Affairs for Canada is expected to be contacted to access Canada Fund for African Climate Resilience (CFACR).
For CACF, African countries that meet specific credit rating criteria.
E.g. Sovereign Operations: a credit rating of B or higher.
Non-Sovereign Operations: a credit rating of B- or higher.

Thematic Focus and Sectors
Thematic Focus: CFACR supports projects in Infrastructure Protection, Irrigation systems, Port Infrastructure, Climate Adaptation and Climate Mitigation, and Gender Equality.
Thematic Sectors: Energy, Agriculture, Forestry, and Land Use, Transport, Water and Sanitation, Infrastructure, Waste Management, Disaster Risk Management.
Cross-cutting Sector: Gender Equality.

Alignment with International Frameworks
PA, SDGs, Canada's Feminist International Assistance Policy, African Union's Agenda 2063, African Development Bank's Climate Change Action Plan and Gender Strategy (2021–2025).

Web Link: CFACR

Danish Climate Investment Fund

04

Date of Establishment: 2012.

Financing Source and Mechanism

Financing Sources:

- Public Contributions: Danish State contributed DKK 275 million, Investment Fund for Developing Countries (IFU) contributed DKK 250 million.
- Private Contributions: Pension Denmark invested DKK 200 million, PKA invested DKK 200 million, Pædagogernes Pensionskasse (PBU) invested DKK 125 million, Dansk Vækstkapital invested DKK 150 million.

Financing Mechanism: Blended Finance Model, Preferred Returns, Profit Sharing, Investment Types, Risk Mitigation, Investment Size. Managed by Investment Fund for Developing Countries (IFU), combining capital provision and advisory services.

Available Fund, Duration and Disbursed Amount to Date

Total Fund Size: DKK 1.3 billion (USD 220 million).
Investment Period: 2012–2016.
Divestment Period: 2016–2028.
Disbursed Amount to Date: approximately DKK 649.5 million (about USD 94 million) into climate-related projects in developing countries from 2012 to early 2016.

Who Can Access

Projects must be located in developing countries where climate change mitigation or adaptation is needed.
Nigeria, by extension, state governments are eligible for the Fund.
Target regions include Latin America, Asia, Africa, and parts of Eastern Europe.

Thematic Focus and Sectors

Thematic Focus: Climate Mitigation, Climate Adaptation and Resilience, Sustainable Infrastructure, Private Sector Development, Geographical Focus.
Thematic Sectors: Renewable energy, Energy efficiency, Sustainable infrastructure, Climate-smart agriculture and forestry.

Alignment with International Frameworks

PA, SDGs, Addis Ababa Action Agenda (2015), OECD DAC Climate Finance Reporting, European Union (EU) Green Deal and Climate Diplomacy.

Web Link: Danish Climate Investment Fund.

Nigeria-Germany Cooperation in Global Energy Transition

05

Date of Establishment: 2008

Financing Source and Mechanism
Bilateral Support (Germany to Nigeria):

- BMZ and GIZ: Over €100 million in grants for renewable energy, rural electrification, and capacity building.
- KfW and DEG: Loans, green credit lines, and project finance for renewable energy and MSME development.

Multilateral and Regional Mechanisms:

- AfDB's SEFA: Germany contributed €150 million to support renewable energy across Africa, including Nigeria.
- GETinvest Nigeria: Provides finance advisory and de-risking for local clean energy businesses.

Private Sector Partnerships:

- Union Bank & DWS MoU: $500 million agreement to finance renewable energy projects.
- Riverside LNG & JSE MoU: Gas export deal to Germany with environmental benefits.

Strategic Energy Initiatives:

- Hydrogen Cooperation: Germany's Hydrogen Office in Abuja promotes hydrogen technology transfer and market entry.
- Africa Energy Bank (AEB): Nigeria hosts this $5 billion continental bank for energy project financing.

Available Fund, Duration and Disbursed Amount to Date
Over €300 million in public and multilateral funds have been committed, with active disbursement for renewable energy projects and clean energy finance. Major private-sector agreements are signed, with actual disbursement dependent on project execution timelines.

Who Can Access
Nigeria, especially rural and underserved areas. Bilateral focus with Germany; supported by EU and German ministries. National and local-level project implementation.

Thematic Focus and Sectors
Renewable energy (solar, mini grids), Energy efficiency (clean technology, equipment), Hydrogen economy (green hydrogen, Power-to-X i.e. conversion of renewable electricity into various energy carriers or products, such as power-to-gas), Rural electrification and sustainable access, Financial innovation (green credit lines, advisory services)

Alignment with International Frameworks
Supporting Nigeria's Paris Agreement commitments and Nationally Determined Contributions (NDCs), Advancing SDGs, especially SDG 7 (Clean Energy), SDG 13 (Climate Action), and SDG 17 (Partnerships), Contributing to UNFCCC goals on climate mitigation and adaptation, Supporting Africa's renewable energy targets under the AREI (300 GW by 2030), Aligning with the EU Green Deal and Global Gateway strategy for clean energy in Africa, Backing Nigeria's National Energy Transition Plan (NETP 2022) toward net-zero by 2060, Reflecting G7 and G20 commitments on global energy transition support.

Web Link: Nigeria-Germany Cooperation in Global Energy Transition

Norwegian support for the Global Framework for Climate Service

06

Date of Establishment: 2009

Financing Source and Mechanism
Financing Sources:
- Norwegian Ministry of Foreign Affairs (MFA)
- Norwegian Agency for Development Cooperation (Norad)

Financing Mechanism:
- Voluntary financial contributions to the World Meteorological Organisation (WMO) to support GFCS operations.
- Bilateral projects in developing countries, especially in Africa, to strengthen national climate services.
- Multilateral partnerships with organisations like UNDP and AfDB to co-finance climate adaptation initiatives.

Available Fund, Duration and Disbursed Amount to Date
- Norway contributes approximately US$700–900 million annually toward climate finance (2020–2026), primarily through:
- Green Climate Fund (NOK 800 million/year from 2020–2023).
- NICFI (Deforestation): ~NOK 3 billion/year since 2021.
- Clean energy and adaptation via Norfund/Norad: ~NOK 1–1.3 billion/year in the early 2010s.

Who Can Access
Focus on developing countries, especially LDCs and SIDS.
Regional and national programs (e.g., Nigeria, Tanzania, Malawi).

Thematic Focus and Sectors
Thematic Focus:Agriculture & food security, Disaster risk reduction, Health, Water resources, Energy
Cross-cutting areas: Climate observation, modelling, capacity building.

Alignment with International Frameworks
Paris Agreement (2015), United Nations Sustainable Development Goals (SDGs): SDG 13 (Climate Action), SDG 2 (Zero Hunger), SDG 3 (Good Health), Sendai Framework for Disaster Risk Reduction (2015–2030), UNFCCC Nairobi Work Programme, Global Goal on Adaptation (GGA)

Web Link: Norwegian Support for the Global Framework for Climate Change

Source: Authors' compilation based on documents and online resources from various climate financing entities

2.4 Climate Financial Instruments

Financial instruments have been used for financing climate actions in many countries, including Nigeria. Financial instruments are critical tools for mobilising climate finance from both the public and private sectors. These include green bonds, carbon credits, green loans, debt for climate swap, blended finance, and revenue generation through, for example, water-user fees or tariffs to incentivise investment in climate projects.

The key financial instruments reviewed here are:

1. Green Bond
2. Africa Carbon Markets Initiative (ACMI).
3. EIB-KfW Value Added Carbon Fund II
4. Multilateral Carbon Credit Fund (consists of the Project Carbon Fund and the Green Carbon Fund)
5. Debt-for-nature swaps

PACE will develop an options paper on revenue generation to incentivise investment in climate projects, as well as encourage eco-friendly business on the final release of the Revenue Acts by the Federal Government.

Green Bond

01

Date of Establishment: First issued globally in 2007 by the European Investment Bank (EIB) as a "Climate Awareness Bond."
First issued in Nigeria in 2018 by the Nigerian Capital Market.

Financing Source and Mechanism
Financing Source: Federal Government of Nigeria, Nigerian Capital Market.
Mechanism: Bonds issued in line with the Green Bond Principles (GBP) developed by the International Capital Market Association (ICMA). Other standards may also apply depending on placement markets.

Available Fund, Duration and Disbursed Amount to Date
Funds are raised through bond issuance.
Nigeria issued sovereign green bonds in 2018 and 2019.

Who can access
National and State Governments.

Thematic Focus and Sectors
Eligible projects must fall under at least one of the following categories:
Renewable energy (solar, wind, hydro), Energy efficiency upgrades, Climate-resilient infrastructure, Sustainable water and wastewater management, Clean transportation, Pollution prevention and control, Biodiversity conservation

Alignment with international frameworks
Paris Agreement (PA), Sustainable Development Goals (SDGs), Nigeria's Nationally Determined Contributions (NDCs)

Web Link: Green Bond

Africa Carbon Markets Initiative (ACMI)

02

Date of Establishment: Africa Carbon Markets Initiative (ACMI) – Launched at COP27 in November 2022.
Programme under Sustainable Energy for All (SEforALL).

Financing Source and Mechanism
Financing Source: Trading of carbon credits through carbon savings and sales.
Financing Mechanism: Carbon markets – projects reduce greenhouse gas emissions, earn carbon credits, and sell these credits.

Who can access
African governments, communities, project developers, and stakeholders within the African carbon market ecosystem.

Thematic Focus and Sectors
Thematic Focus: Developing a comprehensive and robust African carbon market ecosystem across voluntary and compliance carbon markets, including Article 6 of the Paris Agreement.
Thematic Sectors: Renewable energy & clean cookstoves, Agriculture & forestry, Land use & livestock, Waste management, Blue carbon, Household devices

Alignment with international frameworks
Paris Agreement (including Article 6), Sustainable Development Goals (SDGs)

Web Link: Africa Carbon Markets Initiative (ACMI) | ACMI Roadmap Report

EIB-KfW Value Added Carbon Fund II

03

Date of Establishment: Release Date: 5 May 2009
Signed: 11 December 2009

Financing Source and Mechanism
Financing Sources: European Investment Bank (EIB)
Financing Mechanism: Purchase of carbon credits from Programmatic CDM (Clean Development Mechanism) and/or projects/programmes in Least Developed Countries (LDCs).

Available Fund, Duration and Disbursed Amount to Date
Estimated to be around EUR 100 million
€50,000,000 – EIB Financed

Who can access
Least Developed Countries (LDCs), however, Nigeria is not an LDC but is included to showcase its focus.

Thematic Focus and Sectors
Thematic Focus: Provision of global environmental benefits by supporting projects that help mitigate climate change.
Thematic Sectors: Energy

Alignment with international frameworks
Paris Agreement

Web Link: EIB-KfW Value Added Carbon Fund II, | EIB-KfW Value Added Carbon Fund II

Multilateral Carbon Credit Fund (consists of the Project Carbon Fund and the Green Carbon Fund).

04

Date of Establishment: December 2006

Financing Source and Mechanism
Financing Sources: Commitments of EUR 150 million from six countries and five companies, including a EUR 35 million contribution from Spain. As of 2025, the Green Carbon Fund has commitments from Spain and Ireland totalling EUR 58.5 million.
Financing Mechanism: Purchase of Carbon Credit

Available Fund, Duration and Disbursed Amount to Date
€208.5 million

Who can access
Projects financed by the EBRD and/or EIB, or with the financial involvement of the EBRD and/or EIB in the project.

Thematic Focus and Sectors
Thematic Focus: Supports Participants to meet their mandatory or voluntary greenhouse gas emission reduction targets by purchasing carbon credits (European Union Allowances (EAUs), Certified Emission Reductions (CERs), Emission Reduction Units (ERUs), and Assigned Amount Units (AAUs)) from projects financed by the EBRD and/or EIB.
Thematic Sectors: Agriculture and Forestry, Renewable energy and energy efficiency, Water

Alignment with international frameworks
Paris Agreement

Web Link: Multilateral Carbon Credit Fund | Multilateral Carbon Credit Fund | Multilateral Carbon Credit Fund | Multilateral Carbon Credit Fund

Debt-for-nature swaps

05

Date of Establishment: 1987 by Thomas Lovejoy of the World Wildlife Fund (WWF)

Financing Source and Mechanism
Financing Sources: World Wildlife Fund (WWF) pioneered the first swap in 1987.
Financing Mechanism: Reduction of a portion of the public bilateral debt of a debtor nation in exchange for environmental commitments.

Available Fund, Duration and Disbursed Amount to Date
Disbursed Amount to Date: Eurodad reports around 202 swaps, totalling about USD 8.4 billion restructured, generating around USD 1–2 billion in conservation finance.

Who can access
The government must have outstanding bilateral, multilateral, or commercial debt, often at a discount or in default, making it attractive for restructuring.

Thematic Focus and Sectors
Thematic Focus: Biodiversity conservation, climate change adaptation and mitigation, sustainable livelihoods, and ecosystem restoration.
Thematic Sectors: Forestry, marine conservation, water management, agriculture, and renewable energy.

Alignment with international frameworks
SDGs: 13, 14, and 15; Convention on CBD; Paris Agreement targets on climate change; and Post-2020 Global Biodiversity Framework.

Web Link: Debt-for-Nature Swap

03

Guide for Assessing Climate Finance Fund by Subnational Entities

State governments must ensure that their **climate policies and strategies** are well-aligned with Nigeria's national climate frameworks..

The detailed guide for accessing any of the 18 priority climate finance sources is provided in a separate document – the Priority Climate Finance Sources Detailed Guide. Of the 18 priority climate finance sources identified:

1

One is **public sector recurrent revenue** (i.e., federation accounts transfers and internally generated revenue);

6

Six are from **domestic private financing facilities** (mostly commercial banks).

9

Nine are **international (multilateral and bilateral) sources.**

2

Two are from **specific climate financing instruments.**

This section summarises the key requirements irrespective of the climate finance source. Accessing climate finance is dependent on several interconnected readiness components. The government and eco-friendly organisations must meet a range of general requirements. These typically encompass institutional readiness, legal compliance, project quality, and alignment with national and international climate priorities. The key requirements are as follows:

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The key requirements are as follows:

01. Political Commitment to Climate Action

State governments must exhibit strong political commitment and clear institutional ownership of the climate agenda to credibly access climate finance. This begins with explicit recognition of climate change as a development priority, reflected in official policy statements, budget speeches, and long-term development strategies. Climate action must be integrated into State Development Plans, Medium-Term Expenditure Frameworks (MTEFs), and sectoral policies to ensure cross-government coherence and sustained action. High-level political support from the Executive Governor, Commissioners, and leadership of the State House of Assembly is essential. This support should be demonstrated through the enactment or endorsement of climate-related legislation, the establishment of climate-focused institutions, and sustained budgetary allocations to climate programmes. Sign-off and adherence to a Medium-Term Revenue Strategy (MTRS) is also required to ensure sustainable funding.

02. Institutional and Technical Capacity

TThe government must show that there is a functional climate governance institution, such as the Climate Change Unit or an equivalent MDA, that will be responsible for designing and implementing climate change projects. The unit or equivalent MDA should have trained personnel, management systems and processes, and the technical capabilities and competencies to package bankable projects. This includes the capability to produce detailed feasibility studies, conduct environmental impact assessments, and other technical studies and reports. Most climate finance sources consider this a prerequisite - to provide evidence that the funds will be used for climate change activities as intended and that projects align with National and Global Policy commitments.

State governments must ensure that their climate policies and strategies are well-aligned with Nigeria's national climate frameworks, such as the Nationally Determined Contributions (NDCs), the National Climate Change Policy, National Action Plans (NAPs), and international commitments, including the Paris Agreement. To achieve this, each state should have a dedicated Climate Change Policy and an enabling legal framework that reflects and supports both national priorities and global climate objectives. The pursuit of climate finance should be explicitly embedded within these policies, with clear articulation of sectoral needs in areas such as energy, transportation, agriculture, water resources, and forest management. Furthermore, climate projects must align with national development priorities and receive endorsement from the National Designated Authority (NDA) or the Global Environment Facility (GEF) Operational Focal Point, as appropriate. This alignment is a foundational requirement for credibility, fund eligibility, and effective resource mobilisation.

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03 Legal and Regulatory Compliance

Most climate finance sources stipulate a requirement to comply with the host country's laws and regulations. The utilisation of the climate fund will be in line with mandated financial regulations and/or instructions. The Climate Change Unit or equivalent MDA should be a recognised legal entity that will receive, utilise, and account for the fund. Where the fund is debt funding, the state should include the state borrowing plan, as approved by the State

House of Assembly (SHoA) and the Executive. For a bond, it should also be approved by the Debt Management Office (DMO) and the Securities and Exchange Commission (SEC), as well as adhere to Green Bond Principles. If it is an external loan, it should also be approved by the National Assembly and guaranteed by the Federal Government.

04. Identification of Eligible and Bankable Projects

Identifying bankable projects is essential for accessing climate funds, as funders prioritise proposals with clear climate impacts, financial and economic viability, and measurable outcomes. Projects must demonstrate feasibility, cost-effectiveness, emissions savings, and alignment with fund objectives. Well-prepared financial and technical documentation enhances credibility and increases the likelihood of securing funding. The project proposal should show co-benefits, such as job creation, gender inclusion, and poverty reduction. High-quality feasibility studies, environmental and social safeguard assessments, and cost-benefit analyses are typically required as part of the project package. The state should be willing to engage competent experts to develop concept notes and conduct feasibility studies to identify existing bankable projects and establish climate project screening and prioritisation criteria. A lack of well-prepared, bankable project pipelines further constrains the flow of funds.

05. Engagement with the Federal Government

Many international climate funds require alignment with national climate policies, such as the Nationally Determined Contributions (NDCs), National Action Plans (NAPs), and the Paris Agreements. State governments must collaborate with the National Council on Climate Change (NCCC) to ensure coherence and obtain necessary endorsements. This coordination helps validate project relevance and supports access through nationally accredited entities. Additionally, federal engagement enhances policy harmonisation, facilitates technical support, and ensures compliance with national reporting and monitoring frameworks, all of which are vital for fund approval and implementation.

06. Engage Eligible Delivery Partners

Engagement with eligible delivery partners is critical - particularly for state governments lacking direct accreditation with major funding bodies. These partners, such as accredited national institutions, international organisations, or development banks, help bridge capacity gaps in project design, fiduciary standards, and implementation. Delivery partners support the preparation of technically sound, bankable proposals and ensure adherence to environmental, social, and financial safeguards. Their involvement enhances credibility, facilitates fund disbursement, and improves project outcomes. Delivery partners will help the state government to navigate complex application processes and meet stringent funder requirements for accountability and transparency. States must collaborate with accredited implementing partners (e.g., UNDP, AfDB, BOA, FAO) to meet fiduciary and technical standards. These partners provide support with project development and implementation.

07. Stakeholder Engagement

Stakeholder engagement is a vital – to ensure that projects are inclusive, locally relevant, and socially accepted. Most climate finance sources expect state governments to consult a broad range of stakeholders, including local communities, civil society organisations, women, youth, and traditional leaders, during project planning and implementation. This participatory approach helps to accurately identify community needs, strengthen project design, and promote ownership and sustainability. Effective stakeholder engagement also enhances transparency and accountability, reducing potential conflicts. It is also important to incorporate stakeholder inputs

to align projects with local priorities. This will lead to sustainable outcomes and demonstrate the social benefits necessary to meet the criteria of many climate finance sources.

Strong Public Financial Management Systems and Processes

State governments must demonstrate transparency, accountability, and efficiency in fund management. This includes reliable budgeting, auditing, procurement, and reporting processes, ensuring that climate funds are used effectively and in compliance with donor requirements and fiduciary standards. PFM systems reforms are discussed further in Section 4.

Establish Climate Finance Baselines

This involves developing tools and systems to track existing climate finance flows and establishing baselines. This includes budget tagging, private sector investment tracking, and categorisation of climate expenditures. There is a significant lack of data and analysis on the current flow of funds for climate change actions, both at the national and sub-national levels. This means that it is difficult to categorise existing climate finance and what constitutes additional funding for climate actions. There is an urgent requirement to establish these baseline data; develop and adopt tools for budget tracking and for scanning private sector investments in low-emission technologies, adaptation projects, and resilient technologies.

Environmental and Social Safeguards (ESS) Compliance

Projects must adhere to the funders' relevant ESS policies and frameworks. This includes risk assessments, benefit-sharing, gender responsiveness, and grievance redress mechanisms.

Monitoring, Evaluation, and Learning (MEL) Systems

States must include baselines, indicators, third-party verification, and reporting mechanisms to ensure accountability and transparency.

Effective Communication and Donor Engagement

States must establish clear communication channels and strategies to engage donors, investors, and development partners. Transparent reporting and regular updates build credibility and attract long-term support.

Capacity and Skills Development

There are significant gaps in capacity, human resources, and awareness of opportunities in climate financing, particularly in state governments and eco-friendly businesses. As part of efforts to scale up climate financing, the international agencies must consider increasing support for capacity and skills development.

Other Conditions Outside the Scope of the State Government

Two conditions are outside the control of the states. These require Federal Government actions, directly linked to the NCCC.

The first is that the NCCC sets out the climate targets and objectives for Nigeria. In addition, the International Economic Relations Department (IER) under the Ministry of Finance carries out all bilateral and multilateral negotiations on behalf of Nigeria. For example, the Nigerian Carbon Market Activation Plan has not yet become operational because the NCCC and IER are yet to develop and operationalise the carbon market framework. To leverage Article 6 of the Paris Agreement and participate in international carbon markets and cooperative approaches, it is crucial to operationalise the carbon market framework, establish operational procedures, infrastructure for Measurement, Reporting, and Verification and create awareness.

The second condition relates to operationalising the climate change fund. The Ministry of Finance in collaboration with NCCC, NSIA and GCF should expedite this process, including the development of guidelines for accessing the climate change fund. Operationalising the fund will facilitate the blending of public and private finance, addressing affordability constraints in low-emission infrastructure investments. Much of the investment in cleaner technologies in energy, transport and industry is expected to be driven by the private sector. However, the affordability of finance continues to hinder investments in climate-compatible sectors. Also, operationalising the fund will help address some of the existing funding gaps.

PACE will continue to dialogue with NCCC to help untangle the two bottlenecks to facilitate access to climate finance.

04

Summary of Key Qualities of PFM System Reform to Enable Access to Climate Finance

State governments must ensure that their climate policies and strategies are well-aligned with Nigeria's national climate frameworks..

4.1 Background

This section provides a brief overview of best practices and potential reforms that states should consider as part of their pursuit of climate financing and in implementing climate change mitigation and adaptation initiatives. It covers the core elements of the PFM or Budget cycle from policy development and strategic planning through to its conclusion with external audit and scrutiny. The recommendations are aimed at providing confidence to financing partners that the PFM systems and processes follow best practice, to help ensure states are in a strong position to access funding, and to ensure value for money in the utilisation of funds.

It goes on to identify some potential diagnostic assessment tools that the state might adopt and deploy in order to identify weaknesses in their PFM systems and processes that might hinder their access to climate finance and implementation of climate-responsive activities.

PACE is developing a more detailed standalone guide on greening policies, plans, and budgets, which should be available in early 2026.

4.2 PFM Best Practices

4.2.1 Policy and Strategic Planning

At the state level, Policy and Strategic Planning usually starts with the preparation of a State Development Plan (SDP) that reflects the current economic and social context of the state and the policy priorities of the government. Given the increasing climate change risks faced by Nigeria, it follows that SDPs should reflect the climate adaptation and climate mitigation policies of the government, both in the core affected sectors (e.g. Environment, Infrastructure, Water), and also from a cross-cutting perspective in non-climate-focused sectors (e.g. Education, Health, Transport).

The SDP should contain a Financing section that identifies and quantifies the sources of financing the plan over the medium term, both in terms of recurrent revenues (FAAC, IGR), and also grants, loans and financing from other sources. It should also identify, at a high level, the steps the state will take in order to access climate finance (and other financing) in the form of grants, loans and other sources of financing.

The next level down within the Policy and Strategic Planning framework within a state is usually the Medium-Term Sector Strategies (MTSSs), which are a core (bottom-up) aspect of the broader Medium-Term Expenditure Framework (MTEF) and should be prepared for all sectors of the state and rolled forward on an annual basis. The MTSSs of both the core affected sectors and other sectors should capture specific programmes, projects and activities that relate to climate mitigation and adaptation, and associated output/outcome/impact indicators. These are particularly important for monitoring and Value for Money (VfM) purposes (including Performance of VfM audits), as discussed later in this section.

The cost of the MTSSs should reflect any specific climate mitigation and adaptation aspects/activities within programmes and projects, so that estimates of financing needs are realistic and transparent.

Many countries also develop specific strategic documents on accessing climate finance and addressing climate change through mitigation and adaptation – to further guide and feed into the development of MTSSs. States that are particularly heavily impacted by climate change might consider developing such strategy documents.

4.2.2 Top-down MTEF, Annual Budget Formulation Review and Approval

There are a number of steps in the medium-term and annual budget planning processes that need to reflect climate financing and climate change adaptation and mitigation strategies:

* The top-down element of the MTEF – specifically the medium-term fiscal and budget frameworks- must reflect the climate financing available to the state and ensure that these are properly profiled across the three years of the MTEF and are allocated to the correct sectors. Specific climate financing instruments should be included in the schedule of capital receipts (grants, loans and other receipts). The state might also consider allocating a percentage of its discretionary Capital Development Fund (CDF) for climate-responsive expenditures, which would be subject to allocation during the bilateral negotiations with MDAs.

* The MTEF (and the annual budget) should identify specific climate change risks that could impact budget execution, both from a revenue and expenditure perspective. This risk assessment should identify mitigation and reaction strategies. States should also ring-fence a contingency fund for utilisation during budget execution for unanticipated events, including climate-related incidents. The size of this contingency fund should be relative to the number of risks posed to the state. Rules for accessing a contingency fund should be strictly adhered to during budget execution (this is not the case in many states at present).

* The Budget Call Circular (BCC) should identify any discretionary climate response funds and how MDAs can access them. The BCC should require that larger expenditure projects go through a rigorous appraisal process before being included within an MDA’s budget proposals.

* Annual budget proposals from MDAs should identify projects and other expenses that are being funded through climate finance sources using the fund segment of the National Chart of Accounts (NCOA).

* The Executive (ExCo) and Legislature (SHOA) should be guided on the climate financing contained within the annual budget as part of their review, including any onerous or out-of-the-ordinary requirements for accessing the finance.

As noted elsewhere in this section, States should ensure consistency between their policy and fiscal publications – this is critical for confidence-building from financing partners. Any major deviations between documents should be explained (for example, a deviation in aggregate resource estimates in the MTEF and the Annual Budget) .

4.2.3 Revenue Mobilisation Policy

State Domestic Revenue Mobilisation (DRM) policies are a key enabler for funding climate-responsive activities and equally put states into a position to attract additional climate finance. They are critical in ensuring funds are available for investment in a sustainable manner to drive and sustain the climate policies. The starting point for developing a sustainable revenue funding policy would be the development of, or annual update of, the state's Medium-Term Revenue Strategy (MTRS). The MTRS should provide some clarity on the sources of financing available, building in the internally generated revenues to fill any gaps in a clear manner, such that the transparency needed to drive compliance is achieved.

Thus, the revenue mobilisation of a state should be predicated on and linked through an MTRS to the state's MTEF and spending needs and priorities and the SDP and the state's MTSSs.

The revenue policy of the state should include provisions for funding an allocation toward the state's Capital funds for climate-responsive expenditures. Such funding for these allocations must be sustainable and subject to rigorous appraisal processes and negotiations with relevant MDAs.

The MTRS should also have strategies, and, through an implementation plan, the actions needed to strengthen the mechanisms for collecting IGR which will include improving tax administration, expanding the tax base, reducing leakages in revenue collection and developing innovative funding or revenue generation sources to meet the general MTEF expenditure plans and specifically the climate change actions within the budget.

Examples of existing innovative funding for specific climate change-related works include:

* **Anambra State Waste Management Agency (ASWAMA)** sets environmental levies, including sanitation rates, which vary based on location and property type. The funds collected by ASWAMA are mainly used for solid waste management, environmental sanitation, and ensuring a clean and healthy environment. This includes waste collection, transportation, and disposal, as well as public awareness campaigns on environmental cleanliness and sustainability.
* **Lagos State, the Lagos Waste Management Authority (LAWMA)** charges fees. These funds are used for waste collection, recycling, and public sanitation education. Lagos also imposes charges for environmental impact assessments and emissions, which fund pollution control and environmental protection.

Cross River State provides similar incentives in its Forestry Commission Law, focusing on forest conservation and carbon credits. Section 13(1)(b) permits the Commission to source funds from concessions, tariffs and fines as part of the financing for its Forestry Reserve Fund. These initiatives can be used to attract green investments while promoting sustainable development. Such laws, fees, fines or levies can discourage environmentally harmful practices and they can be structured to vary based on the severity of the environmental impact and can be considered as part of the state's MTRS.

4.2.4 Cash Planning and Procurement

Sound procurement processes are particularly important if climate finance is obtained from concessional or even grant-based sources. Those providing the financing will need reassurance that Value for Money has been optimised. There may even be a requirement to adopt the procurement processes of the party that is providing the funding (for example, funding from the World Bank. Procurement plans (and related cash plans) should be realistic in terms of when the climate finance funding will be available and how long the procurement process will take - maximising efficiency in terms of cash management and project implementation.

Procurement (bidding) documents should provide specific details on the climate adaptation and/or mitigation requirements of the contract, and consideration should be given to explicitly reflecting these in the evaluation criteria. The tendering process itself should be in line with the Procurement Law of the state and should follow the standard principles of openness and transparency, ideally utilising an e-procurement platform. At the same time, procurement legislation should allow for some kind of fast-track (emergency) procurement process in the case of an unanticipated climate-related emergency in the state.

4.2.5 Debt Management

Debt Management is particularly important if a state is intending to raise climate financing through the issuance of Green bonds, Sukuk bonds, or some other borrowing instrument. Potential lenders (banks, individuals, pension funds, development partners, etc) will be keen to see that the state:

* Is realistic in its projections for new borrowing.
* Has undertaken debt sustainability analysis to ascertain the likely risks related to its borrowing strategy to ensure it is adequately able to service its debt portfolio; and
* Is transparent in its debt reporting.

With the above in view, states should ensure they have a functional Debt Management Unit with well-trained staff and robust software for analysing, recording and reporting on loan stocks, drawdowns and servicing (principal and interest). They should have a comprehensive debt reporting calendar, including the production of:

01. Quarterly debt reports (for Federal DMO, which should also be published on the State Government website);

02. Annual Debt Sustainability Analysis and Debt Management Strategy (DSA-DMS); and

03. Any other internal reporting for management purposes.

As noted in section 4.2.2. it is also important that fiscal documents are consistent – i.e. the new borrowing and debt service provisions in the budget are consistent with the DSA-DMS, that the debt service figures in the quarterly budget implementation reports are consistent with quarterly debt reports, and that the Audited Financial Statements accurately reflect full year debt service and end of year debt stock figures that are consistent.

Finally, it is important that the DSA-DMS accurately captures the key steps the state must take in order to issue bonds or contract some other form of borrowing and be realistic in the associated timelines and potential costs.

4.2.6 Financial Reporting

The General-Purpose Financial Statements (GPFS) of Nigerian governments require Federal, State and Local Governments to produce the following:

* Budget Implementation Reports
* Statutory Annual Financial Statements (Accounts) based on International Public Sector Accounting Standards (IPSAS).
* Annual Statistical Reports covering NCOA programme/function and location segment reports.

The most important consideration is to ensure consistency between these reports. This helps to build confidence in the quality of financial reports by potential climate finance sources. Budget Implementation Reports (BIRs) provide states with the opportunity to present progress on implementing capital expenditure projects that are funded from climate finance sources, showing they are on track. It also helps the state to identify delayed funding flows (inward and outward) within the budget year, given the opportunity to rectify issues before appropriations lapse at the end of the fiscal year.

The statutory annual financial statements of the government should accurately identify debt stocks and flows to demonstrate that the state is correctly reporting its financial assets. The balance sheet equally allows the opportunity to demonstrate the accumulation of assets of the government that might be relevant to climate change adaptation and mitigation.

The production of full-year statistical reports, particularly for the programme segment, is necessary to assist in identifying the expenditures against programmes that are relevant to climate change.

4.2.7. Sector / Programme / Project level Monitoring, Evaluation and Reporting

Monitoring, Evaluation, and Reporting of government climate projects and programmes is a critical process for ensuring the effectiveness, transparency, and accountability of national climate actions. It involves systematically tracking progress, assessing outcomes, and communicating results of policies, projects, and financial flows targeted at climate change mitigation and adaptation.

A robust monitoring system enables governments to assess whether activities are proceeding according to plan and to identify any implementation gaps or delays. This will be performed through the continuous and systematic collection of data on the implementation of climate actions. This includes tracking inputs (e.g., funding, human resources), outputs (e.g., installed renewable capacity, hectares of reforested land), and intermediate outcomes (e.g., reduced emissions, increased resilience of vulnerable populations).

To be effective, climate monitoring must be embedded in existing state monitoring and public financial management systems. It requires collaboration across government ministries and agencies, especially those responsible for the environment, finance, energy, agriculture, and planning.

The state should also go beyond monitoring by assessing the relevance, efficiency, effectiveness, impact, and sustainability of climate programmes. This will be performed by providing insights into what works, what does not, and why. This can be formative (conducted during programme implementation) or summative (conducted at the end of a programme cycle).
For climate projects and programmes, evaluations should consider both climate and development outcomes. For instance, a rural electrification programme may be evaluated for its impact on greenhouse gas emissions, energy access, and socio-economic benefits for communities. This will help to identify best practices and lessons learned, which can inform policy revisions and future project design.

The state should develop a framework for communicating the results of monitoring and evaluation to stakeholders. It ensures transparency and accountability to state decision-makers, providers of funds (including development partners), civil society, and the public.

4.2.8 Performance Audits

Performance or Value-for-Money (VfM) auditing is not currently a regular practice at the Federal, State or Local Government levels in Nigeria. However, under the World Bank Human Capital Opportunities for Prosperity and Equity (HOPE) - Governance (GOV) programme, states can achieve Disbursement Linked Results (DLRs) by undertaking performance audits of the Education and Health sectors, thus potentially introducing a new practice to State Auditor Generals' Offices. Technical Assistance providers under the HOPE-GOV programme will likely provide support to states in this regard. On this basis, there is an opportunity for states to apply these techniques to undertake performance audits in the core climate-affected sectors or on specific programmes/projects in non-core climate sectors that have a climate focus. The undertaking of performance audits has the following benefits:

* The commitment to undertake a performance audit will provide further assurance to those supplying the climate financing that there will be transparency and accountability in the use of the funds.

* The results of the performance audits (effectively assessing the extent of economy, efficiency, and effectiveness) can be used to make informed decisions on subsequent climate-related investments (programmes and projects) and procurement.

The results of the audits should also be subject to scrutiny by the Public Accounts Committee (PAC) of the State House of Assembly (SHoA) and the general public.

4.3 Potential Diagnostic Assessments

Many Nigerian states have undertaken diagnostic assessments of their PFM systems and processes over the past 20 years, including industry standard assessments (for example, Public Expenditure and Financial Accountability (PEFA) Assessments) and assessments developed specifically by development partner programmes (e.g. the UK FCDO PERL programme), professional bodies (e.g. the Institute of Chartered Accountants of Nigeria (ICAN)) and Non-Governmental Organisations (e.g. Paradigm Leadership Support Initiative (PLSI)). Some of these diagnostic assessments can be undertaken in a matter of weeks or can take months. The regularity with which such assessments are undertaken is usually proportional to the time taken to undertake the assessment. In some instances, these assessments will be undertaken as self-assessment, in some instances as an independent (external assessment), or somewhere in between.

The state government might consider any of the following in order to identify weaknesses in its PFM systems and processes and use the results to develop reform action plans.

1. **Broad PFM systems and processes assessments:**

- Public Expenditure and Financial Accountability (PEFA) Homepage | Public Expenditure and Financial Accountability (PEFA)
- Public Financial Management Rapid Annual Assessment (PFM-RAA) Tool (developed by FCDO PERL)

2. **Assessments focused on specific PFM processes that are relevant to Climate Finance**

- Public Investment Management Assessment (PIMA): What is PIMA
- Methodology for Assessing Procurement Systems (MAPS) MAPS Initiative | MAPS
- Debt Management Performance Assessment (DeMPA) Tool Debt Management Performance Assessment Tool (DEMPA); February 5, 2009

3. Climate Responsive PFM specific assessments

- PEFA Supplementary Framework for Assessing Climate Responsive Public Financial Management | Public Expenditure and Financial Accountability (PEFA)
- FCDO PACE Green PFM Rapid Annual Assessment (currently under development, to be completed by the end of 2025)

States that wish to undertake such assessments might consider requesting support from development partners.

05

Conclusion and Recommendations

By equipping state government and eco-friendly businesses with the **tools and knowledge to unlock climate finance**, the Guide contributes directly to Nigeria's national climate goals..

Climate change poses significant and escalating risks to Nigeria's sustainable development trajectory. States and local governments, alongside vulnerable households whose livelihoods are frequently impacted by climate variability, find themselves increasingly on the frontlines of climate-related challenges such as desertification, flooding, erosion, food insecurity, and public health crises.

However, these actors often lack the institutional, technical, and financial capacity to mobilise and access the climate finance necessary for implementing effective mitigation and adaptation measures. Although climate finance is becoming more accessible through global mechanisms, bilateral donors, green bonds, and domestic funding instruments, most Nigerian states and environmentally conscious businesses continue to face serious barriers. These include weak financial management systems, limited integration of climate priorities into planning and budgeting, poor awareness of financing opportunities, and insufficient capacity to design bankable, climate-aligned projects.

To help address these gaps, the FCDO-funded PACE Programme has developed a Guide – providing a structured, practical framework to assess and strengthen the institutional, technical, and human resource capacities of state governments and green-oriented businesses to effectively access, mobilise, and manage climate finance.

The Guide has a Climate Finance Readiness Assessment Checklist— a diagnostic tool designed to help state governments and eco-friendly businesses systematically evaluate their preparedness. The checklist enables users to:

Assess existing capacities and gaps across critical areas such as climate governance, planning and budgeting, investment management, procurement, revenue and debt management, and financial reporting;

01. Access the technical capability to achieve the procedural requirements of various financing instruments, including grants, concessional loans, green bonds, and blended finance;

02. Identify actionable reforms and capacity-building investments to improve the systems and processes

This Guide aims to shift the focus from fragmented, reactive efforts to a more coordinated, strategic, and results-oriented approach to climate finance mobilisation and utilisation. It will be deployed through a collaborative process involving state governments and relevant institutional stakeholders, including Ministries of Environment, Finance, Budget, Planning, and state-level climate task teams. The deployment will support:

* Baseline assessments of climate finance readiness at the state and business levels;
* Policy dialogue and TA planning tailored to specific institutional and financing gaps, including fiduciary considerations;
* Integration of climate finance into planning and budgeting instruments such as SDPs, MTEFs, and MTSSs;
* Strengthening public investment processes in climate-vulnerable sectors such as agriculture, water, energy, transport, and waste; and
* Mobilisation of private sector investment through improved regulatory clarity, access to incentives, and enhanced financing pathways.

By equipping state government and eco-friendly businesses with the tools and knowledge to unlock climate finance, the Guide contributes directly to Nigeria's national climate goals, particularly those set out in the Climate Change Act, the NDP (2021–2025), and the NDCs. Ultimately, it positions them as key drivers of Nigeria's climate response, empowering them to protect livelihoods, build climate resilience, and foster inclusive, low-carbon development. By using the Climate Finance Readiness Checklist and supporting technical guidance, Nigeria's states and private sector actors can move from aspiration to action, catalysing climate-smart investments and unlocking transformative development outcomes.

Glossary of Terms

Terms	Definition
Accredited Entities (AEs)	Trusted institutions, typically government agencies approved by climate financiers such as the GCF and GEF, manage resources and support climate change mitigation and adaptation projects in developing countries.
Adaptation	The process of adjusting to actual or expected climate change and its effects, to moderate harm, reduce vulnerabilities, or seize potential benefits. In human systems, it involves anticipating, planning for, and responding to climate risks to safeguard lives, livelihoods, ecosystems, and infrastructure.
Bankable Project	A well-structured, financially viable, and technically sound project with clearly defined climate benefits that meets the risk-return expectations of investors and is capable of attracting public or private funding
Bilateral Climate Finance	Bilateral climate finance involves direct funding from one country's government to another, primarily from developed to developing nations or South-South cooperation to support climate mitigation and adaptation efforts.
Bilateral Climate Funds	Financial resources that one country (or entity) provides directly to another to support climate change mitigation and adaptation efforts
Biodiversity	The rich variety of life in nature - protecting it helps ecosystems thrive and strengthens resilience to climate change
Blended Finance	A strategy that combines public and private capital to fund climate-related projects.
Bonds	Bonds are debt instruments issued by governments, corporations, or institutions to raise capital from investors, with a commitment to repay the principal along with interest over a specified period.
Capital Market Bonds	Debt securities traded in financial markets and issued by companies or governments to raise long-term capital from investors for things like renewable energy or green infrastructure.

Carbon Credits	Certificates or permits that allow the owner' a country or an organisation to emit a certain amount of carbon dioxide or other greenhouse gases, each credit equals one tonne of CO_2 avoided or removed, helping companies "offset" their footprint.
Carbon Markets	Carbon markets are carbon pricing mechanisms enabling governments and non-state actors to trade greenhouse gas emission credits. The aim is to achieve climate targets and implement climate actions cost-effectively.
Carbon Sequestration	Carbon sequestration, the long-term storage of carbon in plants, soils, geologic formations, and the ocean. Carbon sequestration occurs both naturally and as a result of anthropogenic activities and typically refers to the storage of carbon that has the immediate potential to become carbon dioxide gas.
Climate Action	This refers to all efforts to combat climate change by reducing greenhouse gas emissions and adapting to its impacts. It includes policies and actions to limit global warming, build resilience to climate risks, and support sustainable development.
Climate Adaptation	See adaptation above
Climate Additionality	The principle that a climate-related project or activity results in real, measurable, and additional reductions in greenhouse gas emissions or climate resilience benefits that would not have occurred without the intervention.
Climate Change	Long-term shifts in temperatures and weather patterns, often driven by human activities such as burning fossil fuels.
Climate Change Bonds	A bond that is designed to finance projects that address climate change or promote sustainable development
Climate Finance	Refers to local, national, or international funding (public or private), mobilised to support actions that reduce greenhouse gas emissions (mitigation) or help people adapt to the impacts of climate change (adaptation). It ensures that resources are available to drive low-carbon, climate-resilient development.
Climate Governance	This refers to the structures, policies, institutions, and processes by which decisions related to climate change are made, implemented, and monitored.
Climate Grants	These are non-repayable funds provided by governments, development agencies, or philanthropic organisations to support projects and initiatives that help mitigate or adapt to climate change.

Climate Shocks	Sudden and severe weather or climate-related events, such as floods, droughts, heatwaves, or storms, which are capable of disrupting lives, livelihoods, ecosystems, and economies.
Climate Variability	Refers to natural fluctuations in climate conditions, such as temperature, rainfall, and wind patterns, over short- to medium-term periods (months to decades), which differ from long-term climate trends.
Climate Vulnerability	The degree to which a system, community, or individual is susceptible to and unable to cope with the adverse effects of climate change, including extreme weather events and long-term changes in climate patterns.
Climate-Resilient Economy	An economy built to anticipate, absorb, and recover from the impacts of climate change while maintaining and improving livelihoods, infrastructure, and economic growth.
Climate-Resilient Infrastructure	These are physical systems and assets such as roads, bridges, buildings, water, and energy facilities designed to withstand current and future climate impacts, like extreme heat or flooding.
Climate-Smart Agriculture	Farming that adapts to changing weather while reducing emissions, for example, efficient irrigation and eco-friendly crops
Climate-Vulnerable Sectors	Industries or areas of the economy most at risk from climate change, like agriculture, fisheries, or tourism
Coalitions	Groups of countries, organisations, or communities that join forces to take climate action together.
Coastal	Related to areas by the sea — often highly vulnerable to rising tides, storms, and erosion.
Commercial Loans	Standard business loans from banks or lenders, usually with market-rate interest, may not always be climate-friendly.
Concessional Loans	Loans extended on better terms, substantially more generous than market loans, and provided by major financial institutions such as development banks and multilateral funds (like low interest or longer repayment) to help fund projects in developing areas.
Corporate investments	Allocation of resources such as money, time or assets by a company to achieve its business objective or other times to support sustainability goals.

Corporate Social Responsibility	Voluntary actions taken by companies to help society or the environment, like reducing emissions or funding green initiatives.
Debt for Climate Swap	A deal where a country gets debt relief in return for using those savings on climate-friendly actions.
Desertification	Gradual degradation of fertile land into arid desert due to climate change and human activity, fewer trees, poorer soil, and less water.
Disaster Preparedness	Precautionary measures taken by communities to better respond to floods, droughts, or storms, for example, include having evacuation plans and emergency supplies ready.
Do-no-harm Approach	A principle that aims to ensure climate projects do not unintentionally hurt people or the environment, such as ethical guardrails for good intentions.
Drought	A long dry spell when there's too little rain, leading to water shortages, crop failure, and tough conditions for people and nature
Early Warning Systems	Systems that monitor and alert people ahead of disasters like floods or storms to aid in preparation and safety.
Eco-friendly	Practices, products or activities that minimise harm to the planet and enhance sustainability, such as waste reduction, conserving energy, or the utilisation of green products
Ecological	Ecosystems and nature, often used to describe processes that support the balance between living things and the environment.
Ecological Fund	A pot of public money to help fix environmental problems like erosion, flooding, and pollution.
Economic Development	Growth and improvement of the economic well-being and quality of life of a country, region, or community, ideally done in ways that also protect nature and support communities.
Ecosystem Restoration	Rebuilding damaged natural environments through planting trees, cleaning rivers, and reintroducing native and natural species.
Energy Efficiency	Using less energy to perform the same task or produce the same result, for example, lighting a room, running a machine, or cooling a building, thereby reducing energy waste and saving costs.
Environmental and Social Safeguards	This includes policies, procedures, and standards designed to prevent or minimise harm to people and the environment from development and climate-related projects.

Environmental Sustainability	Ability to live and develop in a manner that does not exhaust natural resources or bring harm to the environment, ensuring that future generations thrive too.
Environmental, Social, and Governance standards	Criteria for companies and projects to ensure responsible behaviour, from how they treat the planet to how they treat people
Environmental/Social Safeguards	Measures to prevent damage during climate or development work, especially important in sensitive areas.
Equitable Allocation	Sharing climate funds fairly so that all regions and groups, especially the most vulnerable, get the support they need.
Equity	Mechanism whereby a company raises capital by issuing shares of stock to investors, who then become part owners of the business.
Fiduciary	Relating to trust and responsibility in financial management, usually applies to groups handling climate funds.
Fiduciary Standards	Guidelines that ensure climate finance is managed properly, including transparency, accountability, and sound budgeting.
Fiduciary Systems	The tools and processes to keep climate funds safe, well-managed, and used effectively.
Gender Equality	Making sure people of all genders have equal access, rights, and say in climate decisions and benefits.
Global Environment Facility	An international fund that supports projects protecting nature and tackling climate change
Grants	Funds given to support climate efforts with no obligation for reimbursement, just results that help people and the planet.
Green Bonds	A Green Bond is a type of fixed-income financial instrument used to raise funds specifically for projects that have environmental or climate-related benefits, such as renewable energy, energy efficiency, clean transportation, or sustainable water management.
Green Climate Fund	A major foreign source of climate finance that will be used by developing countries to cut emissions and adapt to climate risks.
Green Finance Taxonomy	A classification system that defines which economic activities are environmentally sustainable

Green Growth	Environmentally sustainable economic growth, minimising pollution and resource depletion while maximising efficiency
Green Loans	Loans issued to finance projects with a positive environmental impact
Greenhouse Gas Emissions,	Gases that trap heat in the atmosphere, contributing to global warming
Gross Domestic Product	The total value of goods and services produced in a country. In climate finance, GDP is used to benchmark climate investment needs.
Guarantees	Financial instruments that reduce risk for investors by covering losses in case of default. In climate finance, guarantees
Impact Assessments	Evaluations of how climate policies or investments affect emissions reduction, economic growth and social equity to guide decision-making and improve transparency
International Climate Finance	The UK ICF is the United Kingdom's main vehicle for supporting climate action in developing countries. It is jointly managed by the Foreign, Commonwealth & Development Office (FCDO), the Department for Energy Security and Net Zero (DESNZ), and the Department for Environment, Food and Rural Affairs (DEFRA).
Just Transitions	Ensuring the shift to a low-carbon economy is fair and inclusive, especially for workers in fossil fuel sectors, vulnerable communities, and developing countries. It is a key principle in the Paris Agreement and national climate plans.
Key Performance Indicators	Quantifiable metrics used to track progress toward climate goals, as well as other developmental goals
Least Developed Countries	Nations with low income, weak human assets, and high vulnerability
Loans	A core instrument in climate finance, used to fund renewable energy projects and climate-resilient infrastructure. It can be concessional (low-interest) or market-rate, often backed by guarantees or blended finance.
Marine Conservation	Protection and sustainable management of ocean and coastal ecosystems to preserve biodiversity, support livelihoods, and mitigate climate impacts. Often includes marine protected areas and blue carbon initiatives.
Measurement, Reporting and Verification	A framework for tracking greenhouse gas emissions reductions, climate finance, and mitigation/adaptation actions. Ensures transparency, accuracy, and accountability in climate efforts

Medium-Term Expenditure Frameworks	The Medium-Term Expenditure Framework (MTEF) is a strategic, top-down planning and budgeting tool that links policy priorities to budgeting over a medium-term horizon (typically 3–5 years).
Medium-Term Sector Strategies	Sector-specific planning documents that outline goals, programmes, and costs over a medium-term horizon. MTSSs help translate national climate and development plans into actionable sectoral strategies.
Meteorological Capacities	The infrastructure, expertise, and systems to monitor, forecast, and analyse weather and climate data. Essential for early warning systems, climate services, and adaptation planning.
Methane Abatement	Measures to reduce methane emissions from sources like fossil fuels, agriculture, and waste.
Mitigation	Actions to reduce or prevent greenhouse gas emissions include renewable energy, energy efficiency, and reforestation. A core pillar of climate finance and policy
Monitoring & Evaluation	The process of collecting data and analysing results to measure climate impact, inform future investments and ensure alignment with climate goals
Monitoring & Evaluation framework	A structured system to track, assess, and report on climate finance activities. It ensures transparency, accountability, learning and improvement.
Multilateral	Involving multiple countries or institutions, and refers to cooperative efforts through organisations like the UN, World Bank, or regional development organisations and banks.
Multilateral Climate Funds	Pooled funding mechanisms managed by multilateral institutions to support climate mitigation and adaptation in developing countries. Examples include the Green Climate Fund and the Global Environment Facility.
Multilateral Environmental Agreements	Legally binding international treaties among countries to address environmental issues. Key MEAs include the UNFCCC, Kyoto Protocol, and Paris Agreement.
National Climate Change Fund	A country-level financial mechanism to support domestic climate actions, often funded by government budgets, international donors, or carbon revenues.
National Resources Development Fund	A fund aimed at sustainably managing and investing in a country’s natural resources, potentially including climate-related projects. Definitions vary by country.
Nationally Determined Contribution	Climate action targets pledged by each country under the Paris Agreement.
Off-grid	Energy systems that are not connected to a centralised electricity grid. Off-grid solutions, like solar home systems, are vital for rural electrification and climate resilience.

Paris Agreement	A country's climate action plan under the Paris Agreement outlines targets for emissions and climate resilience.
Payment for Environmental Services	A financial mechanism where beneficiaries of ecosystem services (like clean water or carbon sequestration) compensate landowners or resource stewards for maintaining or enhancing those services
Philanthropic climate funds	Refers to grant-based or concessional funding from foundations, charities, or individuals aimed at supporting climate adaptation, resilience, or mitigation efforts, often in underserved regions
Private Sector	Businesses, investors, and financial institutions that play a critical role in mobilising capital for climate-smart infrastructure, renewable energy, and low-carbon technologies
Procurement Plan	A structured document that outlines the goods, works, and services a government ministry, agency, or project intends to acquire within a specific period, usually a fiscal year, along with the timing, method, cost estimates, and responsible parties for each procurement activity.
Public Finance	Funds from government traditional sources usually revenue from federation accounts, independent revenue (i.e., internally generated revenue, and grants allocated to climate initiatives such as adaptation, mitigation, and disaster recovery.
Public-Private Partnership	A collaborative arrangement where governments and private entities co-finance and co-implement climate projects, such as renewable energy plants or resilient infrastructure
Recurrent Revenue	Regular income streams (e.g. federation account transfer, and internally generated revenue) that governments use to fund climate programs, including adaptation and disaster preparedness
Rehabilitation	Restoration of degraded ecosystems or infrastructure to improve climate resilience, such as wetland restoration or rebuilding storm-damaged roads.
Renewable Energy	Energy derived from natural sources that are replenished constantly, like solar, wind, hydro, and geothermal, is central to climate mitigation strategies.
Resilient Infrastructure	Infrastructure designed to withstand climate shocks (e.g., floods, heatwaves) and support long-term adaptation, especially in vulnerable regions.
Risk Assessments	Evaluations of climate-related threats (e.g., sea-level rise, drought) to inform investment decisions, insurance models, and policy planning
Risk Mitigation	Strategies to reduce exposure or vulnerability to climate risks, such as early warning systems, insurance schemes, or resilient building codes.

Rural Electrification Fund	A dedicated fund to expand clean energy access in rural areas, often supporting solar mini-grids or off-grid renewable solutions.
Sector Strategies	This is a rolling plan, developed by government ministries, departments, and agencies (MDAs) to link sector goals and priorities with the SDP and medium-term budget framework, typically covering a 3 to 5-year period.
Shoreline	Coastal zones that are highly exposed to climate impacts like erosion and sea-level rise, often targeted for adaptation finance.
Small Island Developing States	Low-lying island nations facing an existential climate threat, often prioritised for international climate finance and loss-and-damage support.
Social Impact	The effect of climate projects on community well-being, livelihoods, equity, and inclusion
Social Inclusion	Ensuring that climate finance and policies benefit all groups, especially marginalised populations, through participatory and equitable approaches.
Special Purpose Vehicles	Legal entities created to manage climate finance projects, often used to pool investments, reduce risk, and facilitate public-private collaboration.
State Development Plan	A State Development Plan (SDP) is a strategic framework that outlines a state's vision, priorities, and strategies to drive inclusive growth, sustainable development, and improved public service delivery.
Statutory Allocations	These are legally mandated distributions of public revenues from the Federation Account to various tiers of government.
Sustainable Cities	Urban areas that are designed to be low-carbon, resource-efficient, and climate-resilient, often supported by green finance and smart infrastructure
Sustainable Development	Development that meets present needs without compromising future generations, integrating economic, social, and environmental goals
Sustainable Development Goals	The Sustainable Development Goals (SDGs) are a set of 17 global goals adopted by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. These goals are a universal call to action to end poverty, protect the planet, and ensure peace and prosperity for all people by 2030.
Technical Assistance	Support provided to governments or institutions, such as training, policy advice, or feasibility studies, to strengthen climate finance readiness
UK's Official Development Assistance	The UK's international aid funding, a portion of which supports climate adaptation, mitigation, and resilience in developing countries.

Value Added Tax	A consumption tax levied on the value added at each stage of a product's production and distribution that may be used to fund climate programs or incentivise low-carbon goods through exemptions or rebates.
Voluntary Carbon Markets	Markets where entities buy carbon credits voluntarily to offset emissions, often funding reforestation, renewable energy, or methane reduction projects.
Vulnerable Groups	Populations disproportionately affected by climate change — including women, children, Indigenous peoples, and low-income communities — are often prioritised in climate finance.

Scan the QR code to access the e-version of the Guide and Assessment Tools.

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