

# The New Practice (TNP)

## - An Andersen Collaborating Firm



**Rex Uwadoka**  
Associate  
E: rex@tnp.com.ng

## Sustainable Finance in Nigeria: A Case for its Development

Nigeria's most prominent sustainable finance instruments have been green bonds and most recently, social bonds.

### The Future of Sustainable Finance

Sustainable finance has emerged as a powerful tool driving change in the global finance landscape. In an era when the world has united to combat common global problems like climate change, carbon emissions, waste management, and the green economy, one can only imagine that major investments in the coming years will be directed toward sustainable development. This will be both profitable for investors and beneficial for the larger populace.

A key factor for consideration is a collaborative development of varied sustainable finance instruments leveraging on technology. The universe of sustainable digital finance solutions covers a broad spectrum of technologies including mobile payment platforms, crowdfunding, the internet of things (IoT) and big data. Examples of digital products that have been held to make sustainable finance even easier include Scandinavian start-up Trine, which links private sources of capital to distributed solar energy systems through sustainable loans in Africa.

Linked to this is the development of a localised ESG strategy. Financial institutions need to see past the ESG label and get to the deep issues of E, S and G metrics. Potentially, this would involve analysing ESG factors alongside financial metrics, to assess risks and potential returns and transparent reporting and disclosure practices in Nigeria. This will ensure the players are constantly monitored for the implementation of sustainable finance principles. These practices are central to sustainable finance.

### Sustainable Investment Opportunities

The inexhaustive list below can be said to present sustainable investment opportunities in Nigeria:

- Clean Energy Systems:** The power sector in Nigeria presents significant opportunities due to high demand, driven by population growth and energy

shortages. The potential for clean energy solutions is enhanced by falling technology costs and advancements in energy storage.

- Sustainable Cities:** Sustainable urban development is crucial for addressing sustainability challenges. Cities face strain from rapid urbanization, but investments in areas like energy, transport, water, sanitation, housing, education, healthcare, and waste management can yield sustainable returns.
- Agriculture and Sustainable Land Use:** Sustainable land use practices are gaining importance due to changing demographics, consumption patterns, and climate conditions. The agriculture

sector can benefit from domestic production of currently imported crops and provide employment opportunities, particularly for women.

- Healthcare and Education:** Nigeria's changing demographic trends, with a growing urban population, present opportunities in the healthcare and education sectors. Investment possibilities include improving tertiary healthcare infrastructure and data collection.
- Transport:** Beyond urban transport, upgrading the railway network and efficient air and seaports are seen as opportunities for driving sustainability outcomes. Investments in sustainable infrastructure can have a positive economic impact.
- Circular Economy:** Circular economy business models, focusing on resource efficiency, offer potential across various sectors in Nigeria. Such models aim to extend the use of resources and reduce waste.

Nigeria is at the forefront of moving to a sustainable future; however, current flows of sustainable finance in Nigeria, as in most countries globally, remain inadequate to capitalize on this opportunity. Our economy depends heavily on fossil fuels and as such, complete diversification of the economy is needed through adequate infrastructure, planned and executed without harming the environment.

Sustainable finance can help stimulate the growth of high-potential industries including renewable energy, transport, waste management and critical measures addressing climate adaptation and agriculture.

In the pursuit of fostering and promoting participation in the financing of a sustainable Nigerian economy, the government, regulators, and private stakeholders should develop relevant definitions and technically robust taxonomies for sustainable assets and financial products in Nigeria in response to the myriad of investment opportunities in Nigeria.

**Nigeria is at the forefront of moving to a sustainable future; however, current flows of sustainable finance in Nigeria, as in most countries globally, remain inadequate to capitalize on this opportunity. Our economy depends heavily on fossil fuels and as such, complete diversification of the economy is needed through adequate infrastructure, planned and executed without harming the environment.**

In a world beset by environmental, social, and economic challenges, it has become increasingly necessary for a realignment of common goals; one of these is the sustainability of the earth.

The financial sector holds enormous power in funding and bringing awareness to issues of sustainability, whether by allowing for research and development of alternative energy sources or supporting businesses geared towards sustainable development.

Sustainable finance represents a significant opportunity for financial institutions and government to reposition business models in line with customer expectations, evolving economic risks & challenges, and environmental, social and governance (ESG) standards driven by politics and society.

What we are trying to do here is to make a case for sustainable finance in Nigeria, taking into consideration our special needs as a people and as a country, exploring the opportunities the concept presents, and suggesting frameworks that will best suit our nation.

### Framework

Government support and a conducive regulatory framework are critical for the success of sustainable finance in Nigeria.

As an effort to developing a framework to guide sustainable finance, the Financial Services Regulation Coordinating Committee (FSRCC) developed the Nigerian Sustainable Finance Principles (NSFP). The NSFP focuses on the role financial services stakeholders play in facilitating economic prosperity and ensuring environmental sustainability and social development. These principles have been adopted by key regulators in the financial market including the Securities and Exchange Commission, Central Bank of Nigeria, and the Nigerian Exchange Group.

**Disclaimer:** This article is provided for general information and educational purposes only. It should not be construed as legal advice from TNP or the author. We advise that you seek legal and or other professional advice on issues raised in the article.

**Setting the trend. Shaping the future.**

