Diversification of the Nigerian economy as a de-carbonisation pathway: opportunities and challenges

By:

Ohio Omiunu

November 15, 2019

Introduction

This contribution aims to examine Nigeria’s use of Green Bonds as an example of an innovative policy initiative which has the potential to promote economic development while simultaneously reducing Nigeria’s carbon emission levels.

Diversification of Nigeria’s economy: The role of policy reform

Diversification of the Nigerian economy has been on the agenda for decades. However, in a bid to transition from a monolithic economy, the sources of energy Nigeria relies on to power the transformation process are critical. Given this, Nigeria’s economic reform process presents both opportunities and challenges to strike the seemingly elusive balance between economic growth and protection for a very fragile environment (Abbas Mardani and others, (2019); Jagdish Bhagwati (1993)). This contribution focuses on policy reforms because it is a necessary process required to achieve significant changes '…to the formal “rules of the game” – including laws, regulations and institutions – to address a problem or achieve a goal such as economic growth, environmental protection or poverty alleviation’ (OECD, 2007).

Nigeria’s Economic Recovery and Growth Plan as a blueprint for a greener economy?

In Nigeria, the federal government has over the years outlined the direction for economic policy reforms in strategic plans/vision statements. The current strategic plan by president Buhari's government is the 'The Economic Recovery and Growth Plan (ERGP) 2017-2020.’ According to the ERGP, the strategy is '… consistent with the aspirations of the Sustainable Development Goals (SDGs) given that the initiatives address its three dimensions of economic, social and environmental sustainability issues.' The ERGP also aims to '…address some of the most pressing issues, e.g., through afforestation, tackling climate change and better environmental management to support sustainable development’. (ERGP, p. 95)

The Green Bond Initiative

Outlined further on in the ERGP, are some clear policy objectives which back up this claim to a robust consideration for environmental protection in Nigeria’s current economic recovery strategy. In the context of investment inflows, (both domestic and foreign portfolio investment) one crucial policy objective contained in the ERGP is the objective to 'Attract financing for sustainable development projects.’ A targeted action provided in the ERGP to operationalise this objective is the government’s policy to raise Green Bonds (also known as climate bonds) to finance environmental projects in Nigeria. Unlike conventional bonds, Green Bonds are fixed income securities issued to finance projects that have a positive impact on the environment and provide solutions to climate change. Several private sector stakeholders and subnational governments have latched on to the use of Green Bonds to raise finance for environmental-friendly projects. With the launch of the first green bond issue in

December 2018, Nigeria became the fourth nation globally, and the first in Africa to issue a Sovereign Green Bond.

Green Bonds as a catalyst for realising sustainable economic growth and development in Nigeria

The green bond initiative is innovative policymaking by the Nigerian government. What is laudable about this initiative include the fact that: it indicates a growing coherence between economic development-related and climate change-related policymaking in Nigeria. More importantly, moving from a policy objective in the ERGP to actual realisation within a short turnaround time creates optimism that Nigeria is committed to attaining a greener economy. The progress made by Nigeria in this stead is already yielding benefits. For example, it has been reported that behind Ethiopia and Kenya, 'Nigeria is the third most preferred destination for member countries of the Organisation for Economic Co-operation and Development (OECD) seeking to fund projects that would promote green economy in Africa.'

The attraction of green investment from Global North countries into these African economies has the potential to spur a 'race to the top' in environmental-friendly regulation in Nigeria and across the continent. More specifically, the funds generated through green bonds if effectively harnessed can contribute to the UN SDG funding deficit in Nigeria. Moreso, because the funds are generated in partnership with the private sector, Nigeria can leverage on the expertise and capacity of the private sector to design more efficient ways to drive the implementation process, i.e. monitoring, evaluation and reporting (Moving Humanity, 2018: p. 32).

As laudable as the emerging scenario in Nigeria is, caution is also needed. Caution is advised because the effectiveness of these policy reforms outlined above is contingent on certain variables that can scupper the current trajectory towards a greener economy for Nigeria. Notably, continuity of the green bonds' initiative is contingent on future governments voted into power maintaining, and building on the momentum generated by the government of today. In this regard, there are no guarantees that the next administration will by-into the need for a green approach to economic development. Furthermore, Nigeria's efforts towards a greener economy cannot be achieved in isolation of the continental efforts on climate change championed by the African Union. For example, the green bond initiative in Nigeria must be a stepping stone to bolder, and adaptive oriented measures advocated under Africa’s Common Position on Response Measures to climate change under the auspices of the African Union (AU).

Conclusion

The negative impact of anthropogenic carbon emissions, especially CO_2 on the environment is an urgent concern for the global community. As such, it has become imperative for nations to develop new and innovative ways to pursue economic prosperity sustainably. Nigeria’s Green Bond initiative is one such laudable innovation in green policymaking. This because it focuses on bridging the funding gap, which is a critical element for the attainment of the UN SDGs.

View online: Diversification of the Nigerian economy as a de-carbonisation pathway: opportunities and challenges

Provided by Afronomicslaw