

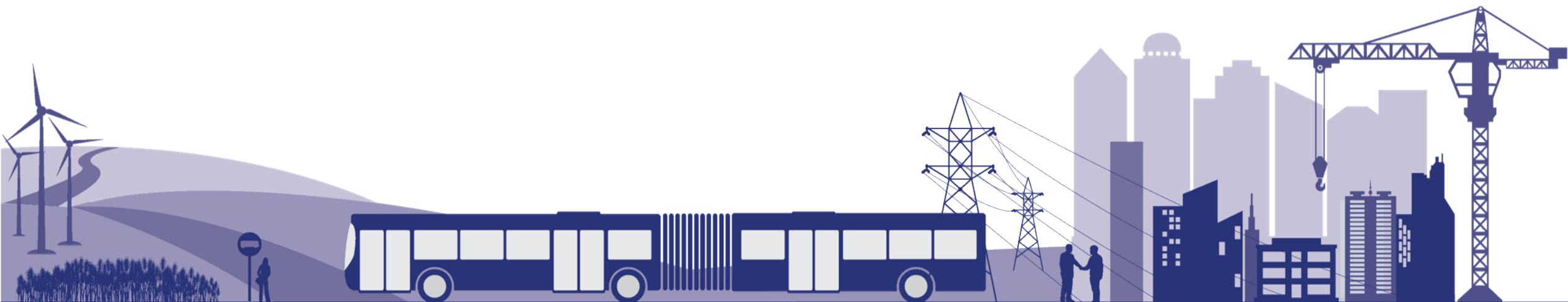
Climate Finance Workshop

Technical Session 2:

Project Prioritisation & the Climate Finance Database
29 Nov 2021

Presented by:

NDC Partnership and
UKNIAF - IF0011 TO TEAM



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01. Overview –
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Presidential Directive

“In 2022, Government will further strengthen the frameworks for concessions and public private partnerships (PPPs). Capital projects that are good candidates for PPP by their nature will be developed for private sector participation. We will also explore available opportunities in the existing ecosystem of green finance including the implementation of our Sovereign Green Bond Programme and leveraging debt-for-climate swap mechanisms”

**- President Muhammadu Buhari, GCFR
2022 Budget Speech.**



Policy Statements & FGN Strategic Priorities



Thematic Areas

- 1** Climate Smart Project Identification (Section 4.5.5)
MDAs are encouraged to develop climate smart projects with a view towards developing a database that serves as a repository and investment portal for attracting climate finance globally

- 2** Green Bonds & Climate Finance Funds (Section 4.5.5)
Projects must satisfy environmental objectives such as:
a. Climate Change Mitigation (e.g., emission reduction)
b. Climate Change Adaptation
c. Natural Resource Conservation;
d. Biodiversity Conservation, and
e. Pollution Prevention and Control

- 3** Public Investment Management Guidelines
Section 3 of the Public Investment Guidelines (PIM) also reinforces the provisions of the 2022BCC and the procedures to follow for climate smart investments.

2022-24 MTEF/FSP

Section 7.2.2
Nigeria is very vulnerable to climate change. However, existing infrastructure has largely not been designed to be climate smart. To address climate risks and integrate mitigation and adaptation measures in the implementation of Nigeria's capital investment programme, government will entrench the prioritisation and selection of climate-smart infrastructure projects in the medium term.



The NDP 2021-25

FEC approves 2021-2025 National Development Plan, projects N348.7tn investments



Thematic Areas

1

Key Policy Action - Infrastructure

Prioritization and implementation of critical and strategic infrastructure projects that will directly boost production and productivity

2

Green Economy

Nigeria will move towards climate adaptation by diversifying its energy sources away from fossil fuels and embracing the green economy to create new and sustainable economic activities

3

Protecting the Environment

Develop a Nigerian circular economy and environmental protection programme to reduce the footprint of mine waste and create new job opportunities

- The plan, with an investment size of **N348.7tn**, will be funded by the federal, state governments and the private sector.
- For the investment size above, the expected financing contribution is shown below -
 - *Public Sector: N49.7 tn*
 - *Private Sector: N298.3 tn*
- It is there imperative to understand the importance of the conversation here today.



NATIONAL DEVELOPMENT PLAN (NDP) 2021-2025

© Federal Ministry of Finance, Budget and National Planning



Project Screening & Prioritization

- Nigeria's capital investment requirements by far exceed available financial resources. The Government (FGN & Subnational governments), are expected to spend a combined N49.7tn between 2021-25, whereas; the total amount needed is in excess of **N348tn**
- It is therefore clear, that available funds need to be allocated to projects likely to deliver maximum benefits relative to their costs.
- Projects that are potential candidates for PPP arrangements should also be developed with bankable business cases. Similarly, projects that can attract climate finance should also be carefully screened and where viable be put forward for climate finance.
- Overall, the FGN needs to improve the link between spending and policy objectives over the medium term
- To this end, following the approval of the NDP 2021-25, project selection and prioritization will be such that there is a direct link between FGN overarching objectives as well as its annual budgets,
- While alternate financing arrangements will be explored to be able to achieve the targets of the plan

Previous Prioritization Arrangements

- Over the last few years, FGN Projects selected should reflect FGN priorities
 - infrastructure, governance, social development, real economy, regional integration, environment etc as well as other execution priorities of the ERGP era
- Projects usually also reflect FGN sectoral and regional objectives
- Infrastructure finance institutions appreciate evidence-based infrastructure decision-making
- Prioritized project pipelines improve chances of bank financing

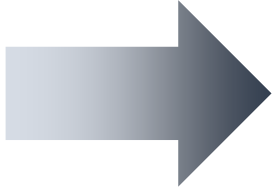
- The FGN adopted the Muti-Criteria Analysis (MCA) approach to Project screening & prioritization in the past.

- MCA framework improves on previous capital project prioritization method
 - It links projects to national policy objectives (as contained in any given national development plan)
 - Allows use of wide range of criteria for achieving different aspects of policy objectives
 - Supplements usual economic and financial indicators with social and **environmental factors**
 - Results can be displayed graphically
 - Helpful in balancing sectoral and geopolitical investment needs
 - Aids quick consensus and decision making

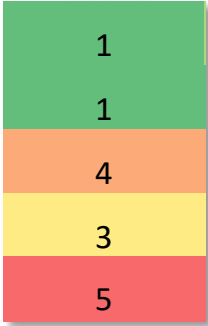


Prioritization Illustration – *Buying a Car*

	Benefits			Total Score
	Speed	Comfort	Safety	
BMW	5	5	4	14
Toyota	4	5	5	14
GAC	3	3	3	9
Kia	3	4	4	11
Maruti	2	3	1	6



Rank on raw score

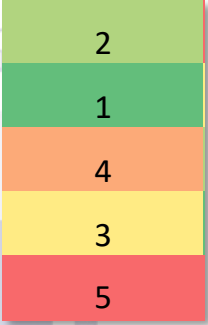


Weighting of raw scores allows specified priorities to be reflected:

	Benefits			Weighted Score
	Speed	Comfort	Safety	
Weight	25%	25%	50%	
BMW	5	5	4	4.50
Toyota	4	5	5	4.75
GAC	3	3	3	3.00
Kia	3	4	4	3.75
Maruti	2	3	1	1.75

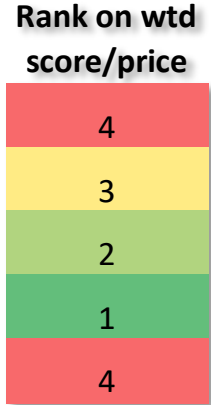


Rank on wtd score



Prioritization Illustration – *Buying a Car*

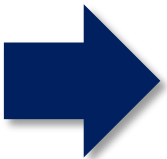
	Benefits			Cost	Total Score	Weighted Score	Weighted score/price	Rank on wtd score/price
	Performance	Comfort	Safety	Price				
Weight	25%	25%	50%	Nm				
BMW	5	5	4	9.00	14.0	4.50	0.50	4
Toyota	4	5	5	7.00	14.0	4.75	0.68	3
GAC	3	3	3	3.50	9.0	3.00	0.86	2
Kia	3	4	4	4.00	11.0	3.75	0.94	1
Maruti	2	3	1	3.50	6.0	1.75	0.50	4



Preferred Choice

Raw Benefits

BMW
Toyota



Weighted Benefits

Toyota



Value for Money

Kia



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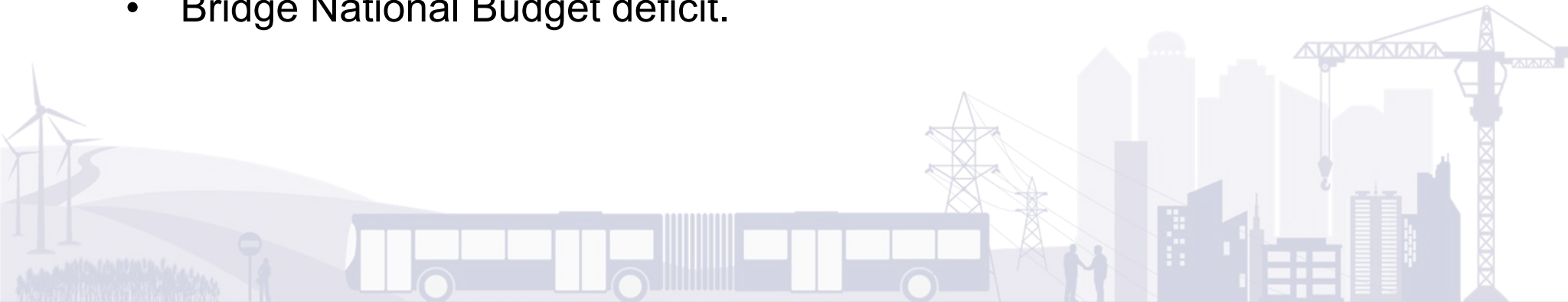
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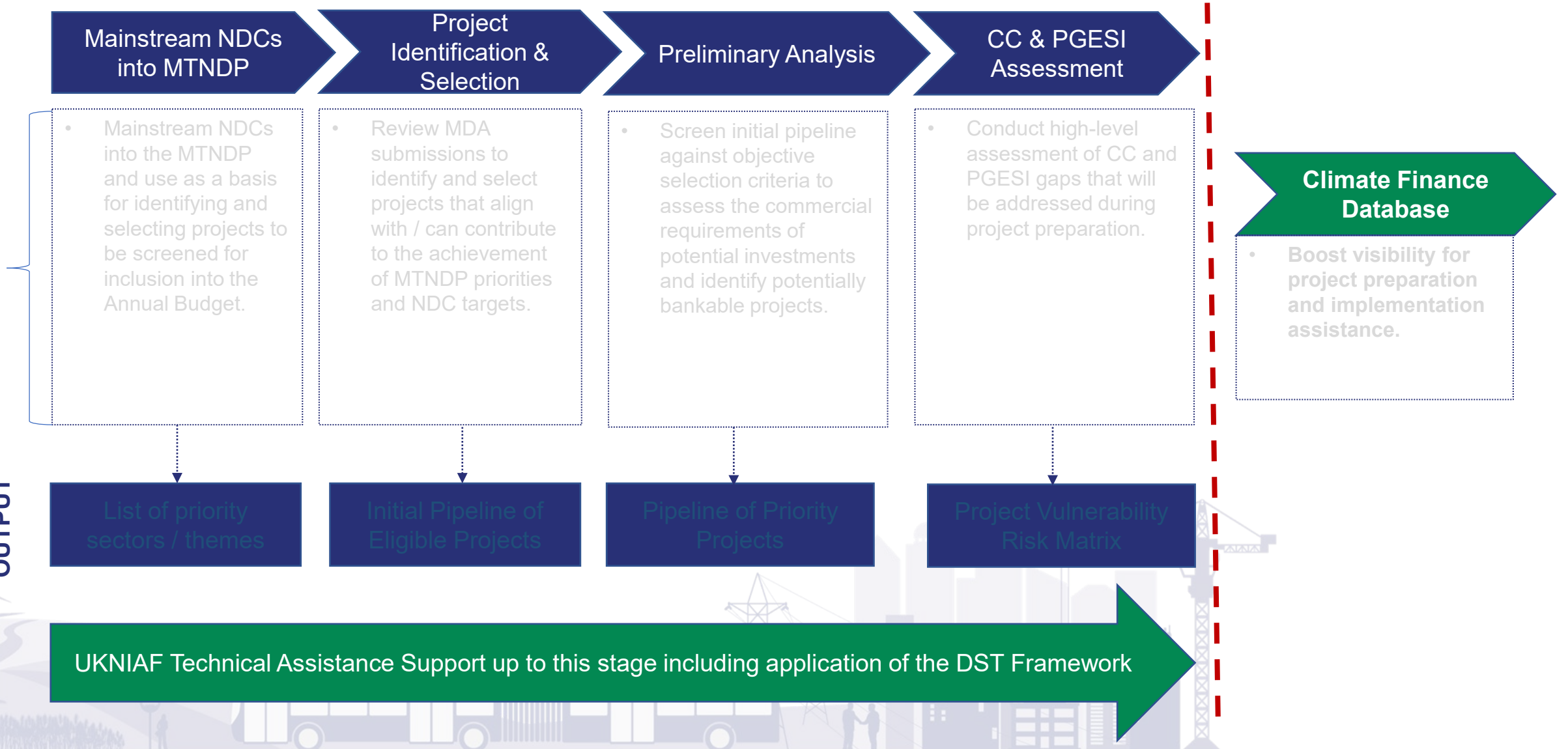
Decision Support Tool (DST) Objectives

- Link National Development Priorities with the Capital Budget.
- Identify infrastructure projects that can contribute towards climate change mitigation or adaptation.
- Align Development Priorities with NDCs
- Make the case for project preparation and/or implementation assistance.
- Bridge National Budget deficit.



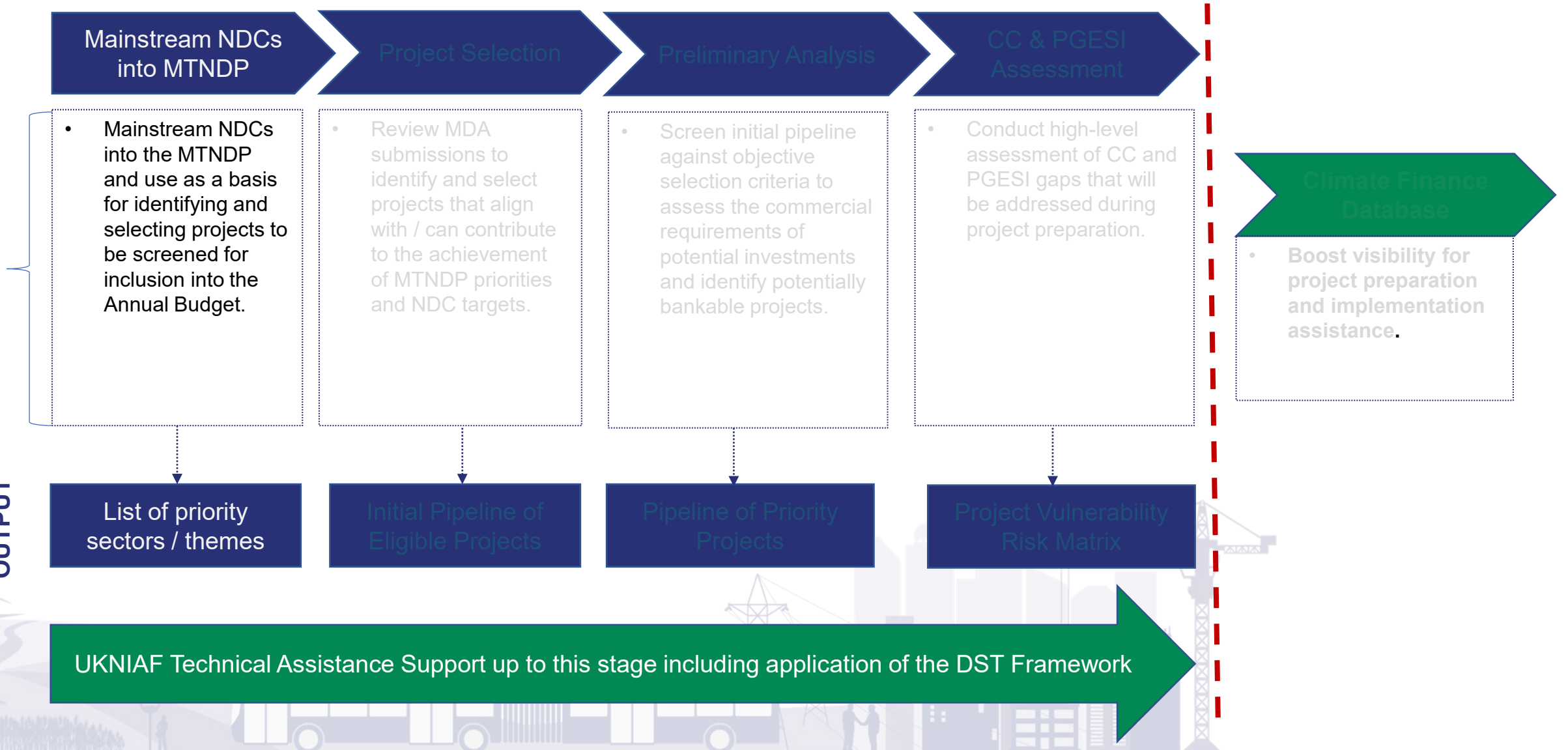
Application of the Decision Support Tool (DST) Framework

The framework will help the government to make the case for receiving project preparation assistance for projects with PGESI & CC development impact.



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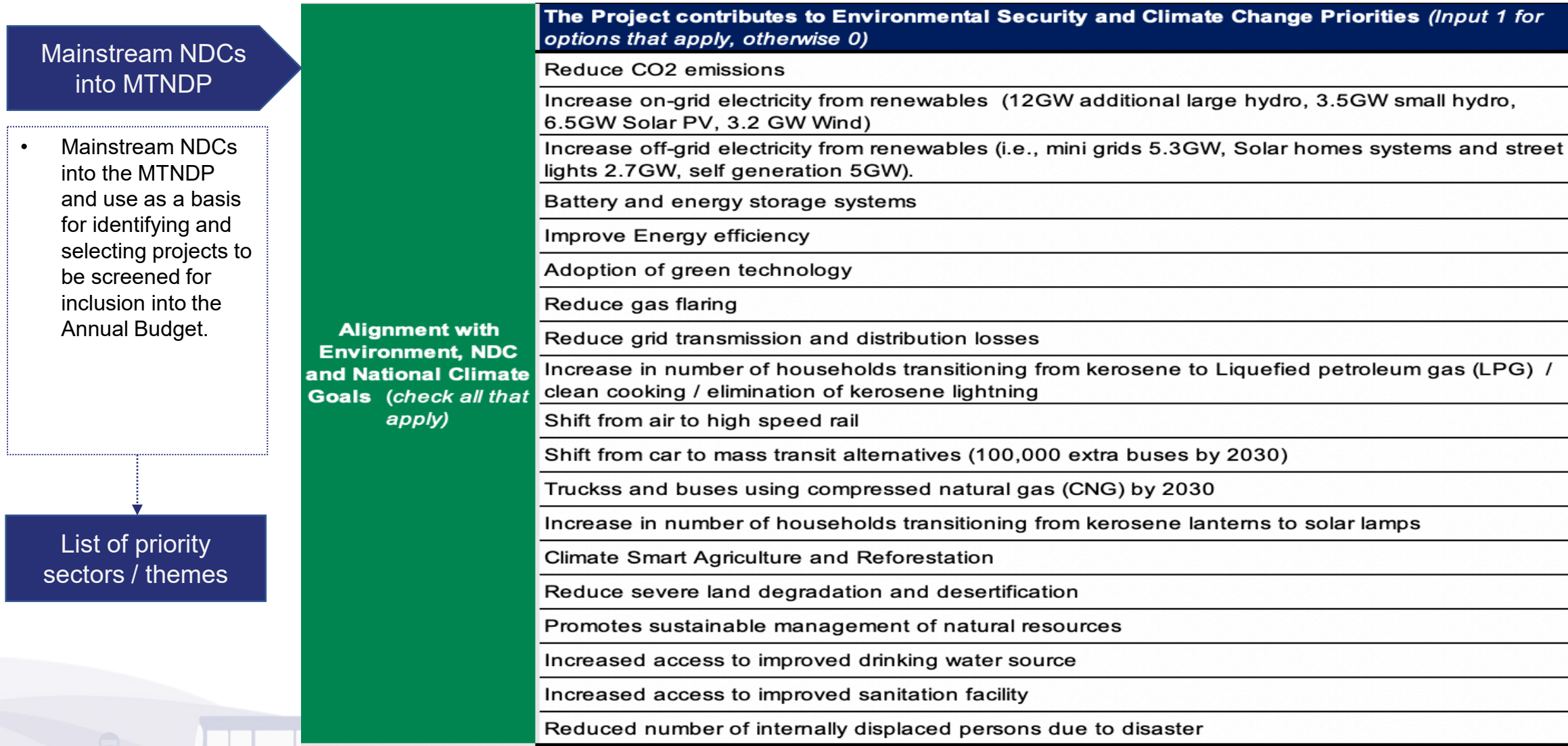
Mainstream NDCs into MTNDP

- Mainstream NDCs into the MTNDP and use as a basis for identifying and selecting projects to be screened for inclusion into the Annual Budget.

List of priority sectors / themes

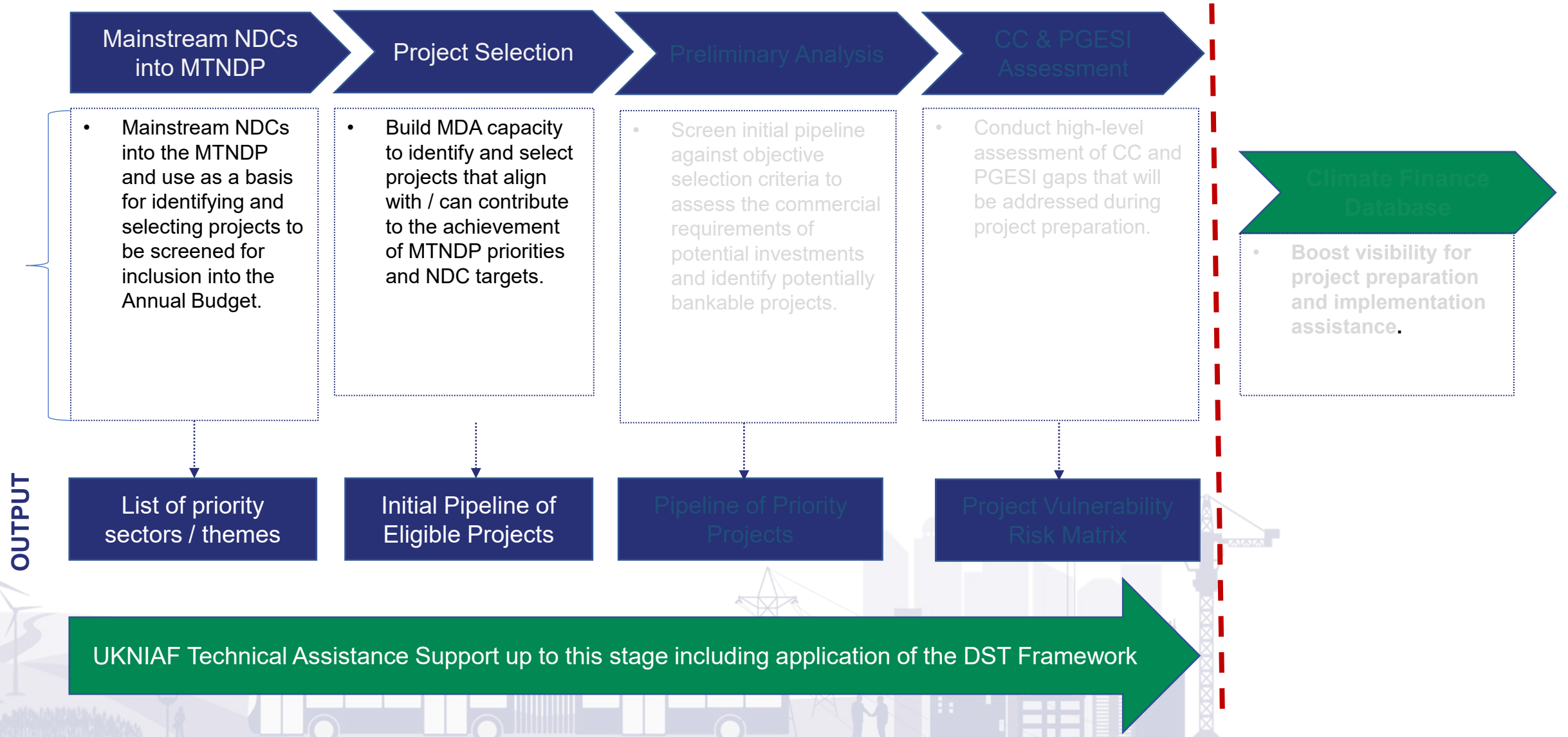
CRITERIA	PRE-SELECTION CRITERIA
Alignment with National and Sectoral Strategies (check all that apply)	The Project falls into an Infrastructure Focus Sector (Input 1 for options that apply, otherwise 0)
	Transportation
	Power and Alternative Energy
	Housing and Urban Development
	Digital Economy, Bio-economy, Science, Tech & Innovation
	Financial Sector and Capital Market
	The Project contributes to priority areas for Economic Growth and Development (Input 1 for options that apply, otherwise 0)
	Agriculture, Food Security and Rural Development
	Manufacturing and Industrialization
	Oil and Gas
	Solid Minerals, Mining and Steel Development
	Culture, Tourism, Creative Industry and Hospitality
	Business Environment, Trade and Competitiveness
	The Project contributes to Human Capital and Social Development priorities (Input 1 for options that apply, otherwise 0)
	Education and Human Resources Development
	Health and Nutrition
	Water Resources and Sanitation
	Environment and Disaster Management
	Women and Gender Equity
	Population and Identity Management
	Poverty Alleviation and Social Protection
	Youth and Sport Development
	Employment, Gender & People with Special Needs
	Enabling Environment of Peace and Security

Application of the Decision Support Tool (DST) Framework



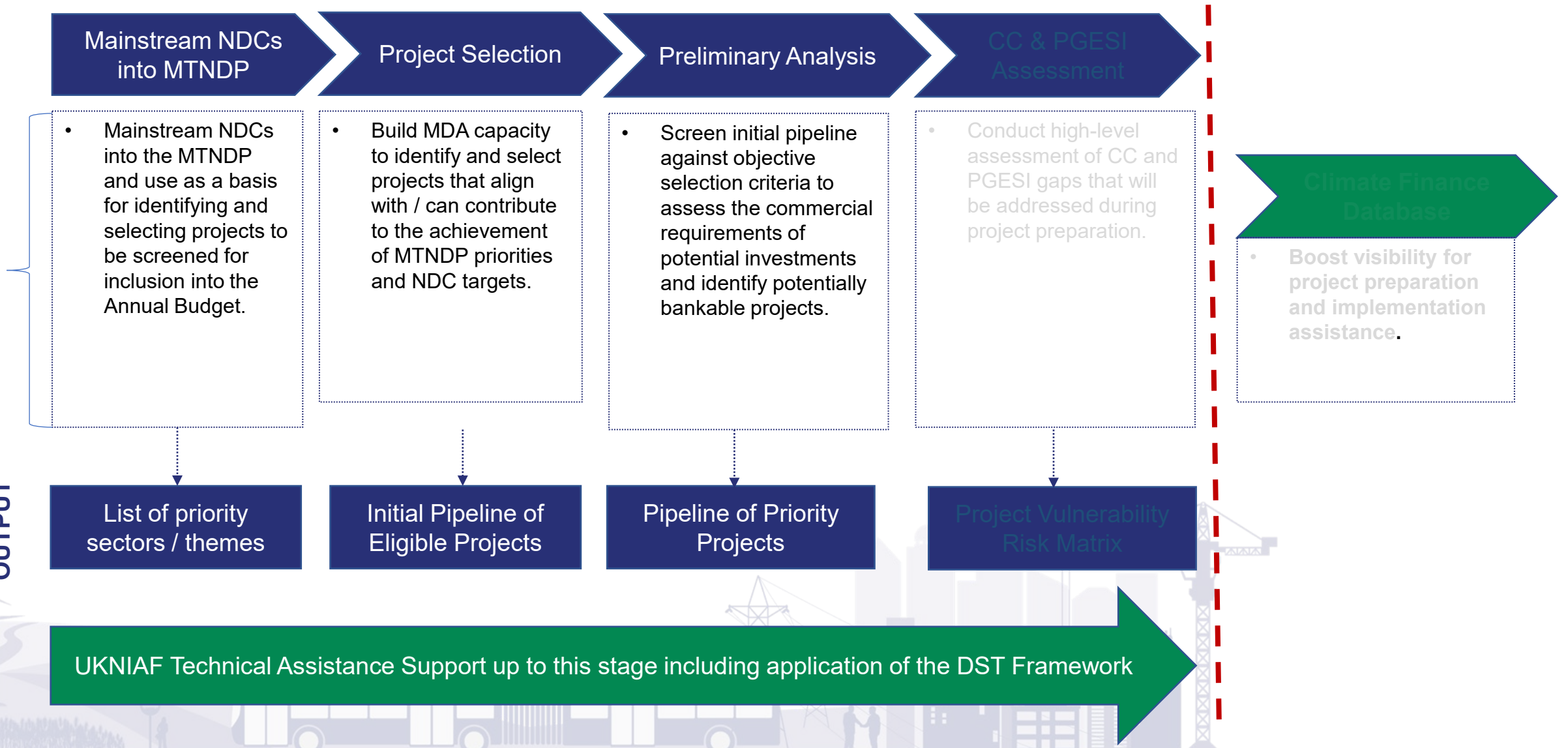
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Application of the Decision Support Tool (DST) Framework

Preliminary Analysis

- Screen initial pipeline against objective selection criteria to assess the commercial requirements of potential investments and identify potentially bankable projects.

Pipeline of Priority Projects

Pre-feasibility Analysis (Input 1 for options that apply, otherwise 0)

Project can be implemented within existing laws, regulations and sector framework and does not require changes that will delay implementation

Project is greenfield

Project objectives and output requirements are clearly defined, and SMART (specific, measurable, achievable, realistic and time-bound)

Project is critical to the delivery of other infrastructure or service projects

Project's expected revenue stream, IRR and ERR have been determined, and evidence of comprehensive financial and economic analysis has been provided

Provisions exist in the capital budget to cover maintenance and operating costs

Budgetary allocation secured for Project preparation

MDA has successfully completed similar projects

Project does not require large tracts of land

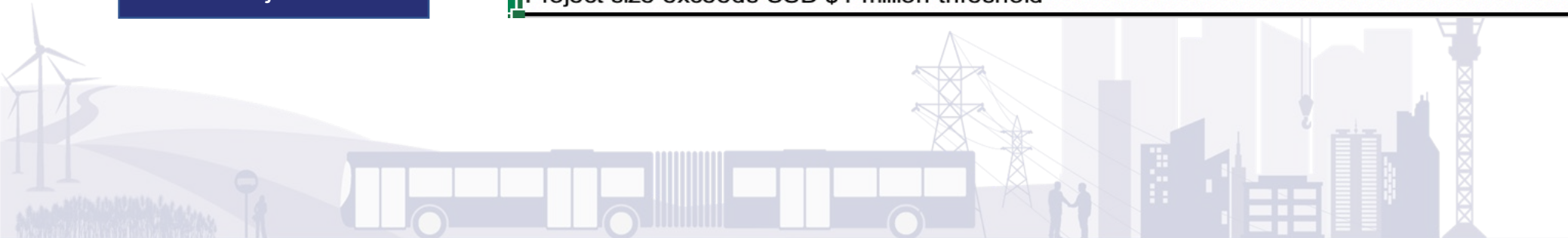
Project results in direct and/or indirect economic benefits for surrounding communities

Similar Projects have been financed via PPP

PPP Minimum Criteria (Input 1 for options that apply, otherwise 0)

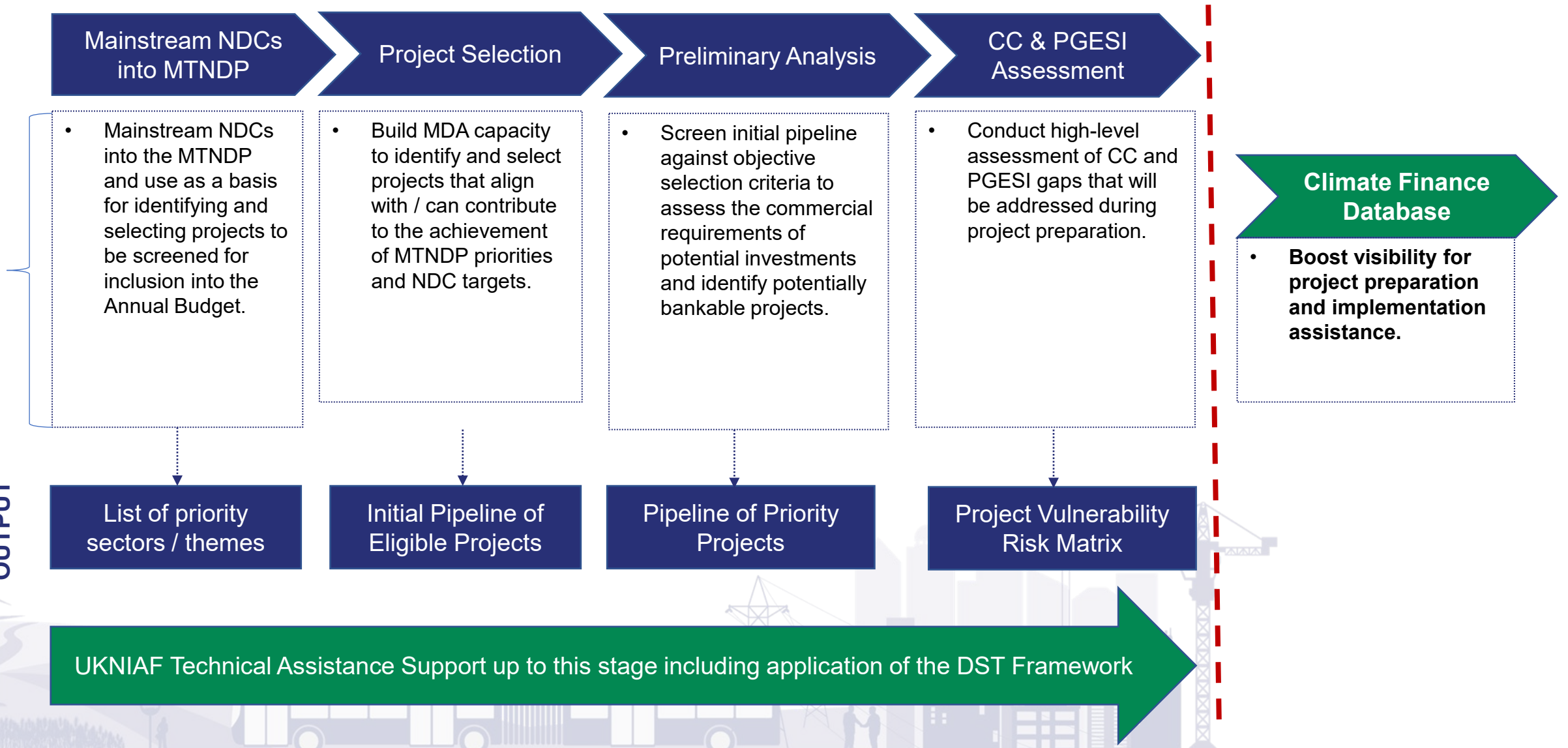
Sector allows private participation in infrastructure development projects

Project size exceeds USD \$1 million threshold



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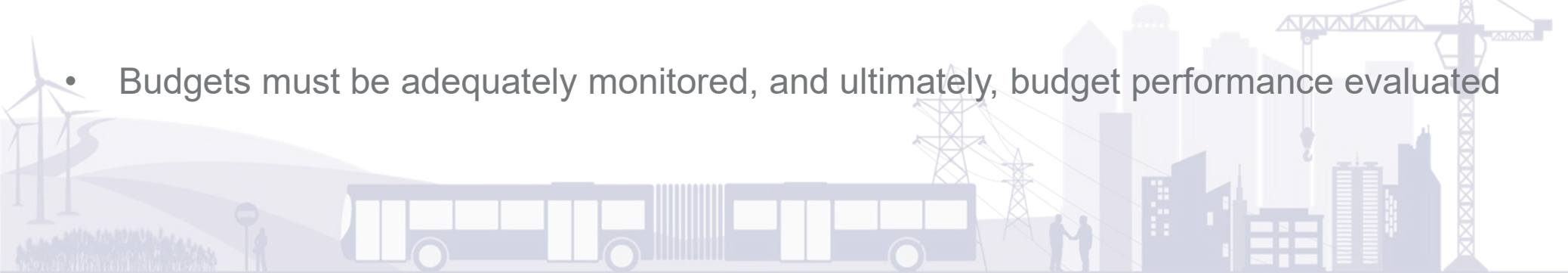
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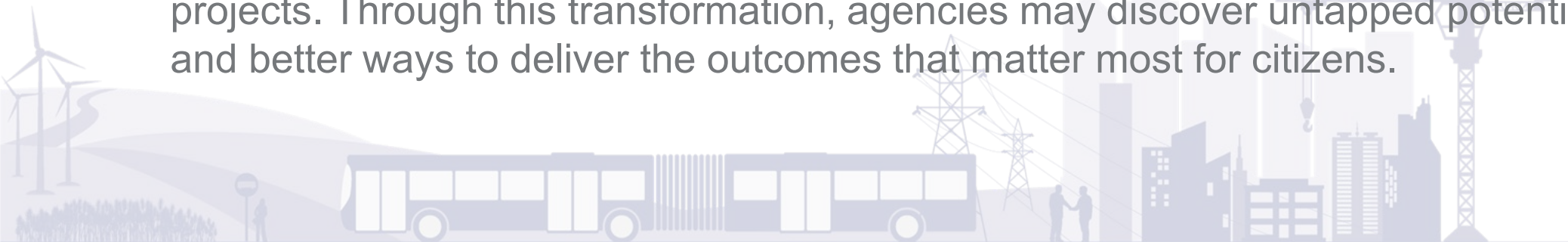
Key Considerations

- Capital planning that involves first identifying desired project outcomes (in the public sector, the particular focus would be on benefits to citizens) and then allocating the capital budget based on these priorities is now mandatory given the shrinking fiscal space
- Nigeria has now developed new national plans, but it must ensure that every Naira spent is linked to these development plans and represents value for money
- A tailored approach to project selection and prioritization and how projects are funded is a must
- A strategic focus is now required as private finance is required to close the capital investment deficit
- Budgeting for infrastructure needs to transition from initial capex to whole-life costing of infrastructure
- Budgets must be adequately monitored, and ultimately, budget performance evaluated



Conclusion

- Federal budget processes need to be better equipped to prioritise project selection against growth objectives, In addition a sound budget should have M&E capability to track implementation progress of approved projects prior to release of capital allocations.
- Key considerations need to be made for how and which projects are selected and prioritised, which are funded by government allocation, which are made available for private financing
- To improve capital planning, public-sector agencies need to review entrenched systems for setting priorities, evaluating projects, allocating portfolio investments, and learning from past projects. Through this transformation, agencies may discover untapped potential for savings and better ways to deliver the outcomes that matter most for citizens.



Next Steps

Activities

Support the Budget Office to review and finalise the decision support tool (DST) with inputs from MDAs

Finalise the Climate Finance Database (CFD) to include pipeline of Climate smart infrastructure projects, Climate finance providers, and training.

Build MDA capacity to use the DST and CFD through workshops and training materials and resources

Deliver webinars on Climate Finance Database to relevant public and private sector players.

Establish the high-level framework and capacity development approach for transition of management of the Climate finance database to host MDA(s).

