



NIGERIA MSME CLIMATE FINANCE PROGRAMME: LOW CARBON TRANSITION AND AGRICULTURAL RESILIENCE

ELIGIBILITY FRAMEWORK

1. Purpose & Scope

This Framework sets out the climate finance eligibility criteria governing the DBN Nigeria MSME Climate Finance Programme. It defines the sectors, activities and conditions under which sub-loans may be originated through DBN's Participating Financial Institutions (PFIs) to eligible MSME borrowers and establishes the exclusion conditions that apply across the Programme.

The Framework applies to all financing extended under the Nigeria MSME Climate Finance Programme, including through the PFI and direct lending windows.

2. Climate Eligibility Criteria

A project must meet at least ONE of the following criteria to be eligible for financing under this Programme:

- I. Demonstrates a quantifiable GHG emissions reduction relative to a documented baseline, using an accepted methodology (GCF Mitigation Activity GHG Quantification Guidelines or equivalent).
- II. Addresses a clearly identified and documented climate vulnerability affecting the borrowing MSME or the community in which it operates (e.g., flood risk, drought, heat stress, erratic rainfall).
- III. Directly targets a sector and specific activity listed in Nigeria's Updated NDC with a measurable mitigation or adaptation outcome that can be tracked and reported against standard programme indicators. Generic alignment with the NDC without a measurable activity-level outcome does not satisfy this criterion.

3. Eligible Sectors & Activities

The table below sets out eligible sectors, their alignment with Nigeria's national climate frameworks, eligible activities at MSME scale and the corresponding GCF result area.

Sector	National Climate Alignment	Eligible Activities
MITIGATION		
NDC Mitigation Sectors: Energy, Transport, Waste		
Renewable Energy	<ul style="list-style-type: none"> Reduce emissions from electricity generation. Increase renewable energy share. Support off-grid electrification. Supports LT-LEDS power sector decarbonization pathway. 	<ul style="list-style-type: none"> Solar PV for MSME commercial & industrial use (C&I). Solar-plus-storage systems for MSMEs Small hydro, biomass and biogas. powering MSME productive activities Hybridisation of diesel systems (solar/diesel hybrid) at MSME sites. Mini-grid development serving MSME clusters. Grid upgrades enabling renewable integration at MSME scale
Energy Efficiency	<ul style="list-style-type: none"> Reduce industrial energy intensity. Efficiency in Heating, Ventilation, and Air Conditioning (HVAC), lighting, refrigeration. Supports LT-LEDS low-carbon industrialization. 	<ul style="list-style-type: none"> Efficient appliances, motors and chillers for MSME operations. Basic energy monitoring and control systems for MSME premises. Energy-efficient lighting, insulation, and HVAC upgrades for MSME commercial premises. Solar-powered or energy-efficient cold storage and refrigeration for MSME food value chains.
Low Carbon Transport	<ul style="list-style-type: none"> Transition to low-emission transport. CNG and EV pathway. Reduce fossil fuel consumption in transport. Advances LT-LEDS transport system transformation. 	<ul style="list-style-type: none"> Electric 2- and 3-wheelers for MSME operators and last-mile logistics. Small commercial EV fleets for MSME transport enterprises. EV charging infrastructure operated by MSMEs. CNG/LPG vehicles as transitional fuel — <i>additional screening required.</i>
Waste Management	<ul style="list-style-type: none"> Methane reduction from solid waste Improve waste collection efficiency Landfill gas capture Organic waste diversion 	<ul style="list-style-type: none"> Recycling and resource recovery businesses at MSME-scale. Composting and organic waste diversion enterprises Circular economy and plastics recycling MSMEs. Agro-industrial wastewater treatment systems for MSME processors. E-waste collection and processing businesses at MSME-scale.

Sector	National Climate Alignment	Eligible Activities
Productive Use of Energy	<ul style="list-style-type: none"> Mitigation through cleaner technologies in agriculture & SMEs Reduce diesel dependence in agro processing. 	<ul style="list-style-type: none"> Solar-powered agro-processing equipment: mills, dryers, grinders, threshers Solar cold rooms and refrigeration for MSME food value chains Solar-powered water pumping and irrigation systems for agri-MSMEs Solar and hybrid systems displacing diesel generation across MSME productive operations Clean cooking solutions for MSME food processing enterprises (biogas, improved LPG systems).
ADAPTATION (NDC Adaptation Sectors: Agriculture, Water)		
Climate Smart Agriculture (CSA)	<ul style="list-style-type: none"> Promote CSA, irrigation, resilient crops. Reduce climate vulnerability of farmers. 	<ul style="list-style-type: none"> Climate-resilient seed varieties and inputs for MSME farmers. Solar-powered irrigation systems improving water security for agri-MSMEs. Post-harvest storage and processing solutions reducing climate-related losses (solar dryers, hermetic storage, climate-resilient warehousing). Climate-resilient livestock management systems for MSME pastoralists and producers. Agroforestry and soil health investments for agri-MSMEs. Climate-resilient aquaculture systems for MSME fish farmers.
Strengthen Water Resource Management	<ul style="list-style-type: none"> Strengthens water sector resilience to droughts, floods, and climate variability. Enhances national and sub-national flood control and drainage resilience. Improves long-term water security through efficient and climate-resilient water systems. 	<ul style="list-style-type: none"> Drought-resilient water supply systems for MSME productive use (boreholes, reservoirs, storage tanks). Water conservation and efficiency equipment for MSME operations (drip fittings, flow meters, water recycling systems). Rainwater harvesting and storage systems for MSME productive use. Climate-resilient water distribution systems for non-agricultural productive-use MSMEs.
CROSS-CUTTING ACTIVITIES Cross-sector Priorities: Resilient Infrastructure, Data, MRV, Climate Finance)		
Green & Climate-Resilient Buildings	<ul style="list-style-type: none"> Promote energy efficiency in buildings. Strengthen resilience of buildings to heat, flooding, and extreme weather. Reduce emissions from buildings and construction. 	<ul style="list-style-type: none"> Energy-efficient retrofits for MSME commercial premises (lighting, HVAC, insulation). Passive cooling, shading, and natural ventilation systems for MSME buildings. Cool roofs and reflective materials for climate-exposed MSME premises. Flood-proofing and structural resilience upgrades for high-risk MSME buildings.

Eligibility under this list does not guarantee financing. All projects must meet DBN's credit, fiduciary, E&S and climate-screening requirements.

4. Co-Benefits & Gender Inclusion

The Programme recognises that climate finance outcomes are strengthened when projects deliver measurable social and gender co-benefits alongside their primary climate objectives. The following activities receive prioritised consideration in DBN and PFI review processes:

- Projects owned or majority-operated by women-led MSMEs, or that demonstrably expand access to climate finance for women entrepreneurs.
- Projects in underserved geographies, including rural areas, conflict-affected communities, and states with high climate vulnerability indices.
- Activities that directly address climate-related food and water insecurity among low-income MSME operators or smallholder farmers.
- Projects that generate measurable local employment in clean energy, sustainable agriculture, or circular economy value chains.
- Activities targeting MSMEs operated by youth, persons with disabilities, or other historically underserved groups.

Prioritisation under this section is a preference criterion, not a hard gate. DBN shall track gender and social co-benefit indicators across the Programme portfolio as part of the MRV framework, consistent with GCF Gender Policy requirements and applicable bilateral partner commitments.

5. Exclusion List

In addition to DBN's institutional exclusions, the following activities are ineligible for financing under this Programme on climate finance grounds. These exclusions reflect the Programme's climate mandate, GCF investment criteria, and Nigeria's LT-LEDS commitments. They apply across all lending windows and take precedence over any sector eligibility listed in Section 4.

Category	Excluded Activity	Rationale
Fossil Fuel Energy	<ul style="list-style-type: none"> • Fossil fuel power generation (coal, oil, natural gas) at any scale, including captive diesel generation as a primary energy source. • Exploration, extraction or processing of fossil fuels. 	<ul style="list-style-type: none"> • Misaligned with Nigeria LT-LEDS power sector decarbonisation pathway; fails climate additionality test. • Upstream fossil fuel activities are incompatible with GCF investment criteria and LT-LEDS.
Nuclear	<ul style="list-style-type: none"> • Nuclear energy generation or nuclear fuel cycle activities. 	<ul style="list-style-type: none"> • DBN ESRM Policy exclusion (radioactive materials); not eligible under any GCF or green finance framework.
Deforestation & Habitat Loss	<ul style="list-style-type: none"> • Activities resulting in significant degradation or conversion of natural habitats, critical habitats, or High Conservation Value (HCV) forests, or any activities in legally protected areas. • Production or trade in wood or forestry products from unsustainably managed forests. 	<ul style="list-style-type: none"> • DBN ESRM Policy Annex 4; IFC PS6; incompatible with NDC AFOLU commitments. • DBN ESRM Policy Annex 4; Nigerian Sustainable Banking Principles (NSBP).
Forced & Child Labour	<ul style="list-style-type: none"> • Production or activities involving forced labour or child labour in any part of the supply chain financed by a sub-loan. 	<ul style="list-style-type: none"> • DBN ESRM Policy Annex 4; ILO C138 (ratified Nigeria 2002); NSBP Principle 3; GCF Environmental and Social Policy.

Category	Excluded Activity	Rationale
Involuntary Resettlement	<ul style="list-style-type: none"> Activities requiring involuntary physical or economic displacement of communities without a resettlement action plan meeting IFC PS5 standards. 	<ul style="list-style-type: none"> DBN ESRM Policy Annex 5; IFC PS5; GCF Environmental and Social Policy.
LT-LEDS Misalignment	<ul style="list-style-type: none"> Activities requiring involuntary physical or economic displacement of communities without a resettlement action plan meeting IFC PS5 standards. 	<ul style="list-style-type: none"> GCF paradigm shift requirements; NDC alignment; climate additionality discipline.
No underlying climate asset	<ul style="list-style-type: none"> Purely financial activities, working capital loans, or general-purpose credit lines with no identifiable climate-eligible asset, activity or outcome at sub-borrower level. 	<ul style="list-style-type: none"> GCF investment criteria; use-of-proceeds discipline required for all climate lending under this Programme.
Conditional but not EXCLUDED	<ul style="list-style-type: none"> CNG/LPG vehicles as transitional fuel: eligible only subject to mandatory additional screening (Section 6) Fossil LPG for MSME cooking/processing: eligible only with documented GHG reduction vs. biomass/charcoal baseline (Section 6) 	<ul style="list-style-type: none"> See Section 6 for additional screening protocols applicable to each conditional activity.

6. Screenings Protocols for Conditional Activities

The following conditional activities require additional screening at both PFI and CFU level before a sub-loan may be approved:

I. CNG / LPG Vehicles (Transitional Fuel)

- a. Documented GHG emission reduction of at least 20% relative to the diesel baseline, calculated using the GCF Mitigation Activity GHG Quantification Guidelines or an equivalent methodology accepted by the GCF Secretariat.
- b. Confirmed non-fossil gas source, OR a credible transition pathway that includes a maximum loan tenor aligned with a phase-out timeline consistent with Nigeria's LT-LEDS transport decarbonisation schedule.
- c. Exclusion of LPG vehicles where the primary fuel source is fossil-origin LPG without a demonstrated renewable gas blending commitment.
- d. CFU sign-off required for all CNG/LPG sub-loans regardless of size.

II. Fossil LPG for Clean Cooking (PUE Sector)

- a. Documented emissions reduction relative to the baseline fuel (typically firewood, charcoal, or kerosene) using IPCC Tier I emission factors or equivalent.

- b. Limited to MSME food processing enterprises where the primary benefit is displacement of high-emission biomass fuels - residential cooking applications are excluded from this Programme.