



## Strengthening Climate Finance in Nigeria: Lessons from Rwanda

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**Abstract.** Climate finance involves allocating funds from local, national, and international sources to support actions for mitigating, adapting, and building resilience to climate change. As a developing nation, Nigeria grapples with addressing challenges in meeting its climate objectives as spelt out in the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and its Nationally Determined Contributions (NDCs). This paper investigates the problems of accessing global climate fund and achieving sustainable environment in Nigeria. The increasing climate risks—such as flooding, rising sea levels, record temperatures, and prolonged droughts—underline the urgency for access to global climate finance. The paper found a lack of finance, inability to create a direct access entity (DAE), lack of institutional capacity, and enabling environment for the private-public partnership as impediments to access global climate finance for resilient environment. As the largest economy in Africa, Nigeria stands at a crucial juncture where access to global climate finance can help drive sustainability. Increased access to finance is therefore essential to reach development goals and climate targets. It argues against sole reliance on global finance but harnessing domestic funds especially with private-public partnerships to achieve its NDCs. The paper recommends adopting Rwandan best practices in enhancing government accreditation to global funds, improving training and institutional capacity, and creating an enabling environment characterized by political stability and security. Ultimately, the paper argues that inclusive finance is the most effective way to distribute climate resources to the grassroots level, enabling a just transition and comprehensive global climate action.

**Keywords:** Climate Finance, Climate Risks, Sustainable Environment, Direct Access, Domestic Fund.

### 1. Introduction

Since the COVID-19, Climate change has been considered the single greatest challenge facing humanity and the biggest threat to all life on Earth. The Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change (IPCC) states that the world is currently not on track to keep the 1.5% limit agreed upon in Paris and cut global emissions by 43% in this decade. Climate change, driven by the emission of greenhouse gases (GHGs), poses an urgent challenge, particularly to the poorest communities, which are likely to be hit hardest by its worsening impact (IPCC, 2022).

Globally, the urban portion of national emissions rose from 56% in 2000 to 62% in 2015, a six-percentage increase. The percentage of urban emissions rose from 28% to 38% in Africa, from 46% to 54% in Asia and the Pacific, from 62% to 72% in developed nations, from 57% to 62% in Eastern Europe and West Central Asia, from 55% to 66% in Latin America and the Caribbean, and from 68% to 69% in the Middle East between 2000 and 2015 (IPCC, 2022). Although Africa is not directly responsible for climate change, it is warming faster than the other continents. The 2001 Third Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) showed that the frequency and intensity of drought seem to have worsened in parts of Africa (United Nations Fact Sheet on Climate Change, 2006). Also, the IPCC AR6 indicates that vulnerable communities that contributed the least to current climate change are disproportionately affected (IPCC, 2023). Impacts of climate change faced by Africa include increased

drought and floods, leading to a decrease in food production, floods, and inundation of its coastal zones and deltas, the spread of diseases like waterborne diseases and risk of malaria, and changes in natural ecosystems and loss of biodiversity.

Global warming is expected to increase due to continued greenhouse gas emissions, with the best estimate putting it around 1.5°C in the future. Africa is warming faster than the rest of the world and if left unabated, climate change will continue to have adverse impacts on African economies and societies and hampering economic growth and wellbeing (United Nations Fact Sheet on Climate Change, 2006). According to the International Energy Agency (2021) achieving net-zero emissions requires an annual financing of \$5 trillion by 2030 to be sustained until 2050. Despite housing an estimated 40% of the world's renewable energy resources, Africa has achieved only \$60 billion or two percent of \$3 trillion in renewable energy investments in the last decade (African Exponent, 2025).

Although shifting from fossil fuels to cleaner energy has negative implications on petro-dependent states, especially Nigeria, the Nigerian government has launched an Energy Transition Plan (ETP) to accentuate its commitment to achieving Net Zero emissions by 2060. Nigeria seeks to invest an additional \$410 billion in funding by 2060 and has defined incremental funding of \$10 billion per annum to achieve this goal. However, the total fund required to reach Net Zero emissions by 2060 is \$1.9 trillion (Nigeria Energy Transition Plan, 2022). This is significantly unrealistic to a country whose debt status is increasingly a cause for alarm, spending over 80% of its revenue servicing debt, leaving only 20% of its revenue for vital social services and development (Stiftung, 2023). An analysis by the Climate Policy Initiative (CPI) for Africa in 2021/2022 showed that 79% of Nigeria's international climate finance was provided as debt (concessional and non-concessional terms) (Climate Policy Initiative, 2024). Grant or equity financial investment or innovative financing instruments can lessen the burden of debt distress and unlock the opportunities of private sector investment to solve the climate crisis in Nigeria.

Inclusive climate financing has occupied the global climate discussions, demanding urgent and concerted action from all nations to lower emissions and reduce the concentration of greenhouse gases (GHGs) in the atmosphere. Many stakeholders argue that "the global financial system must be a part of the climate solution." The principle of equity, common but differentiated responsibilities, and respective

capabilities are set out in the UNFCCC and the Paris Agreement. However, the issue of access to funding remains unresolved. Developing countries, often the most vulnerable, are desperately struggling to deal with a climate crisis caused by developed countries. This necessitates the call for the global financial system to be part of the climate solution, channelling climate finance into the hands of those most affected by climate change.

Countries agreed to the obligation to provide financial support under Article 9 of the Paris Agreement that the developed country Parties shall provide financial resources to assist developing country Parties for both mitigation and adaptation in continuation of their existing obligations under the Convention. As part of a global effort, developed country Parties are to continue to take the lead in mobilising climate finance from different sources, instruments, and channels, representing a progression beyond previous efforts on climate mitigation and adaptation (Article 9 (3) UNFCCC).

The above notwithstanding, different countries have Nationally Determined Contributions where net-zero targets are set. In line with international requirements, Nigeria enacted the Climate Change Act (CCA) 2021, and other policies on Nationally Determined Contributions and Energy Transition Plan. Having been ranked as one of the most vulnerable countries to climate change, Nigeria has taken action to reduce GHG emissions and mitigate climate change. Where fully implemented, the CCA will ensure adequate energy for sustainable rapid socio-economic development, develop an integral agricultural intervention plan to reduce vulnerability of the sector to climate change, helping to enhance food security and achieve poverty reduction, give way to improved individual health and environmental outcomes; lead to sustainable economic development through innovative investments opportunities, et cetera. However, it is important to state here that the enactment of the law is different from its implementation, as there are challenges to implementing these noble ideas provided in the CCA; these will be discussed in this article in due time.

As one of Africa's major economies and a growing GHG emitter, Nigeria is the fourth largest GHG emitter in Africa. Despite contributing only 0.23% of global cumulative CO<sub>2</sub> emissions, Nigeria is already facing significant consequences of climate change. For instance, in 2012, the northeastern part of Nigeria experienced a devastating combination of extreme drought and extensive flooding that impacted nearly the entire nation, resulting in displacement of 2 million

people and approximately \$17 billion in damages (Federal Republic of Nigeria, 2013). The increasing frequency of floods, droughts, rising ocean temperatures, alterations in snowfall and rainfall patterns, intense rainstorms, and heavy precipitation, alongside declining soil nutrients and deteriorating environmental quality, clearly highlight the significant threats climate change poses to food security and nutritional health in Nigeria (Dauda, 2023).

The years 2015, 2016 2017 and 2018 witnessed displacement of 100,000, 92,000, 250,000 and 1.9 peoples respectively, a critical situation occasioned by flooding (WHO, 2020). Climate change poses significant challenges to food security in Nigeria, reflecting broader issues faced across Africa. The alterations in climatic conditions, such as changes in rainfall patterns and increased temperatures, have severely impacted agricultural productivity.

As a result, Nigeria has experienced disruptions in planting and harvesting seasons, leading to crop scarcity and rising food prices, exacerbating food insecurity. Flooding caused by rising sea levels and intense rainfall in regions like the South-South and South-East has resulted in the loss of farmland and biodiversity, disrupting agricultural activities. These challenges are compounded by the need for enhanced irrigation systems, as erratic precipitation patterns create inconsistencies in water supply. Increased irrigation demands raise production costs, making it difficult for many farmers to sustain their livelihoods, further contributing to potential food shortages. These issues underscore the intricate relationship between climate change and climate financing, highlighting the broader implications for building a resilient economy.

Addressing these challenges requires comprehensive strategies that incorporate sustainable agricultural practices, climate resilience measures, and investment in renewable energy to mitigate the impacts of climate change effectively. Transitioning from energy production and consumption of fossil fuels to cleaner energy sources is important in achieving more sustainable energy consumption and usage and avoiding the clear adverse impact on use of fossil fuels. Embarking upon adequate climate finance today and effectively focusing it on mitigation and adaptation to building resilience to climate change will determine whether growth is sustainable and equitable for the rest of this century and children unborn.

Nigeria like other developing countries lack finance to transition to green energy and this remains the greatest barrier to transitioning to green energy. A revised Nationally Determined Contribution (NDC) was achieved at the run up to COP 26 with investment

action to the value of \$177 billion, while the nation's Energy Transition Plan (ETP) which anchored net-zero carbon pledge by 2060 has an investment of \$410 billion by 2060 for the country to meet its target on energy transition. However, research has shown that a total of \$92 billion investment is required to achieve sustainable development devoid of climate vulnerability up to 2030. This is quite impossible considering the rising debt of Nigeria, lack of simple centralised mechanism to access international fund, lack of institutional capacity and technical know-how in attracting international climate finance, which is equally exacerbated by government's inability to mop up local and national finance by engaging the public-private to co-finance projects and leverage additional resources to strengthen climate finance for climate initiatives.

Adequate funding to achieve low emissions, resilient livelihoods, and climate-resilient growth can provide the much-needed opportunity to ensure the infrastructure and ecosystems necessary for climate mitigation and adaptation. Therefore, the quality and quantity of climate finance are crucial. Despite the benefits derived from greenhouse gases such as oil and gas, support from both the private and public sectors is essential to addressing Nigeria's greenhouse gas challenges.

According to the World Bank Group, Nigeria's overdependence on climate-sensitive industries (agriculture, forestry, oil, and gas extraction) and climate change inaction could cost it between 6% and 30% of GDP by 2050, equivalent to a loss of \$100-460 billion (World Bank Group, 2020). Inclusive finance, which encompasses both national and international sources of finance, therefore can be the most effective way to distribute climate finance to the grassroots level, enabling a just transition and truly global climate action for sustainable environment. There is a need for legal frameworks that align with contemporary climate finance mechanisms and international agreements. To overcome sustainability risks, the government should ensure sovereign sources of finance in collaboration with the private sector, regional and domestic financial institutions to prevent overreliance on international funding.

This research evaluates climate financing and the difficulty in accessing global climate finance in Nigeria. Understanding the method of accessing global climate finance is critical for sustaining climate finance drive in Nigeria. Furthermore, the academic literature on climate finance fails to cover problems of difficulties in accessing global climate finance. The lack of institutional capacity, technical know-how, to

lack of financeable projects affect Nigeria's access to climate finance. The research therefore undertakes a climate-finance analysis of the importance of access to global climate finance and challenges in accessing them in Nigeria. The research is in five parts including this introduction. The second part identifies the concepts of climate finance, analysing both domestic and international forms of finance. The third part identifies the legal framework in Nigeria while establishing the important institution responsible for climate change, carbon budget and its limit on emissions. Part four deals with climate financing proper in Nigeria, challenges in accessing global fund with Rwandan best practices and finally, the conclusion.

## 2. Key Definitions

### 2.1 What is Climate Finance?

There is no universal definition of climate finance. The UNFCCC which ordinarily would have provided a definite definition fails giving a leeway to multiple definitions by data collectors and aggregators although with common elements. This notwithstanding, climate finance has been defined as finance that "aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts." To Soubeyran and Macquarie, climate finance generally refers to finance for activities aiming to mitigate or adapt to the impacts of climate change (Soubeyran and Macquarie, 2023).

Oftentimes, climate finance is used interchangeably with the related and overlapping concepts of green finance, sustainable finance, and low-carbon finance. It is generally referred to as local, national, or transnational financing, drawn from public, private and alternative sources of financing, that seeks to support mitigation and adaptation activities that will address climate change. This definition highlights the various sources of climate finance, extending them the 1992 agreement to include both local and national sources. The above definitions of climate finance represent the flow of funds, or channeling funds to activities, programmes and projects geared towards addressing climate change: for mitigation and adaptation in all economic sectors.

To international diplomacy on climate change, climate finance implies "new and additional financial resources" provided by developed countries to developing countries to meet the full and incremental

costs of climate change and decarbonisation. The definition basically excludes financial market activities like bank loans to companies or investors in private or public entities but includes finance flowing directly to assets and activities, adhering to the core economic principles of avoiding "double counting" as counting a loan from a bank to an energy utility as well as the investments in renewable energy generation made by the recipient company, using the proceeds from the loans, would mean counting finance for the same activity twice. For this study, it is necessary to adopt the definition of climate finance as finance for activities aiming to mitigate, adapt, and build resilience to the impact of climate change irrespective of its source.

## 2.2 Sources of Climate Financing

### 2.2.1 Domestic Finance

This can be subdivided into private and public Funding.

Private sector financing is a type of financing sourced domestically within a country, aimed at mitigating and adapting to climate change impacts within national boundaries (United Kingdom Nigeria Infrastructure Advisory Facility, 2024). These include funds sourced from domestic institutions such as private investors, commercial banks and domestic institutional investors, individuals not excluded. Private finance adaptation is complex despite great opportunities for private sector investment. Many potential stakeholders lack awareness of eligible climate-related projects and financial mechanisms available to them. This is a call to investment in climate adaptation, mitigation and resilience. In Nigeria, the ratio of contribution for domestic climate finance between private and public sectors is 44%:70%. There is a tendency that the private sector investment in Nigeria will thrive better if government incentives are readily available, given the estimate of private sector investment in Nigeria.

Public sector sources of financing on the other hand are typically sourced from the government of a nation or allocations by the Government of a nation. For instance, the Federal Republic of Nigeria's revenues such as taxes, fees, levies, and other funds and appropriations allocated through national budgets to tackle its NDCs. Challenges to the government's climate financing range from limited budgetary allocations, lack of adequate institutions and institutional capacity, competing government priorities, inadequate policy and regulatory framework, lack of adequate data and information on

climate finance flows and lack of political will all pose great challenges to government's funding.

### 2.2.2 International Finance

This is further divided into international private and international public financing.

International private financing is a type of climate financial flows that cross international borders. The aim of international climate finance is basically to support developing countries in their quest to mitigate and adapt to climate change, promote sustainable development, and achieve global climate goals as set out in the Paris Agreement. International private finance may come from a variety of sources including international organisations such as the non-concessional arm of Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs). Some of the institutions offering commercial investments in Africa are the European Investment Bank (EIB), KfW- a German Development Bank, British International Investment (formerly CDC), FMO – a Dutch Development Bank, PROPARGO- a French Development Institution, Swedfund-a Swedish Development Finance Institution, and Norfund – a Norwegian Development Finance Institution, all support sustainable development projects in Africa.

International public financing involves funds provided by international entities or bodies such as multilateral development banks (MDBs): World Bank Group (WBG), African Development Bank (AfDB), international organisations, donor countries (ODA) to support climate change mitigation and adaptation efforts in developing countries. International public climate finance primarily originates from contributions made by industrialised countries, MDBs (e.g WBG, AfDB, and international climate funds (e.g. Green Climate Fund (GCF), Global Environmental Facility (GEF and Adaptation Fund). This finance are part of the UNFCCC commitments by industrialised countries to developing countries.

## 2.3 Forms of International Climate Finance Funds

### 2.3.1 Green Climate Fund (GCF)

This was established by the UNFCCC in 2010 and is the biggest dedicated global climate fund to boost global response to climate change, with the aim of supporting low-emission and climate resilient project in developing countries. To access the GCF, the initiator of the project is required to submit proposals through accredited entities, for example, nationally designated authorities or international implementing

entities. FONERWA is Rwanda's accredited entity which serves as a national mechanism to efficiently manage and mobilise climate finance directly, bypassing intermediaries and directly securing funding from global sources as GCF, ensuring quicker and more targeted allocation of resources to climate-related projects. Rwanda has attracted significant funding from the GCF, for example in 2019, a \$32.8 million grant to increase community resilience in Gicumbi District was secured by the Rwandan government, while in 2021, a \$33.7 million contribution for climate adaptation in the Eastern Province including additional \$15.8 million co-financing from the Rwandan government and partners was achieved (MINECOFIN, 2023). Rwanda has a strong partnership with the GCF and was the first country to receive direct access accreditation through the Ministry of Environment. Nigeria just like Rwanda ought to have access to various international sources such as the GCF and Adaptation Fund but faces the challenges of complex financing structures and limited direct access (CPI, 2024).

### 2.3.2. Adaptation Fund (AF)

As the name implies, AF finances adaptation projects especially in developing countries that are vulnerable to climate change impacts, that meet specific criteria such as the Least Developed Countries (LDCs). Projects like water management in drought prone areas in Ethiopia, and development of early warning systems for cyclones in Madagascar have benefited from AF.

The flow of adaptation fund to Africa is slow despite global commitments to increase adaptation finance. Between 2019 and 2020, the adaptation funding to Africa only increased to 14%, and 36% of total climate finance in 2021-2022 (CPI, 2023). The adaptation funding gap has continued to widen globally, and this is escalated by accelerating climate impacts and relatively slower growth in adaptation finance flows. Nigeria like other developing countries in Africa are hard pressed to meet their anticipated investment needs, the range of estimation to bridge the adaptation funding gap is between \$130-415 billion per year by 2030 (CPI, 2023).

### 2.3.3 Loss and Damage Fund (LDF)

This is a new fund established under the UNFCCC providing financial support to countries that are already experiencing the impacts of climate change that are "irreversible and unavoidable." Although this fund is in its earliest stage of development, it has the

potential to provide much needed support from vulnerable countries.

### 2.3.4 Global Environment Facility (GEF)

GEF is the largest funder of projects that improve the global environment. This is achieved through grants and concessional funding of projects related to biodiversity, climate change mitigation, adaptation and land degradation. The AfDB and GEF collaborate in providing funding and technical expertise for African countries with limited resources to finance climate related projects. Over \$400 million worth projects have been funded by both grant and private sector resources due to collaboration among these two entities (African Development Bank, 2025).

## 3. Legal Framework for Climate Finance in Nigeria

### 3.1 The International Conventions

#### 3.1.1 The Kyoto Protocol

This is an international treaty to reduce GHG emissions, applicable specifically to six (6) GHGs: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. As an extension of the 1992 UNFCCC, it is based on the principle of common but differentiated responsibilities due to the socio-economic development of the countries concerned as well as the polluter pays principle. Nigeria was the 144<sup>th</sup> country to ratify the Doha amendment to the Kyoto Protocol in 2020.

#### 3.1.2 Paris Agreement 2015

Countries agreed to the obligation to provide financial support under Article 9 of Paris Agreement 2015 thus: “Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. As part of a global effort, developed country Parties are to continue to take the lead in mobilising climate finance from a wide variety of sources, instruments and channels, representing a progression beyond previous efforts on climate mitigation and adaptation (UNFCCC, Article (9) (3).

The global commitment to combat climate change was solidified by this agreement. It allowed enhanced financial flows that support developing countries in their climate actions. Developed countries reaffirmed their commitment to mobilise \$100 billion per year up

to 2020 to assist developing and least developed countries in their mitigation and adaptation actions, reiterating scaling up financial contributions in the nearest future.

### 3.1.3 1992 United Nations Framework Convention on Climate Change (UNFCCC)

The Convention on Climate in Rio de Janeiro in 1992 paved the way for global climate financing and the need to mop up financial resources from developed countries to assist the development of sustainable environment for developing countries in their efforts to limit the causes of climate change while adapting to its impacts. This includes the agreement that developed countries shall provide “new and additional financial resources” to developing countries to support meeting the full and incremental costs of climate change. This concept of climate finance is modified to include not only the support of developed countries but also private domestic sourced finance (Climate Action Network Europe, 2016). The \$100 billion set in the Copenhagen Accord by developed countries, reaffirmed and adopted in Paris Agreement that “developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations” has been bedevilled by some challenges. These challenges had not been settled even up to COP29 which ended in disagreement among member Parties in 2024.

COP29 in Baku Azerbaijan dwelt majorly on climate financing, intended to bring an end to deliberations on climate financing to reduce greenhouse effect (Chandrasekhar et al., 2024). Developing countries at COP29 set the figure for global commitments to climate finance as \$1 trillion as against \$200 billion by the developed countries. The negotiation ended with no consensus on a figure for climate finance, the shift away from fossil fuels or language around gender. A commitment made last year to ‘transition away from fossil fuels’ is also in doubt, with no mention of the phrase in the latest draft treaty text.

### 3.2 Domestic Laws and Policies

#### 3.2.1 The Climate Change Act (CCA) 2021

The Climate Change Act was signed into law by the then President, Muhammadu Buhari on the 11<sup>th</sup> of November 2021, following the Conference of Parties (COP26) in Scotland. This signalled Nigeria’s commitment to climate change mitigation and energy transition as well as achieving the net zero emission target set by the President at COP26 and its

commitment to the Paris Agreement, and other standards and guidelines relevant to climate change adaptation and mitigation. The Act is a model as to how individuals and organisations interact with their natural environment to achieve sustainable development. The Climate Change Act provision is an all-inclusive, regulatory legal framework for achieving Nigeria's long-term climate goals that include net-zero carbon emissions by 2060. As a country most affected by the devastating effects of climate change, adequate climate financing and accountability will lead to a sustainable environmental achievement.

The CCA provides an institutional framework for the country to achieve its net-zero greenhouse gas emission target and enhance resilience of our economy and environment to climate change. It is applicable to both private and public entities and covers every sector.

### **3.2.2 National Climate Change Action Plan (the Action Plan)**

Section 3 of the CCA provides for the establishment of the National Council on Climate Change (NCCC), the body responsible for implementing Nigeria's climate change action plan. A Secretariat which is an arm of the NCCC empowered under section 20 of the CCA to work in consultation with the Federal Ministry of the Environment, Budget and National Planning in formulating a long-term Action Plan every five-year to ensure that Nigeria is abreast with its international climate change commitments. This Action Plan is subject to approval by the Council and the Federal Executive Council (FEC) after being published to the general public for consultation for a period not less than eight weeks, ending 14 days before its presentation to the Council (Section 20, Climate Change Act 2021).

The Nigeria's Action Plan for climate change serves as a basis for identifying and categorising the activities aimed at guaranteeing that the national emissions profile is consistent with the carbon budget goals (section 20, Climate Change Act 2021). It establishes national goals, objectives and priorities on climate adaptation, prescribes measures and mechanisms for identifying and assessing risks, vulnerabilities and extremes of impact of climate change on vulnerable communities, populations and eco-systems; reviewing levels and trends of GHG emissions; identifying strategic areas of national infrastructure requiring climate proofing; and prescribing measures and mechanisms for achieving Nigeria's climate goals.

### **3.2.3 Private and Public-Private Partnership**

Collaboration among private and public entities is very important in actualisation of a national climate change goals. The NCCC determines incentives for private and public entities in achieving their GHG emission reduction targets. A private entity with employees numbering 50 and above is obligated under the Act to put in place, measures to achieve the annual carbon emission reduction targets in line with the Action Plan (section 24, Climate Change Act 2021). Likewise, an entity that fails to comply with climate change mitigation and adaptation obligations is liable to penalties (section 34, Climate Change Act 2021).

### **3.2.4 Carbon Budget**

Carbon budget is the approved quantity of GHG emissions that is acceptable over a specified period (section 35, Climate Change Act 2021). Nigeria's Carbon Budget sets legally binding limits to the amount of GHG the nation can emit over a five-year period. The Federal Ministry of Environment in consultation with the Federal Ministry of Budget and National Planning are responsible for setting carbon budget for Nigeria to ensure keeping average increases in global temperature within 2°C and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels (section 19, Climate Change Act 2021). This responsibility includes setting the carbon budget, budgetary period, and periodically revise the carbon budget in line with Nigeria's NDCs with a view to complying with Nigeria's international obligations. The Nigeria's budget currently set annual budgets and five-year GHG emission targets to ensure the cutting of carbon emission to net-zero between 2050 – 2070. Periodic review of the carbon budget in line with the NDCs in accordance with Nigeria's international obligation are also the responsibilities of the two Ministries.

### **3.2.5 Climate Change Fund**

Nigeria establishes a Climate Change Fund to be maintained by the NCCC (section 15, Climate Change Act 2021). The Fund comprises of sums appropriated by the National Assembly for the running of the Council; subventions, grants, donations, fees and charges for services rendered or publications made by the Council; funding from International Organisations and funds due to Nigeria for meeting her NDCs; fines and charges from private and public entities for flouting their Climate Change mitigation and adaptation obligations; carbon tax and emissions trading; and other funds as the Council may prescribe from time to time.

### 3.2.6 Application of Fund

The Fund is applied to defray the cost of administration of the Council and offices established under the Council; payment of emoluments, allowances and benefits of members of the Council and any committee set up or for other expenses incurred while implementing activities authorised by the Council; pay salaries, remunerations or allowances and other retirement benefits payable to the staff of the Council; the development and maintenance of any property vested in or owned by the Council; funding climate change advocacy and information dissemination; funding innovative climate change mitigation and adaptation projects, subject to the approval of the Council; defraying the fees of auditors and other expenses incurred from auditing the Council; conducting assessment of climate change impact on vulnerable communities and population; incentivising private and public entities for their efforts towards transiting to clean energy and sustaining a reduction in GHG emissions; and other expenditure in connection with any function of the Council (section 15 (2), Climate Change Act 2021).

### 3.3. Climate Financing in Nigeria

Climate finance has evolved significantly from the UNFCCC in 1992 to the Kyoto Protocol, the Paris Agreement, and domestic funds. This development has underscored the importance of mobilising adequate financial resources to support developing countries in their quest to mitigate and adapt to climate change. Climate finance is important in addressing the global climate change crisis. Nigeria lacks the institutional capacity to access the Global Fund. Up until now, Nigeria did not establish a direct access entity to the Global Fund which is a condition precedent to access a GCF for instance. While Rwanda established its first direct access to GCF for instance, Nigeria just established NDB as its first direct access entity to GCF.

To avoid the dangerous impact of climate change, global mean temperature increase must be reduced to 2°C above pre-industrial levels. Mopping up domestic funds alone to address environmental challenges and promote sustainable development in Nigeria will not be adequate. Experts' estimated amount to achieve Nigeria's adaptation and resilience targets by 2030 is put at 120 billion USD through 2030 (Nationally Determined Contributions, 2021). A lot of finance needs to go into policy, planning, and mainstreaming adaptation policy into national development programs. Development of early warning systems, risk assessment and tracking, all require adequate funding

which the Nigerian government cannot achieve due to its increased financing needs to reach development goals and climate targets.

Nigeria has, through its Nationally Determined Contributions (NDC), Long-Term Climate Strategies (LTS), and National Adaptation Plans (NAP) put forward ambitious targets to reduce GHG emissions and increase its resilience to climate change impacts. A recent analysis by the United Nations Development Programme showed that finance remains a fundamental barrier to the acceleration of climate action in developing countries including Nigeria (United Nations Development Programme, 2023). Financing sectoral opportunities such as bio-diversity, nature, agri-food, sanitation and water are investment opportunities.

High-income countries with a significant historical contribution to climate risks had committed to raising finance to fund climate action in lower-income countries. However, this target has not been realised and even more funding is required to advance the green transition and enhance resilience in developing countries. Nigeria as one of the most populous and economically significant country in Africa faces a perpetual shortfall in investment. Climate finance could play an important role towards closing this gap, driving positive environmental and social impact while unlocking new opportunities for attracting investment and innovation, improving resilience to climate-related risks that it faces.

Nigeria has not had the opportunity to access from the enormous available volume of the global climate fund. Between 2019 and 2020, it only received a fraction of this global funding totalling about \$1.9 billion despite its status as one of the world's most vulnerable countries to the impacts of climate change (UKNiAF, 2024). Between 2021 and 2022, Nigerian climate finance grew by 32% to \$2.5 billion representing just 8% of the estimated \$29.7 billion estimated climate finance needs needed annually for mitigation and adaptation until 2030 (Landscape of Climate Finance in Ethiopia).

While advocating for climate-resilient and low-carbon development, creating enabling environment that provides support for this quest is an important step in accessing climate finance. This is notwithstanding the assurance of the institutional capacity that will implement already established policies. There is a high degree of insufficient technical expertise, human resources, knowledge and monitoring management systems that hinder effective planning, coordination, and reporting of climate-related expenditures at the

Ministries of Environment, Budget and Planning and the Debt Management Office. An institutional approach, based on capacity assessments, could provide insights at national and international levels, on the appropriate next steps for climate finance actions. Apart from capable institutions, Nigeria needs to develop the ability to manage funds and develop projects that respond to social needs indicative of clear effect and result-oriented.

#### **4. Challenges of Accessing Climate Finance Fund**

##### **4.1 Complex Application Procedure**

The biggest challenge in accessing climate finance is the stringent or complex application requirements by the climate finance providers. Climate finance providers often require highly detailed project proposals, feasibility studies, and evidence of long-term impact projects. Preparing these can be resource-intensive for Nigeria and other developing countries as they often lack the necessary capacity or technical expertise. But Rwanda has been able to overcome this challenge. It succeeded in simplifying its access to climate finance through the establishment of the Rwanda Green Fund (FORNEWA), a centralised mechanism that integrates and streamlines the process of mobilising and managing climate finance. The centralised structure consolidates resources from both international and domestic sources, thereby reducing the need for multiple layers of bureaucracy.

##### **4.2 Limited Direct Access to Funds**

Climate finance funds require intermediate bodies such as national implementing entities to access the fund. For now, the Development Bank of Nigeria (DBN) is accredited as a Direct Access Entity (DAE) for the GCF. The accreditation allows Nigeria the ability to directly access GCF resources for climate-related purposes without intermediaries (Ujah, 2024).

##### **4.3 Insufficient Funding**

The estimated global climate finance required annually is in the neighbourhood of \$8-9 trillion by 2030 to keep global temperatures below 1.5°C. Between 2021 and 2022 the global climate finance flow was \$1.3 trillion leaving a huge gap. Insufficient funding is a major issue as the amount of climate finance that is currently available is not enough to meet the needs of developing countries who are more vulnerable and hit by climate change.

##### **4.4 Limited Capacity**

One of the key constraints faced by Nigeria and many developing countries in accessing climate finance relates to disjointed data availability and time lag in reporting conducted in a periodic manner (Global Centre on Adaptation). This is coupled with what Chennells referred in his research as 'insufficient absorptive capacity' i.e., inability of their institutions to properly execute projects and deliver programmes using the resources accessed (Channells, 2015).

Again, most developing countries lack the technical expertise or institutional capacity to develop projects that meet international standards. For instance, the GCF requires direct access modality which allows countries to directly access and manage climate finance. Countries interested in direct access to the GCF must first undergo an accreditation process, and a nationally designated authority or an eligible entity within the country will apply to become an Accredited Entity (AE) to the GCF. Once accredited, the AE then develops and submits project proposal that aligns with the GCF's funding priorities, objectives and eligibility criteria and probably address the nation's climate change priorities. Typical projects may include renewable energy initiatives, ecosystem restoration, climate-smart agriculture, climate resilient infrastructure, capacity-building programs, and infrastructure developments. Failure to develop bankable projects is at the core of denial to GCF and AF.

##### **4.5 Corruption, Voice and Accountability**

An empirical study conducted by Lubinga and Mazenda revealed that a perceived political instability significantly influenced climate finance inflows among countries that strongly increased their NDC targets, while perceived deterioration in corruption control negatively impacted the amount of climate finance received by the same group of countries (Lubinga and Mazenda, 2024). The study further showed that a poor perception of citizens' ability to express their voices according to dictates of the law and the extent to which citizens can participate in selecting their governance (voice and accountability) were linked to a decline in the amount of climate finance received among countries that increased their respective NDCs. Poor institutional governance relating to voice, accountability and corruption control are associated with reduced climate finance inflows in developing countries.

Perceived government effectiveness negatively affects climate finance inflows among developing countries.

A bad perception of government efficiency in delivering services compromises the chances of receiving climate finance. This could be attributed to bad confidence, which relies on decision-making and the capacity to make adequate and efficient decisions that further influence continued funding (Sheriffdeen, 2020). An enabling environment is essential and cannot be compromised in attracting climate fund. Building a strong accountability mechanism at all levels of government will be effective for Nigeria's government to access climate fund.

## 5. Policy Recommendations

Nigeria has made giant strides in accessing the global climate fund especially the GCF through the newly introduced DBN which empowers Nigeria to submit funding proposals directly for bankable projects. However, as at the time of writing this research, Nigeria has not received direct funding from the GCF. To improve access and mobilise sufficient fund, Nigeria government can leverage on Rwandan's best practices in accessing climate fund. Adopting a centralised climate finance system like Rwanda's Green Fund (FONERWA) could be transformative for Nigeria. This will improve access, transparency and efficiency in managing climate finance.

**5.1 Development of Bankable Projects:** Investment in climate resilience projects will encourage access to global climate finance. Gender related projects and actions targeted at reducing greenhouse gas emissions are more likely to receive GCF attention than others.

**5.2 Strengthen Institutional Capacity:** Investing in training experts within the fund is necessary to craft high quality proposals that meet the international standards to address the current challenges with bankable projects. Collaborating with international partners such as Rwanda to learn best practices for fund management and implementation is necessary.

**5.3 Simplified Access:** Establishment of centralised mechanisms that integrate and streamline the process of mobilising and managing climate finance will help to avoid complexities and bureaucracy often faced by developing nations in accessing global climate finance. FONERWA has established clear eligibility criteria and streamlined procedures for project evaluation and approval, which simplifies the procedure for applications. These measures enable Rwanda to effectively manage climate finance and avoid the challenges of navigating complex financial structures. Nigeria could consider adopting a similar centralised approach to improve its access to international climate funds.

**5.4 Private Sector Engagement:** An enhanced private sector engagement is crucial to building a resilient environment. Engaging the private sector to co-finance projects and leverage additional resources for climate initiatives, developing clear guidelines and eligibility criteria will ensure transparency and accountability that would build confidence among international donors and local stakeholders. Offering financial incentives such as tax holidays or grants will encourage private sector's investment in climate projects.

## 6. Lessons from Rwanda

Rwanda like Nigeria has been facing a long-term financial impact of the COVID-19 pandemic which left the country with limited financial resources allocated to vital climate mitigation and adaptation projects. Apart from the aftermath of COVID-19, Rwanda is considered highly vulnerable to climate change in both mitigation and adaptation cases. Having experienced multiple climate hazards including more intense rainfall, shifting seasonal temperatures, droughts and landslides, Rwanda has set ambitious climate and development goals to achieve a low-carbon emission, climate resilient economy.

The Government of Rwanda in 2012, established a Fund for the Environment and Climate Change referred generally as FONERWA, a cross-sectoral financing mechanism to achieve the development objectives of environmentally sustainable, climate resilient and green economic growth. The Fund was a ground-breaking initiative and the biggest in Africa. By leveraging on the institutional inclusivity across institutional learning and engagement at local level, Rwanda has successfully accessed some level of climate finance.

FONERWA serves as a vehicle through which green finance is channelled, programmed, disbursed and monitored. Nigeria should borrow a leaf from the successes of Rwanda to enhance and strengthen project development capacity especially now that it has established the DBN. Rwanda is one developing country that succeeded in establishing a dedicated climate fund which helped in the access to climate fund, with the ability to managing fund and proper development of projects.

It is an instrument to facilitate direct access to international environment and climate finance, as well as to streamline and rationalise external aid and domestic finance. Ministries, districts, charitable and private entities including businesses, civil society and research institutions have access to the Fund (Centre

for International Development and Training, 2014). The success of FONERWA lies with a successful integration of both management and technical board composed of governmental and non-governmental institutions as well as funders which allows the pooling of resources from different entities for climate finance. It serves as a primary means through which climate and environment finance in Rwanda is channelled, distributed and monitored.

The NDB role is equivalent to Rwandan's FONERWA. Ensuring that capacity exists to access the Fund both within the public and private sector is a top priority in its success. Potential beneficiaries, the private sector, especially the Micro, Small and Medium-sized Enterprises (MSMEs) that make up 96.7% of all businesses and contribute to over 45% of Nigeria's gross domestic product (GDP) can harness this opportunity to access loans to develop innovative and new business models, and low-carbon technologies that will drive Nigeria's economy towards its green goals. Training of manpower is also required to ensure that beneficiaries understand how climate finance works, how to scope eligible projects and how to structure successful proposals.

## 7. Conclusion

Climate finance is vital to addressing climate change due to the large-scale investments that are needed to transition to a low-carbon global economy, helping societies to build resilience and adapt to the impacts of climate change. Climate finance in Nigeria is small compared to the potential and financial needs of Nigerian communities. The huge debt status, debt servicing, institutional incapacity, inability to have direct access to global climate finance and wider investment issues militating against investment in climate solutions need critical attention. Nigeria needs to harness the international and national finance to give solution to the climate crisis in Nigeria. There is a need for scaling up climate finance through the development of domestic funds by leveraging on private-public partnership to support the inflow of global climate finance. Establishing a more simplified-centralised mechanism that integrates and streamlines the process of mobilising and managing climate finance are essential for building a more suitable and resilient future for the children yet unborn.

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