

EXECUTIVE SUMMARY

THE STATE OF CLIMATE FINANCE IN NIGERIA

ACKNOWLEDGEMENTS

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Lead authors: Augustine Okere and Hyeladzira James Mshelia.

Contributing authors: Tallulah Cherry (INKA), Hans Peter Dejgaard (INKA), Rasmus Bo Sørensen (INKA) and Professor Chukwumerije Okereke.

Commissioning manager: Henry Ushie.

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Designed by Ikechukwu 'Aces' Ojibe. Aces Concepts

This paper was written to inform public debate on climate finance, climate action, and proffer policy options which can inform decision making around local and subnational climate governance and civil society roles for tracking climate funds in Nigeria.

For further information on the issues raised in this paper please email infonigeria@oxfam.org

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Email: infonigeria@oxfam.org

Call: 0708 662 5290

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Cover Photo: Men on Boat on Water in Village during Flood by Safari Consoler on Pexels.



BACKGROUND

At COP29, the global conversation on climate finance for developing countries like Nigeria took center stage, highlighting the urgent need for enhanced financial support to address climate change impacts. As one of Africa's largest economies, Nigeria faces a growing climate crisis that threatens its people, ecosystems, and economic stability. Despite receiving billions in climate finance, the country remains significantly underfunded in meeting its climate goals. The challenges are compounded by a heavy reliance on debt-financed climate projects, raising concerns about long-term financial sustainability. The discussions at COP29 emphasized the importance of increasing international support, improving governance frameworks, and ensuring that finance flows reach the communities most vulnerable to climate change. This report dives deep into Nigeria's climate finance landscape, exploring the amounts received, sectoral allocations, management strategies, and the role of civil society in driving accountability. It provides an essential look at how Nigeria can harness climate finance to build a more resilient, sustainable future.



Total International Climate Finance Received by Nigeria between 2015-2021 **4.928 billion USD**

Major Donors

The World Bank



\$ 3.17billion
(64%)

France



\$ 616million
(13%)

EU



\$ 321million
(7%)

EIB

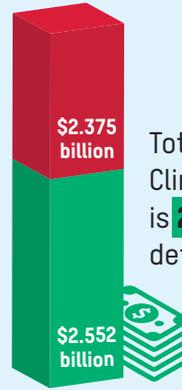


\$ 207million
(4%)

AfDB

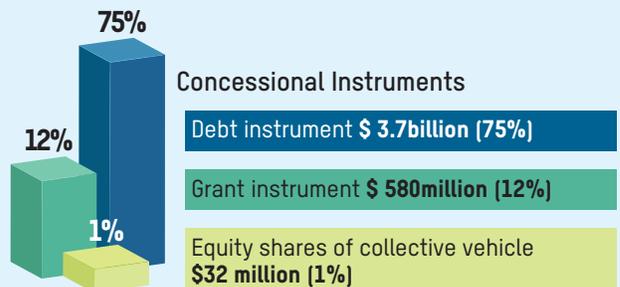


\$ 155million
(3%)

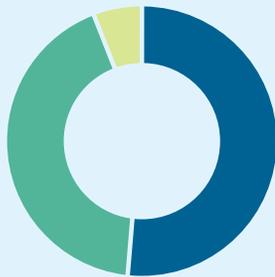


Total Grant Equivalent of Climate finance 2015-2021: is **2.552 billion USD** with a deficit of **2.375 billion USD**

More Climate Finance was provided by Debt Instruments



Note: Concessional (below-market-rate finance provided by MDBs and funds) and Non-concessional (market-based interest rate and substantially less generous terms)



OECD data indicates that international climate financing support to meet Nigeria's NDCs have been somewhat evenly distributed. Adaptation finance projects at **52 percent (costing 2.549 billion USD)**; Mitigation finance projects at **43 percent (costing 2.095 billion USD)**; Cross-cutting finance projects at **6 percent (costing 282 million USD)**



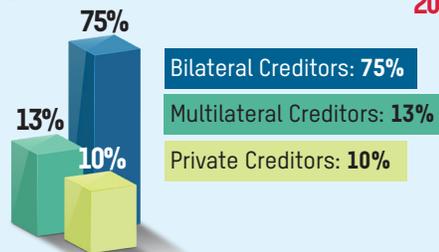
Total Debt (Q3 2023) **\$ 114.3 billion**



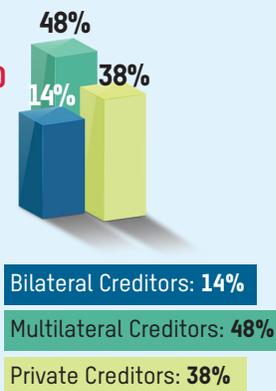
External Debt **36.8%** of total

Creditor Composition Changes

2005



2020

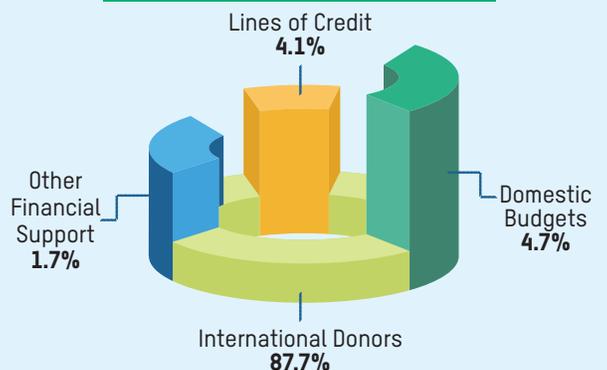


Note: Loans from multilateral and private creditors have higher interest rates and shorter maturity/grace periods



Total amount needed by Nigeria annually for her NDCs **\$ 177.7 billion**

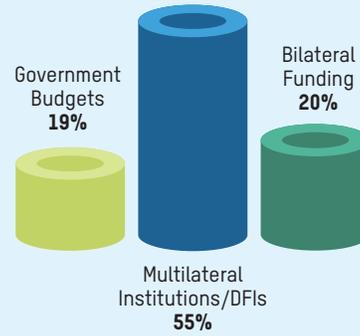
Funding Sources (2020-2023)



Domestic financing is more reliant on DFIs and bilateral funding, with **government budgets contributing less**

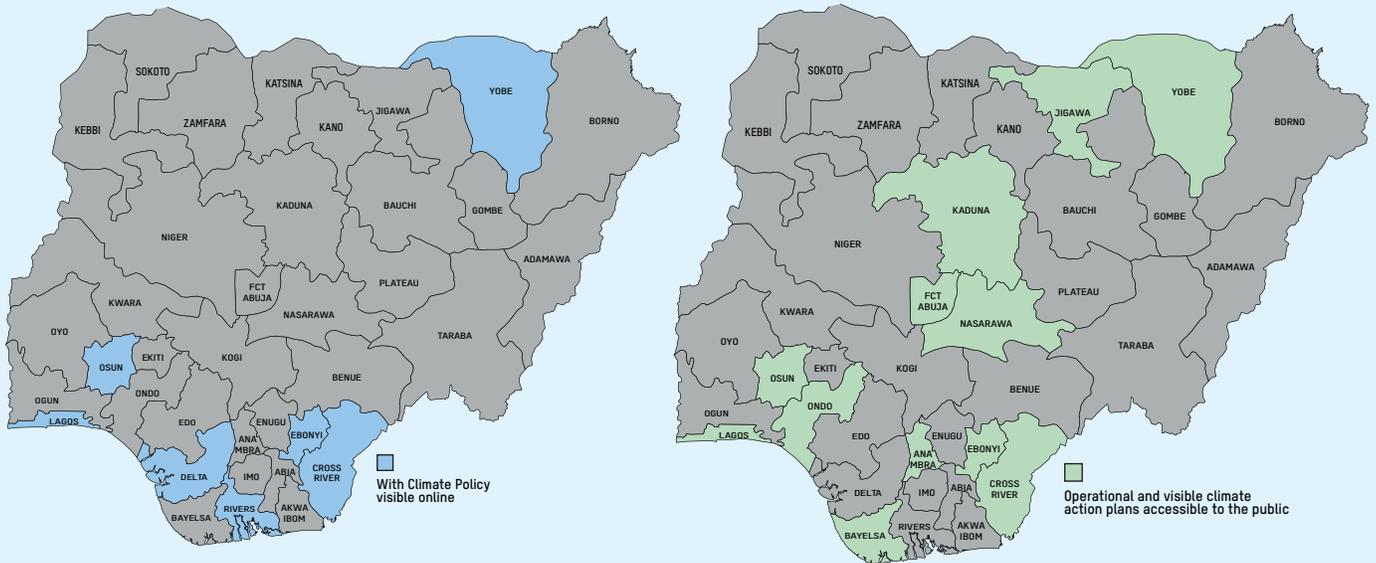


Total Domestic Landscape (2020–2022):
\$1.5 billion

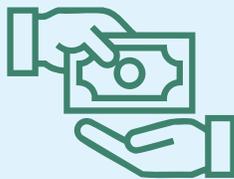


Yet to Implement the Climate Public Expenditure Review (CPEIR) under the Federal Ministry of Environment; Yet to properly institutionalize National Budget Tagging and Tracking Mechanism; Yet to full operationalize the Climate Change Fund as provided by the Climate Change Act, 2021

Sub-National Climate Governance (as of June 2024)



Strategies to improve Climate Finance Governance in Nigeria



FollowTheMoney Initiatives



FOI for data and transparency



Climate Finance Hubs

Key Findings



Amounts of climate finance Nigeria has received

A total of 828 climate-related projects were committed to Nigeria in the period 2015-2021, amounting to 4.928 billion USD in climate finance. This equates to an average of 118 projects per year and an average climate finance per year of 704 million USD. Despite reports from OECD, the grant equivalent which stands at 2.5 billion USD and the actual reception of international climate finance for climate action is far from sufficient for Nigeria to fulfill its ambitious climate goals for NDCs estimated to be 177.7 billion USD annually.

The top sectors funded by the climate finance provided to Nigeria were Agriculture, Forestry and other land uses (AFOLU), Energy, Water and Sanitation, Education, and Financial Services.

The World Bank (3.17 billion USD -64%), France (616 million USD - 13%), EU (321 million USD - 7%), EIB (207 million USD - 4%), and AfDB (155 million USD - 3%), are the top five providers for Nigeria and are among providers who committed over 10 million USD over the period of 2015-2021. Additionally, the Green Climate Fund (GCF) (99 million USD - 2%), US (82 million USD - 2%), UK, (53 million USD - 1%) and Germany (49 million USD - 1%) also committing significant amounts of finance.

Nigeria's international climate finance was 2.5 billion USD (52%) for adaptation, 2.09 billion USD (43%) for mitigation and 282 million USD (6%) for cross-cutting projects. Of the total amount provided between 2015-2021, top international providers for adaptation and mitigation (plus 50% cross-cutting)

Majority of climate finance for Nigeria were provided as concessional loans (debt). In the 4.928 billion USD provided as international climate finance for Nigeria, 3.7 billion USD (75%) were committed as concessional loans (debts) while a significantly low proportion of 580 million USD (i.e. 12%) were offered as concessional grants.

The non-concessional component of Nigeria's climate finance was 597 million USD (12%). Higher proportions of concessional grants were reported in the early years as concessional debts increased significantly in 2018 (799 million), 2020 (1.3 billion) and 2021 (1.03 billion).

This dimension of climate finance further adds to Nigeria's tight debt portfolio. Nigeria commits a significant part of her GDP to debt servicing and interest repayments on loans with current debt levels at 108 billion USD and external debt at 41.59 billion USD. This amounts to over 37 % of Nigeria's GDP committed to debt servicing and loan repayments.

Nigeria's creditor outlook has also changed in about two decades with multilateral and private creditors leading as providers instead of traditional bi-lateral creditors (e.g. Paris Club). Multilateral creditors share of total external debt in Nigeria has increased since 2005 from 13% to 48% by 2020 (i.e. total of 1.43 trillion USD in 2020), while private creditors have also increased within the same period from 10% to 38% reaching 1.12 trillion USD in 2020. On the other hand, bilateral creditors who accounted for over 70% of Nigeria's external debt in 2005 has declined to 14% with 426 billion USD provided in 2020.

Nigeria has also increased the portion of its total budget committed to debt servicing from 21.2 % of total budget in 2015 to 27.3% which diverts funds earmarked for other social services (e.g. healthcare, education and insurance) thereby reducing the fiscal space for climate action. With Nigeria's climate finance landscape dominated by international funding, public finance for ambitious Nationally Determined Contributions (NDCs) is constrained by interest rate risks and debt repayments. This can put further strain on public debt, impacting spending in other key sectors.



Management of Nigeria's climate finance

While the Climate Change Act (CCA), 2021, National Climate Change Policy, and the National Adaptation Framework (NASPA-CCN) provides for the ground for cross-sectorial implementation of climate initiatives, the newly established National Council on Climate Change (NCCC) is designated "with powers to make policies and decisions on all matters concerning climate change in Nigeria", according to CCA, 2021." The Council is also saddled with the responsibility of coordinated implementation of sectorial targets and guidelines for the regulation of GHG emissions and other anthropogenic causes of climate change under the mechanism of the Climate Change Fund (CCF) which is yet to become operational.

Funding from bilateral and multilateral organizations, usually in the form of Official Development Assistance (ODA), is transferred directly to the central government budget. But sub-national governments are technically guaranteed, via the Concurrent List of the 1999 Constitution (as amended), direct access funding from international providers, a strategy few have fully exploited. T

he capacity gaps within sub-national levels, as some have not articulated a proper policy framework for climate action, limits their abilities to develop technical proposals to access climate finance (like the GCF) with very few exceptions.

Recent estimates on domestic investments to climate actions indicates this is negligible at 19% of total Nigeria's climate finance landscape while multilateral and bilateral climate investments continuously outperform at combined 76% mobilized resources. Opportunities to increase this exists by leveraging private finance (e.g.

Green Bonds) and unlocking more climate bankable projects across the country using Nigeria's Development Bank, the National Sovereign Investment Authority, Bank of Industry and systems which share the risk of such projects between governments and investors.

In response to its strong commitment to sustainable development, Nigeria has updated its NDCs (2021-2030) as the basis for unlocking its policies, strategies and action plans. This setting has attracted significant investments in some sectors like water (USD 54 billion), oil & gas (USD 1.5 billion USD) and power (USD 2 billion) between 2015-2021.

Although with marginal progress, these NDCs initiatives are primarily funded by donors and lines of credit while estimates indicate national budgets cover around 14% for NDCs implementation. There are key NDCs projects which are set over long-term horizons and implemented through external supports. Annual budgets to finance NDCs and other climate action are often generic or contain budget lines like "Administrative expenditures" under capital projects overshadowing the number of climate adaptation and mitigation projects. This makes proper tracking and tagging of domestic climate budgets cumbersome.

To monitor climate finance and inform climate change policy, tracking and reporting climate change spending systematically, reliably, and annually will be useful. However, Nigeria is yet to fully implement such a system for decision making. Lagos State might be among the few sub-national stakeholders who have implemented such a tracking and reporting system with the development of her climate adaptation and resilience plan (LCAR).



CSOs and local communities

Knowledge levels of local communities about climate change are still low. Moreso, the dearth of information and data about climate finance is limited. The major opportunity to demand information about budget for climate goals in Nigeria often comes after a climate crisis (e.g. natural disasters), then public outcry is usually heightened on the use of climate funds. In climate frontline communities, sub-national and local authorities do not inform people adequately, and if they do, the information is often not clear. The blame cannot reset squarely on local authorities, as persistent capacity issues often abound.

Civil society organizations (CSOs) often participate in climate change policy co-creation, validation, and implementation in Nigeria through workshops and meetings organized by climate focused ministries, departments and agencies (MDAs). Their perspectives and

the community shared experience help shape direction of climate change policy making. The use of innovative systems to tell human angle stories and increase community governance interests in transparency and accountability for climate funds has been the bedrock of Connected Development (CODE). The “Follow the Money” model is utilized by CODE in community townhall meetings, awareness campaigns, and simplification of public information on government spendings, while the NOMtrac tool provides opportunity for communities to nominate and track climate resilient projects in their communities. Other civil societies groups have deployed systems like local government climate budget training to support capacity and scorecards which documents sub-national funding arrangements and preparedness for climate finance.



Recommendations

For the government



Enhance Policy and Budgetary Integration

Policymakers should prioritize climate considerations in annual budgets through training and stakeholder engagement.



Strengthen Sub-national Climate Action

Sub-national governments need support to develop and implement climate policies and action plans.



Improve Local Government Capacity

Local governments should be empowered with the mandate, resources, and capacity to address climate change at the local level



Strengthen Climate Governance

Develop robust climate governance frameworks, including budget tagging mechanisms, to ensure effective implementation of climate initiatives



Mobilize Domestic Resources

Reduce reliance on international climate finance by investing in domestic resources and prioritizing climate-resilient infrastructure



Foster International Cooperation

Seek international partnerships to mobilize climate finance and build capacity.

For the Private Sector



Invest in Green Finance

Financial institutions should expand their portfolios to include green bonds and other sustainable finance instruments.



Disclose Climate Risks

Increase transparency on climate-related financial risks to inform decision-making.



Invest in Climate-Resilient Technologies

Support the development and deployment of technologies that enhance climate resilience.

For Nigerian CSOs



Advocacy and Accountability

Advocate for fiscal accountability by ensuring climate finance flows are monitored and transparently utilized. Engage in policy debates to increase discourse on climate finance and include diverse perspectives. Support community-led adaptation initiatives to foster grassroots resilience through mapping of resource allocation shortages.



Establish a Climate Finance Hub

Create a platform for knowledge sharing, collaboration, and capacity building among stakeholders, including ministries, multilateral organizations and community based organizations.



Enhance Public Awareness

Raise public awareness about climate finance and fiscal justice. This can include educational initiatives that can empower communities and community based organizations to understand and engage with climate finance mechanisms.



Foster Collaborative Initiatives

Collaborate with government and the private sector to implement climate finance initiatives, leveraging diverse expertise and resources to achieve more effective climate solutions.



Support Research and Development

Invest in research to develop innovative climate finance instruments to monitor climate funds. Review climate finance reports published by government stakeholders and follow up on investments and allocations laid out in these reports.

