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# STRENGTHENING THE ROLE OF THE PRIVATE SECTOR IN MEETING NIGERIA'S NATIONALLY DETERMINED CONTRIBUTIONS (NDCs) TARGETS

By

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Part of a Discussion Paper Series on

**Promoting Critical Analysis of, and Public Engagement with  
Nigeria's Nationally Determined Contributions (NDCs) Revision  
and Climate Action**

This paper is one of the analyses commissioned and published by the Center for Climate Change and Development Alex Ekwueme Federal University Ndufu-Alike Nigeria (CCCD-AEFUNAI) as part of the “Promoting Critical Analysis of, and Public Engagement with Nigeria’s Nationally Determined Contributions (NDCs) Revision and Climate Action” project.

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Cite this report as:

*Itua, Eugene and Esambe, Gerald (2021). Strengthening the role of the private sector in meeting Nigeria’s Nationally Determined Contributions (NDCs) targets, Center for Climate and Development, Alex Ekwueme Federal University Ndufu-Alike Nigeria Discussion Paper*

### **Promoting Critical Analysis of, and Public Engagement with Nigeria’s NDC Revision and Climate Action Project**

The Promoting Critical Analysis of, and Public Engagement with Nigeria’s NDC Revision and Climate Action Project is a project implemented by the Climate Change and Development Centre, Alex Ekwueme Federal University, Ndufu-Alike Ikwo, in partnership with the World Resources Institute with funding from the IKEA Foundation. The project is geared towards providing independent critical analysis and input into the revision process of Nigeria’s Nationally Determined Contribution (NDC) which is due for submission in November 2020. The project is also intended to increase public awareness of, and stakeholders’ engagement in the revision and subsequent implementation of the revised NDC. It is also expected that project will increase public awareness of climate change in Nigeria more broadly. The project aims to help widen the horizon of the discourse and strongly compliment the government-led NDC revision process with the support of the NDC Partnership through the Climate Action Enhancement Package (CAEP), by injecting academic analysis and more public debate into the process.

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**Principal Investigator and Managing Editor : Prof. Chukwumerije Okereke (Director CCCD-AEFUNAI)**

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## 1.0 Introduction

The NDCs form the cornerstone or decisions of the 2015 Paris Agreement (PA) to ratchet up needed climate actions. The Agreement gave each country a five-year cycle to assess progress vis-a-vis the transformation towards low carbon emission pathways in line with their respective NDCs and their peculiar and complex national characteristics. In fact, NDCs have since become one of the key tools for measuring what each country is doing in the climate change area (Acciona, 2020).

The Nigeria Government, like many others, since ratifying the agreement, has shown commitment in the roll-out of her NDC implementation with a number of activities

such as Development of Sectoral Action Plan for NDC implementation road map, Establishment of Climate Change Desk Officers across states, Issuance of 1st and 2nd National Green Bonds, Capacity Building on MRV and GHG Inventory, and now more recently developing a Long-Term Low Emissions Development Strategy (LT-LEDS).

However, a cursory stocktake will reveal that much still needs to be done in terms of converting the opportunities presented by NDCs into investment-ready portfolios or projects which the government cannot do all alone. Herein lies the need for the Nigerian Government to engage with the private sector more closely.

## 2.0 Why Engage the Private Sector?

AfDB (2019) described the private sector as “an engine” that drives “inclusive and sustainable growth.” Also, the Nigerian Economic Summit Group (NESG), in its 2018 Macroeconomic Outlook, noted that the private sector is vital in creating jobs and ensuring inclusive green growth. Furthermore, in the fight against climate challenges, a number of the Multilateral Development Banks (MDBs) and Development Institutions have continually sought ways to leverage the resources, relationships, networks, and talents of the private sector for climate actions and interventions. For instance, the Green Climate Fund (GCF) set up the Private Sector Facility (PSF) to fund and mobilise institutional investors and leverage GCF’s funds to encourage corporate actors to co-invest in climate activities. And interestingly even the African Governments including Nigeria are throwing their nets wider and increasingly courting the private sector in general for partnerships in development. United Nations Africa Renewal, 2021). In Nigeria, the recognition of the role of the private sector in the meeting of the Nigeria’s NDC targets made the Department of Climate Change of the Federal Ministry of Environment with the support of the

United Nations Development Programme (UNDP) NDC Support Programme to embark on rounds of Business Round tables to sensitise and increase private sector awareness and participation.

The question is why? Straightforwardly, this is because they have all realised that the fight against climate challenge cannot be achieved quickly without investments from the private sector.

It is generally known that the private sector holds the ace to business models and innovations that drive the society to success and awaken the latent needs. For Nigeria provides the private sector provides the formidable space for a more secure, productive, and just communities that are climate resilient. The private sector is in position to mobilise resources, knowledge, and innovation for addressing climate change and promoting green growth (**Box 1**).

In fact, the private sector also has the capacity to drive innovation and promote it with a market creation that has the potential to support low emission development with reduced GHG emissions and resilient growth.

Thus, there is need for the Nigeria government to reinforce her strategy to leverage the investments by the private sector and harness the opportunities this provides to implement climate projects that support the NDC.

The “meaningful involvement of private sector actors—ranging in size, sector, motivation or operating in the formal or informal sector—in the planning, implementation, and monitoring and evaluation” will no doubt further national climate actions (International Institute for Sustainable Development, 2021).

In other words, there is a need to strategically include the private sector in climate change adaptation and mitigation planning and actions because of their critical roles in the economy.

#### Box 1: Need for Private Sector in Climate Action

- Mobilise financial resources and technical capabilities.
- Develop and adopt low carbon operations, technologies, and services and expand and access new markets.
- Benefit from cost savings, protect supply chains and build reputational benefits.
- Harness opportunities by building partnerships with other businesses and stakeholders to take advantage of the resources, networks and expertise provided to implement climate projects.
- Provide much-needed finance for various adaptation and mitigation projects.
- Facilitate technology development and transfer and enable infrastructure development that contributes positively to climate action.
- Mobilise resources by trading emission/carbon to the implementation of projects in various sectors.
- Create new green jobs and ensure economic savings with improved wellbeing for people with even greater investment, innovation, and growth potential ahead.
- Competitiveness and market opportunities.

## 3.0 Potentials for the Private Sector in NDC’s Investment in Nigeria

As in most developing countries, Nigeria’s stock of infrastructures is very low. In a 2019 WB workshop, Nigeria’s Federal Minister of Finance, Budget and National Planning underscored this deficiency and emphasized the need for private sector support. In her own words, “Nigeria’s core infrastructure stock is currently estimated at 30 percent of the GDP, which falls far short of the international benchmark of 70 percent.”

Nigeria’s aspiration and infrastructure target for 30 years (2014-2043) are aimed at increasing the current infrastructure stock from 30 percent of the GDP to at least 70 percent by the year 2043. It is estimated that USD3 trillion infrastructure investment would be needed for the next 30 years. She maintained that this is “impossible

to achieve through budgetary provision.” She pointed out that “to bridge Nigeria’s growing infrastructure gap, the federal government intends to cede 48 percent of Nigeria’s infrastructure needs to the private sector to build and own.” According to her, the infrastructure is largely in the transportation and energy sectors, which account for more than 50 percent of the investments.

Hence, one of the most crucial ways through which the NDC can leverage the private sector’s contribution to climate action in Nigeria is by offering the opportunity to bridge the growing infrastructure gap and also provide a leeway for private sector investments in climate-resilient infrastructure and assets.

These sectors (transportation and energy) form part of the current NDC and offer a clear roadmap for the private sector investors and companies looking for profitable investments in climate-resilient infrastructure and assets (others sectors in the NDC include agriculture and oil and gas, and it is currently being reviewed to include water and the waste management sectors). So, the strategic and well-informed inclusion of the private sector through climate change adaptation and mitigation planning and activities must be seen as the critical path to follow. Generally, business opportunities in the NDC are massive. In human history, it is not out of place to say there has never been a better time to invest in climate business. According to IFC

research, the historic global agreement on climate change adopted in Paris helped open up nearly \$23 trillion in opportunities for climate-smart investments in emerging markets between now and 2030 (IFC, 2019). Moreover, these findings included Nigeria as one of the markets and noted that opportunities abound from scaling up solar and wind energy to increasing green buildings or putting in place clean transport or implementing waste solutions as laid out in the NDCs' commitments.

The range of opportunities is vast, with different market entry points for interested private sector stakeholders with different motivations.

## 4.0 Entry Points to Climate Actions Market

In supporting the Nigeria' NDC targets, there are a number of Climate Actions entry points for the private sector as encapsulated in **Fig 1**. These areas are covered in the

current NDC of Nigeria and those being explored as part of the revision and update currently going-on.

**Fig 1: Entry Points for Climate Actions for the Private Sector**



In the agriculture, forestry, and land-use(AF\OLU) sector, there are numerous opportunities for green investments by the private sector. Such opportunities covers areas such as irrigation and water management systems to adapt to changing rainfall patterns; installation of agrometeorological stations and building advanced weather forecasting systems to allow farmers plan effectively construction of water harvesting structures and mini earth dams; use of urea pellets in rice production; briquet production from rice husk; developing crop varieties that are drought-and-heat-resistant; and introducing innovative insurance mechanisms for farmers.

In the transport sector, some private sector players can take (and some have already taken) advantage of fuel switching opportunities for mass transit systems. This could involve switching from petrol or diesel-powered buses to gas-powered buses or electric buses. Traditional mass transit systems could also be replaced with electric cable car systems as being planned for Lagos, Nigeria. Indeed, recently the Federal Government announced a target of at least 30% of passenger vehicles in Nigeria being electric by 2025. And to this end, in Lagos, there is an ongoing preparation of a Cost-benefit Assessment and Financing Plan for a transition to electric (soot-free) buses supported by The African Association of Public Transport (UATP) in co-operation with United Nations Environment Programme (UNEP) and Lagos Metropolitan Transport Authority.

Within the green building sector, there is a market for smart energy and water systems inefficient buildings. There are also opportunities for the private sector in the production of alternative building technologies such as recycled building materials.

The Water sector is one of the taunted areas to be included in Nigeria's NDC under revision. Nigerian is exposed to both drought and flooding and thus provides a veritable platform for building climate adaptation and resilience. This is typified by the AfDB's initiative to pilot the **Adaptation Benefits Mechanism (ABM)** under the project *"Innovative solutions to mitigate flood risks and strengthen the resilience to climate change-induced flooding at the community level in Lagos, Nigeria"* being executed by *Brinker Consortium (Zephyr Consulting LLC, Natural Eco Capital and SLAMDAM B.V.)*.

In the financial sector, there are several opportunities in the creation and deployment of innovative financial products for green investments. From green bonds to green credit lines, and from risk guarantees to carbon market instruments, there are abundant entry points for the financial sector to participate in climate action through green investments.

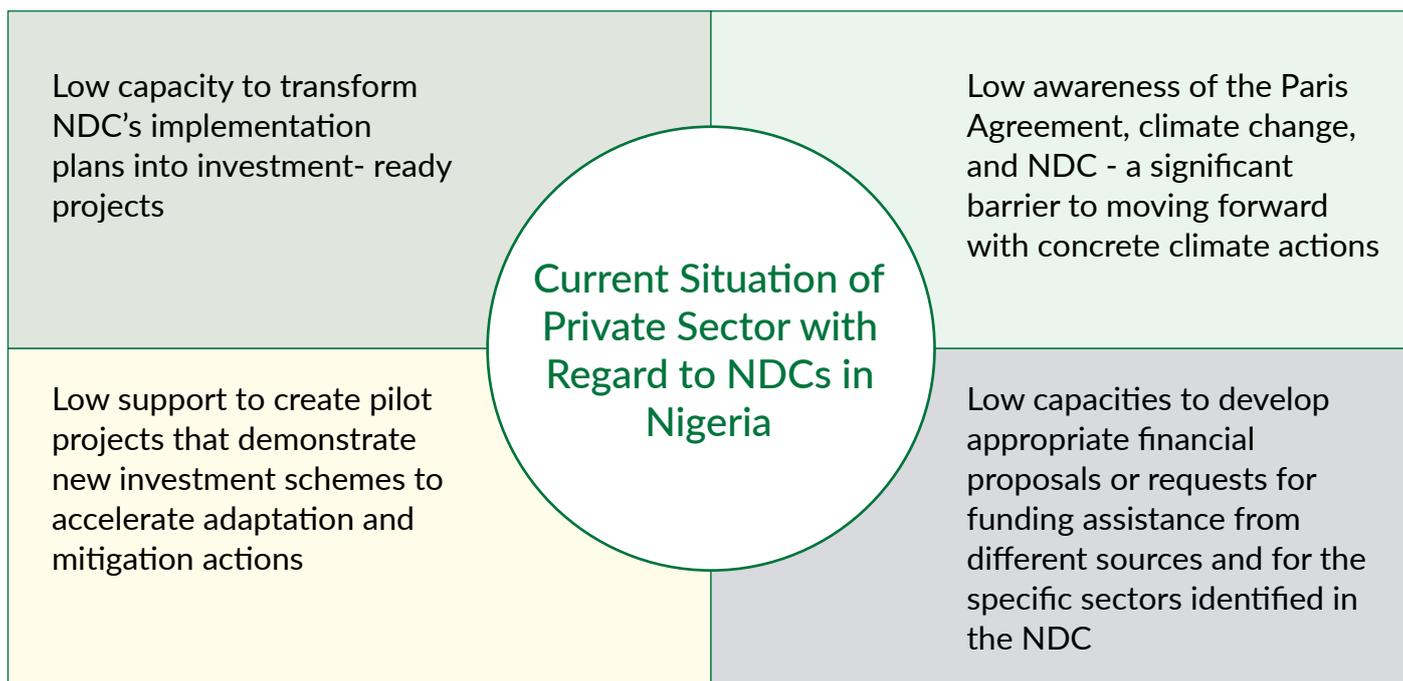
## 5.0 Status of Private Sector Participation in the NDC

Although there is growing initiatives in Nigeria, the status of private sector participation in the NDC remains low. Some of the factors that have been identified for the poor participation of the private sector in Nigeria's NDC are summarised in **Box 2**, and some briefly described:

Generally, amongst the private sector players, awareness about the Paris Agreement, climate change (the risk and

opportunities), and the NDC is still low. This has created a significant barrier in the uptake of several actions by the private sector towards concrete climate actions. Also lacking is the capacity to transform NDC implementation plans into investment-ready projects and to develop appropriate financial proposals or requests for funding assistance from different sources and for the specific sectors identified in the NDC.

**Box 2: Current Situation of Private Sector with Regard to NDC in Nigeria**



Suffice it even to say the capacity to design and implement bankable projects by the private sector in Nigeria, with scale and impact is weak.

Another important barrier against the private sector's involvement in Nigeria's NDC, especially by the Small and Medium Enterprises (SMEs), is the lack of adequate knowledge of climate change/risk (flooding, extreme coastal conditions, draughts, super-hot days that cause systems to fail, etc.) and the skills and tools to protect their businesses. There is also a lack of awareness on how to exploit the opportunities, avenues to profit from the challenges of climate change, especially through the transition to the green economy (designed to improve human well-being and social equity with a significant reduction of environmental risks and ecological scarcities) via innovation (designing product, process or service with the primary purpose of contributing to less polluting or more resource-efficient than equivalent normal products that furnish a similar utility) and creating green jobs.

Another challenge is the lack of a supportive investment environment with clear and transparent regulations and well-designed *policy incentives for the private sector to contribute to financing climate actions. This has hampered the support to create pilot projects that demonstrate new investment schemes to accelerate adaptation and mitigation actions.*

Given that the majority of mitigation actions involve new technologies, it is difficult to access these without the right incentives, which are not available for green investment in Nigeria. In other words, the near absence of the right financial mechanisms stands to discourage investment in low carbon technologies and stimulate the deployment of more mature technologies.

The financial sector is beginning to understand that addressing climate challenges is key to managing business risks and ensuring long-term returns on investment. However, most of the players in the financial institutions are still grappling with the capacity to introduce innovative financing concepts to increase the flow of funds into green investments. This has also affected, at the moment, the encouragement of innovations that overcome scale problems, if at all the encouragement tends to favour fragmentation within the supply chain in order to reduce the perceptible risk in investments. Meanwhile, elsewhere, there is the bundling of small projects into portfolios to provide scale and make them attractive to institutional investors.

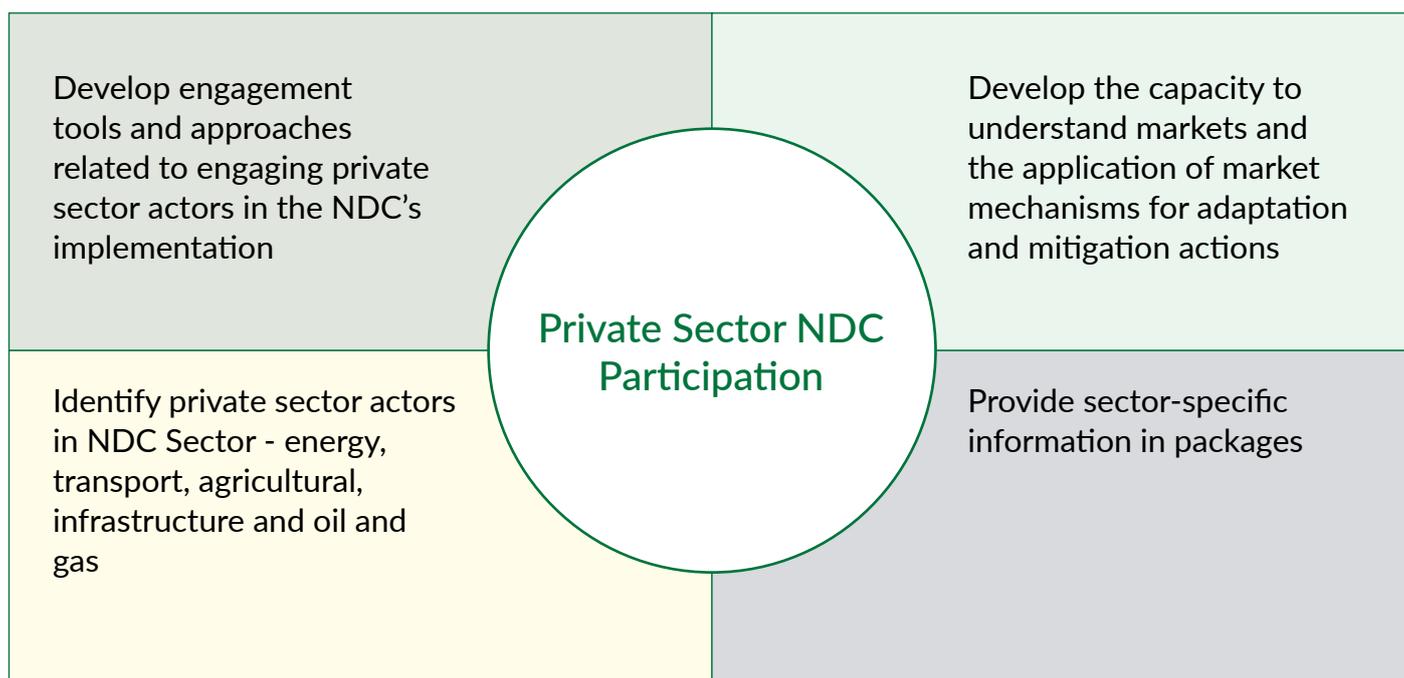
## 6.0 Securing and Stimulating the Interest of the Private Sector

Securing and stimulating the interest of the private sector for greater impacts are seen as critical in meeting the targets of Nigeria's NDC. Sufficing to say that more involvement of the private sector will create opportunities that can boost low carbon economic growth with new green jobs, economic savings, competitiveness and market opportunities, and improved well-being for people with even greater investment, innovation, and growth potential ahead.

Thus, as Nigeria charts a roadmap for NDC revision and implementation, accelerating, encouraging, and enabling innovation, the engagement of the private sector as a critical partner in the process must be seen as a sure way to an effective, long-term response to climate change that promotes "economic growth and sustainable development..." (PA. Art 10.5).

There are a number of actions that stand to strengthen the involvement of the private sector in the NDC implementation that the government and even the private sector players themselves must put in focus as summarised in (Box 3) and outlined below:

1. **Private Sector Climate Awareness** – scale-up of awareness about the Paris Agreement, climate change, and the NDC, which is relatively low at present and constitutes a significant barrier to moving forward with concrete climate actions. In recognition of this, the Federal Ministry of Environment, with the support of the UNDP, embarked on Regional NDC Business Roundtable for The Private Sector, spanning the six regional zones of Nigeria. It is suggested that another round of these roundtable dialogues be carried out to strengthen the private sector's ability to develop business models that support innovations for climate actions.
2. **Fiscal policy**– embark on fiscal policy reform that can create strong incentives for low-carbon investments and, reducing GHG emissions, steer government policies to an overall national interest rather than narrow interests, and ensure smart institutional arrangements that efficiently connect actors across governance levels and geographic regions to ensure coordination and information flow. This will also allow for the creation of a financial architecture that allows local actors to access international climate finance easily, which is essential for the private sector.
3. **Climate finance** – concessional climate finance, for instance, is critical in building resilience to worsening climate impacts and in catalysing the private sector's climate investment. Thus, there is a need to provide concessional climate finance opportunities, lower investment risks for private sector operations, and carbon market instruments. However, to deepen the understanding of the nascent market and unlock new deal opportunities available for funding, the capacities of the players in the financial institutions need to be built. This will enable them to introduce innovative financing concepts that will lead to increasing the flow of funds into green investments, and the development of weather and agricultural insurance solutions, for instance.
4. **Tax incentives** – encourage investors to step up action through provision of tax incentives, especially for start-ups, to encourage growth towards energy transition, climate finance and carbon pricing, industry transition, nature-based solutions, cities, and local action, and resilience.
5. **Country-based fund** – create a country-based fund that pools local resources rather than international hand-outs to deliver low carbon technologies. Thus far, the discourse on 'leveraging the private sector in climate action has focused on mobilising finance from large multinational corporations and financial institutions and using bilateral donors and multilateral banks for projects.
6. **Climate business language** – private sector understands profit and loss, revenues, business risks and opportunities, and market share. Climate change parlance should be framed around these rather than solely from an environmental perspective to encourage the private sector.
7. **Experience** – evolve a foundation of narratives drawn from the private sector's own experience with recent and local extreme climate events and their strategies for further actions by others.

**Box 3: Activities to Support Private Sectors Participation in NDC**

8. **Climate opportunities** – by all accounts, engaging the private sector, which includes the SMEs, in climate-smart investments is seen as a cornerstone to growing climate business opportunities vis-à-vis supporting the meeting of the nation's NDC targets. In recognition of this, AfDB, through Natural Eco Capital, developed Climate risk screening and opportunities assessment toolkits for green investments with six pilot countries: Egypt, Morocco, Angola, Mozambique, Nigeria, and South Africa.
- The private sector players should take advantage of these toolkits: Climate risk screening and opportunity toolkits for SMEs; Greenhouse Gas (GHG) accounting tool for SMEs; climate change mainstreaming guidelines for lines of credit (LOCs) and green jobs tracking tools to innovate and mainstream climate change into their businesses in the present, capitalising on existing opportunities to remain competitive now and in the future, as well as attracting climate finance into private investments.
9. **Opportunity maze** – the massive and range of opportunities presented by potential climate action requires a focused approach with clear guidance for effective contribution to meeting the NDC by the private sector. Hence, business-applicable indicators that highlight the private sector's opportunities and lend themselves to a quick assessment of the NDC opportunities should be developed .
10. **Leaving no one behind** –at both the national and international levels, the discussion often neglects the smaller businesses at the base of the private sector pyramid—the businesses that make up the fabric of the Nigerian economy. A number of them operate in the informal economy and even in rural, hard-to-reach areas, where large companies do not typically operate. Their nimbleness makes them instrumental in increasing adaptive capacity and resilience. These are conversations that must not be left behind.

## 7.0 Encouraging the Private Sector for Strategic Impact in Support of the NDC

There are a number of Strategic Impact Areas to further scale up Private Sector Activities in support of the NDC

targets as depicted in **Fig 2**.

**Fig 2: Strategic Impact Areas to Scale Private Sector Activities that Support NDC**



## Conclusions

As 2030 draws ever closer, the Nigerian government must continually remember that for a manifold innovative solution for climate and development actions to blossom, the private sector is needed. The private sector must be seen as a key partner in the design, financing, and implementation of climate action priorities and in meeting the NDC targets. The government must take decisive steps to bring about measures that support the flow of climate finance and enabling the environment for the private sector through consensus building in the context of local development priorities with the private sector.

It is important to note that investing in low carbon development is a huge investment opportunity that will not be successful without concessional climate finance from the international community. However, it should recognise

that climate finance goes beyond the energy sector and presents huge opportunities to spur much-needed financing to promote sustainable economic development and green growth.

It is essential that the revised NDC include a strong framework for engaging the private sector and building the capacity of the private sector without losing sight of policy actions that ensure careful monitoring of the extent of changes in knowledge and attitude before and immediately after each training. The feedback that will be obtained from such training will help refine and fine-tune the training curriculum and approaches to capacity building in climate change and climate finance in ensuring the private sector plays its pivotal role in the NDCs in Nigeria.

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