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Introduction to climate finance in Nigeria

Executive Summary

Climate finance refers to the funding of activities and projects which aim to achieve progress against climate objectives. These objectives may focus on:

- **Mitigation** – to limit or reduce emissions of greenhouse gases (GHGs) to the atmosphere to reduce the risks and hazards of climate change; and/or
- **Adaptation** – to help communities, societies and economies adapt to the adverse impacts of climate change.

Climate finance has been recognised as crucial to achieving significant progress towards climate objectives, as this often requires large-scale infrastructure and the engagement of large portions of populations, both of which can require high levels of investment.

The Challenges/Funding needs

Climate finance can come from a wide range of both private and public sources and can flow domestically or internationally. Developed countries have made concrete agreements to provide financial resources to assist developing countries in meeting climate objectives, recognising both that some countries have contributed to the causes of climate change more than others and that countries have different capacities to financially contribute towards climate objectives.

*‘Developed countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries.’
(UNFCCC, 2009)*

While estimates of the level of investment needed by developing countries varies considerably, it is suggested that these may lie between \$180 - \$450 billion per year for mitigation and \$30 - \$100 billion per year for adaptation¹. Therefore, the likely scale of resources required by developing countries is perhaps around four times that which developed countries are aiming to provide. This has two significant consequences:

1. There is and will continue to be competition for scarce international climate finance resources
2. International resources will need to be complemented by domestic resources

As Figure 1 indicates, in 2013, flows of climate finance from developed to developing countries, North-South flows, accounted for approximately 10 per cent of total global flows or \$31 billion (Buchner et al., 2014). Figure 2 demonstrates that the majority of these flows are public and are split between multilateral development banks (MDBs) such as the World Bank, bilateral (country-to-country) finance institutions, international climate funds and direct support from governments to projects.

Figure 1: North-South flows account for approximately 10 per cent of global flows

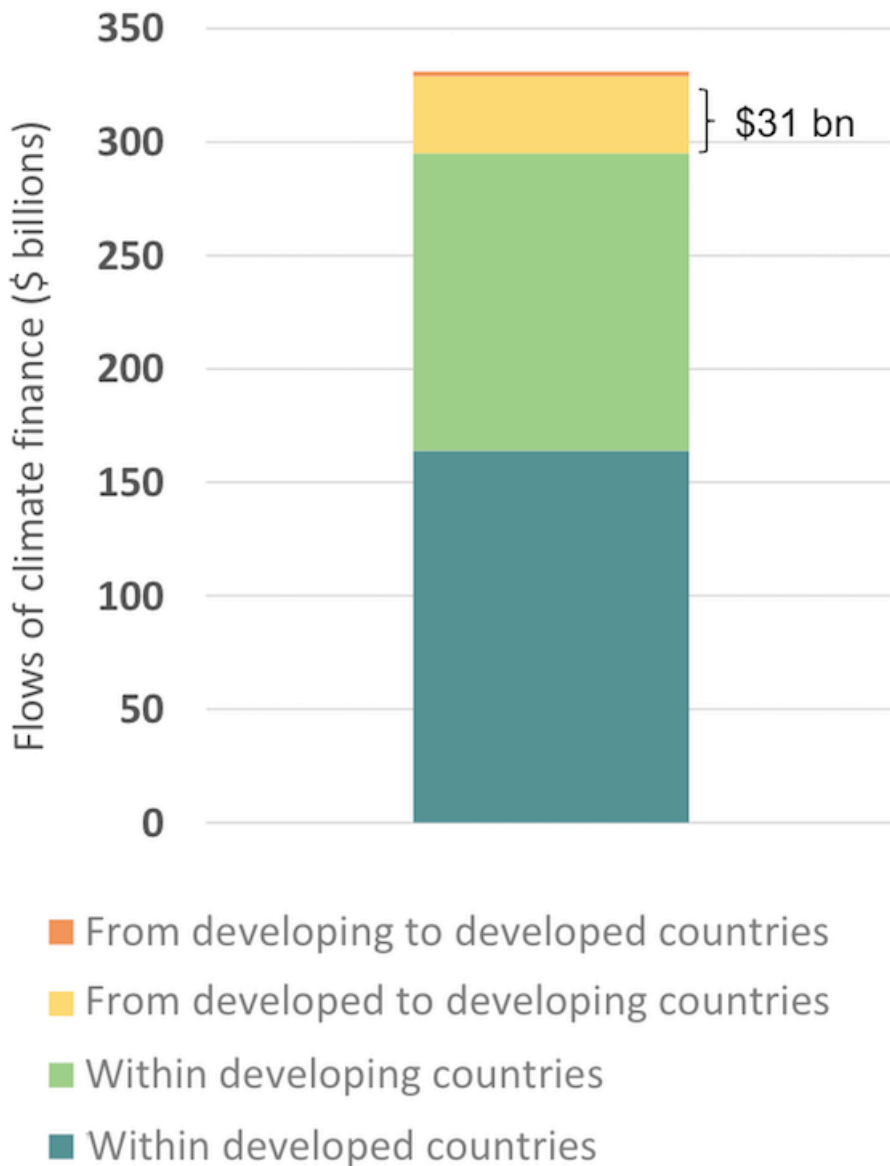
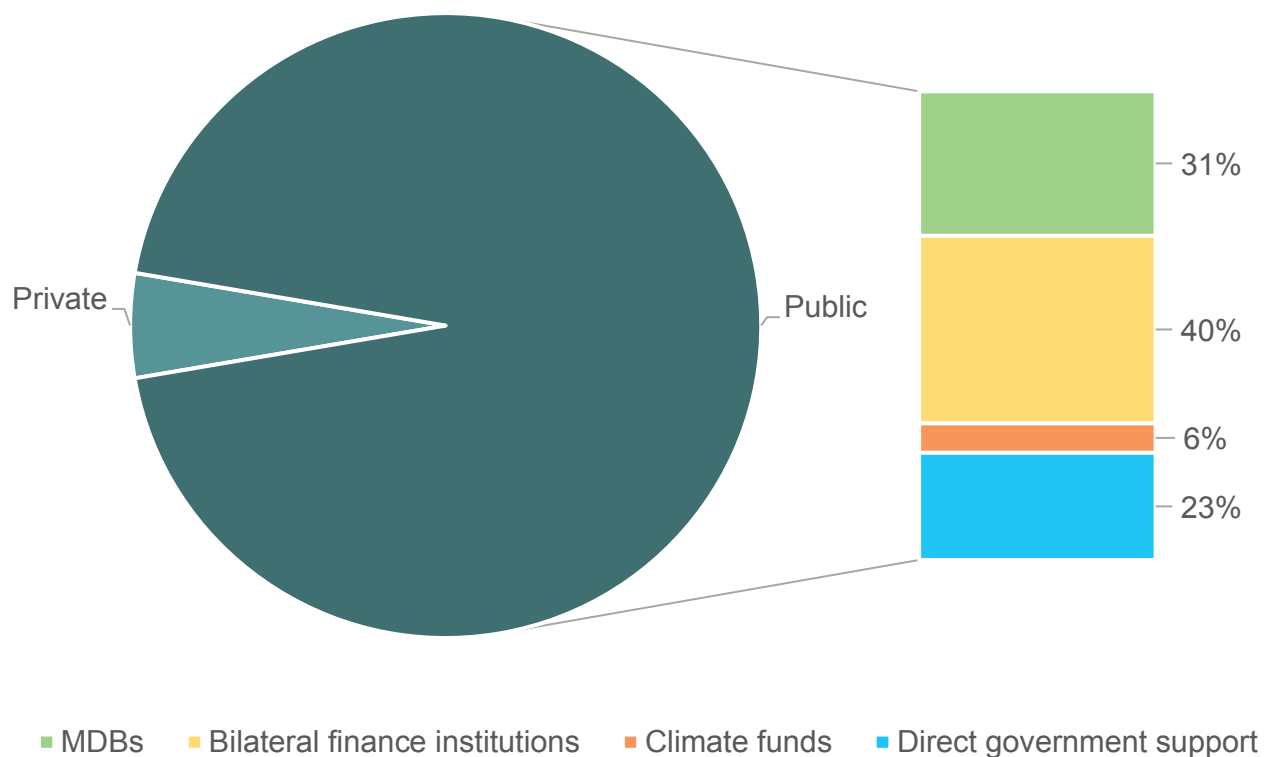


Figure 2: Most North-South flows are from public sources



Nigeria's experience

To date, Nigeria has leveraged \$63 million of multilateral funds for climate change projects (Overseas Development Institute, 2015). This is broadly equal to that of Rwanda, whose population is roughly 7 per cent of Nigeria's, and is just over a tenth of the funding approved for South Africa. Considering Nigeria's level of GHG emissions, its vulnerability to the impacts of climate change and the amount of funding provided to developing countries as a whole, this is less than one might expect Nigeria to receive.

Dedicated climate funds typically allocate funding to projects through a transparent and competitive process open to organisations from many different countries. Recipient countries submit project proposals to the fund, which demonstrate how the project contributes to achieving the fund's strategic objectives. The fund then reviews each proposal and those that score the highest in a given funding round are approved for finance. The level of funding provided by climate funds is expected to grow significantly over time. **These reasons together, suggest that dedicated climate funds present the best opportunity to increase the flow of climate finance for Nigeria in the short to medium term.**

¹ References for each of the estimates of investment need are available in NIAF's training presentation 'Priority funds for Nigeria and project selection'